

# **19th Annual Report 2004-2005**



## **JALPAC INDIA LTD.**



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**BOARD OF DIRECTORS**

Anil Sharma - Nominee of PICUP  
 Deviinder Gupta - Nominee of ICICI Bank Ltd.  
 Madhukar Jalan - Managing Director  
 S.S. Jain  
 K. K. Shukla - Nominee of PICUP  
 R. R. Malhotra - Executive Director

**AUDIT COMMITTEE**

Anil Sharma - Chairman  
 S. S. Jain  
 K.K. Shukla  
 Madhukar Jalan

**COMPANY SECRETARY**

P. C. Joshi

**REGISTERED OFFICE**

Village Tularampur  
 P.O. Mota Haldu  
 Tehsil Haldwani  
 Dist. Nainital (Uttanchal)  
 Pin : 262 402

**WORKS**

Village Tularampur  
 P.O. Mota Haldu  
 Tehsil Haldwani  
 Dist. Nainital (Uttanchal)  
 Pin : 262 402

Gala No. 238/1 (4) & 238 / 1 (9)  
 Plot No. 449/3  
 Industrial Estate Masat  
 Silvassa  
 (U.T. of Dadra & Nagar Haveli)

B-45, Sector 57  
 Noida - 201 301 (U.P.)

**CORPORATE OFFICE**

903/911, Tolstoy House  
 15 Tolstoy Marg  
 New Delhi - 110 001

**BRANCHES**

C/o. Jalan Chemical Industries Pvt. Ltd.  
 Malhotra House (1st Floor)  
 Opposite G.P.O.  
 Mumbai - 400 001

C/o. R. N. Enterprises  
 27 AB, Royd Street  
 Kolkata-700 016

307, River Palace, Wing B  
 Opp. Bahumali (Old Court) Nanpura Building  
 Surat - 395 001

**BANKERS**

State Bank of India  
 State Bank of Bikaner & Jaipur

**AUDITORS**

Lodha & Co.  
 Chartered Accountants

**SHARE TRANSFER AGENTS**

Niche Technologies Pvt. Ltd.  
 D-511, Bagree Market,  
 71, B.R.B.B. Road,  
 Kolkata - 700 001



## NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held on Friday, the 26th August, 2005 at 11.00 a.m. at the Registered Office of the company at Village : Tularampur, P.O. Mota Haldu, Tehsil Haldwani, Distt. Nainital (Uttanchal) to transact the following business.

### Ordinary Business:

1. To receive, consider, and adopt the Audited Accounts for the year ended 31st March, 2005 and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Anil Sharma who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri K.K. Shukla who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### Special Business:

To consider and if thought fit, to pass, with or without modification(s), the following resolutions:

#### 5. As an Ordinary Resolution:

"RESOLVED THAT the authorised share capital of the company is hereby increased from Rs. 15 Crores (Rupees Fifteen Crores) to Rs 20 Crores (Rupees Twenty Crores only) divided into 1,17,50,000 (One Crore Seventeen Lac Fifty Thousand only) Equity Shares of Rs. 10/- (Rupees Ten) each and 8,25,000 (Eight Lac Twenty Five Thousand Only) preference shares of Rs. 100/- (Rupees Hundred) each."

#### 6. As an Ordinary Resolution:

"RESOLVED that pursuant to Section 16 of the Companies Act, 1956 the existing clause V of the Memorandum of Association of the company be and is hereby substituted by the following:

V. The authorised share capital of the Company is Rs 20,00,00,000/- (Rupees Twenty Crores only) divided into 1,17,50,000 equity shares of Rs 10/- each and 8,25,000/- preference shares of Rs 100/- each with the right, privileges and conditions attached thereto as are provided by the regulation of the company for the time being, with the power to increase or reduce the capital of the company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential right, privileges or conditions as may be determined by or in accordance with the regulation of the company and to vary, modify or abrogate any such right, privileges or conditions in such manner as may for the time being be provided by the regulations of the company. The rights of the preference shall be determined at the time of issue thereof."

#### 7. As a Special Resolution:

"RESOLVED that pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 ('the Act') and subject to provisions of any other Acts, Rules and Regulations as may be applicable in this regard and subject to approvals under the said Act, Rules and Regulations or otherwise as may be applicable, the Board of Directors of the Company be and is hereby authorised to issue and offer from time to time upto 48,60,000 equity shares of Rs. 10/- each for aggregate face value of Rs. 4,86,00,000 (Rupees Four Crores Eighty Six Lacs only) and 5,25,000 preference shares of Rs. 100 each for aggregate face value of Rs. 5,25,00,000 (Rupees Five Crores Twenty Five Lacs only) in one or more lots to any person including bodies corporate, institutions, whether in India or abroad on private placement basis, preferential basis or otherwise on such terms and conditions including the rate of dividend, amount of premium, if any, on redemption, redemption period, manner of redemption and matter incidental thereto as the Board of Directors may deem fit except that the said preference shares shall not be convertible into equity shares."

By Order of the Board

New Delhi  
20th June, 2005

(P. C. Joshi)  
Company Secretary

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. All documents referred in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 a.m. to 1.00 p.m.
3. The Register of Members and Share Transfer books of the Company shall remain closed from 22-08-2005 to 26-08-2005 (both days inclusive).
4. The Company has transferred to the Central Government as required by Companies Unpaid Dividend (transfer to the General Reserve Account of the Central Government) Rules, 1978, unclaimed dividend for the year 1994-95 (@12% Final Dividend for which record date was 2.11.95). Those shareholders who have so far not claimed or collected their above mentioned dividend or dividends may claim their dividend from the Registrar of Companies, U.P. & Uttranchal, West Cott Building, The Mall, Kanpur.
5. In terms of amended provisions of Section 205A read with section 205C of the Companies Act 1956, the unclaimed dividend for the financial year ended 31st March, 1996 onwards which remain unpaid / unclaimed for a period of 7 years will be transferred to Investor Education and Protection Fund set up by the Central Government. The Company has transferred the unclaimed dividend for the year 1995-96 (@12% Final Dividend for which record date was 8.11.96) to the said fund.  
It may be noted that no claims will lie against the Company or the Investor Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the Fund.
6. The introduction of Section 109A by the Companies (Amendment) Act, 1999 provides for nomination by the shareholders of the Company in the prescribed form No. 2B. The shareholders are advised to avail of this facility and submit duly completed form No. 2B to the Registrar & Share Transfer Agents.
7. Members who hold shares in physical form are requested to advise the Company or M/s Niche Technologies Pvt. Ltd. (Registrar & Transfer Agents of the company) immediately of any change in their addresses.
8. Members who hold shares in dematerialised form are requested to intimate details regarding change of address, etc. to the Depository Participants where they have their depository accounts.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 5 & 6**

In order to have a sound capital base to support the Company's operations, it is necessary to increase the authorised share capital. The Board of Directors considered it desirable that the Company should increase its authorised share capital from 80,00,000 equity shares of Rs. 10 each and 7,00,000 preference shares of Rs. 100 each to 1,17,50,000 equity shares of Rs. 10 each and 8,25,000 preference shares of Rs. 100 each. The proposed increase in the authorised share capital of the Company requires the approval of the members in the General Meeting. Consequent upon the increase in the authorised share capital, the Memorandum of Association of the Company will require alteration so as to reflect alteration in the authorised share capital.

The Board of Directors recommends the passing of the Resolutions.

None of the Directors of the Company is interested or concerned in the resolutions.

**Item No. 7**

In order to augment the long term resources in terms of the debt restructuring by ICICI Bank, the company has to convert the interest free unsecured loan from the promoters into equity/0.10% Preference Shares. The Board of Directors have considered of issuing preference shares on such terms and conditions as the Board may think fit, in the interest of the Company from time to time. The issue of the further share capital to other than the existing holders of equity shares requires approval of the shareholders by way of Special Resolution under section 81(1A) of the Companies Act, 1956.

The Board of Directors recommends the passing of the Resolution.

None of the Directors of the Company is interested or concerned in these resolutions.

By Order of the Board

New Delhi  
20th June, 2005

(P. C. Joshi)  
Company Secretary



## NOTES ON DIRECTORS SEEKING RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT ENTERED INTO WITH THE STOCK EXCHANGES

At the ensuing Annual General Meeting, **Shri Anil Sharma** and **Shri K.K. Shukla** both PICUP nominees retire by rotation and being eligible, offer themselves for re-appointment.

**Shri Anil Sharma** aged about 57 years, an Engineer by profession and an independent director, associated with the Company since 2001. Shri Sharma has a wide range of experience in areas of technical, administration and project finance/appraisal. He is also member and Chairman of the Audit Committee and Remuneration Committee of the Company. The other directorships of Shri Anil Sharma are as under:

1. Raunaq Automotive Components Ltd.
2. Harig Crankshafts Ltd
3. Shamken Spinners Ltd
4. U.P. Drugs & Pharmaceuticals Ltd.
5. Pashupati Acelon Ltd.
6. Mahan Proteins Ltd
7. Phoenix Lamps India Ltd.

The membership/Chairmanship of Shri Anil Sharma in the committees of the Board of other Companies is as under:

- |                                      |   |
|--------------------------------------|---|
| 1. Raunaq Automotive Components Ltd. | - Audit committee, Remuneration Committee |
| 2. Shamken Spinners Ltd.             | - Audit committee                         |
| 3. Pashupati Acelon Ltd.             | - Remuneration Committee                  |
| 4. Harig Crankshafts Ltd.            | - Audit committee                         |

**Shri K.K. Shukla** aged about 52 years, a Chemical Engineer from IIT Kanpur and an independent director, associated with the Company since 2002. Shri Shukla has a wide range of experience in areas of project appraisal, development banking, technical and project finance. He is also member of the Audit Committee and remuneration committee of the Company. The other directorship of Shri K.K. Shukla is as under:

1. Allahabad Fertilizers Ltd.

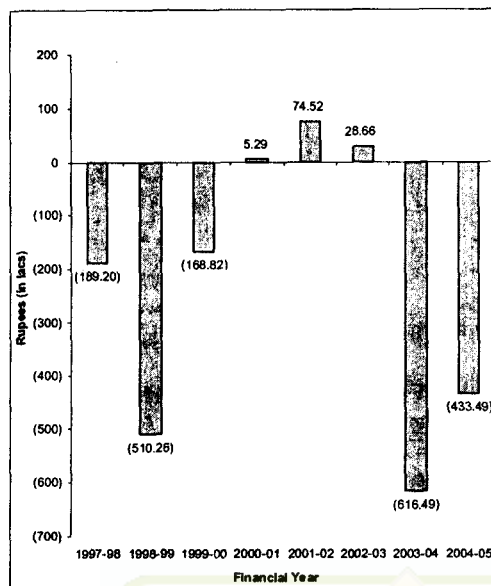
**Shri K.K. Shukla** does not hold committee positions in any company.



## Key Performance Parameters at a Glance - Last 8 Years

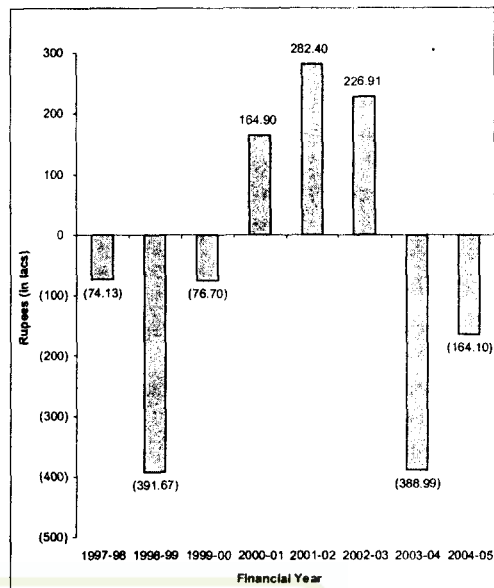
NET PROFIT BEFORE TAX

Rupees (In lacs)



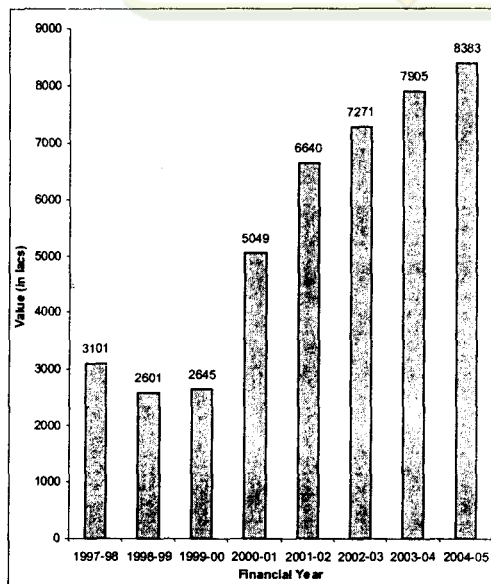
CASH PROFIT

Rupees (In lacs)



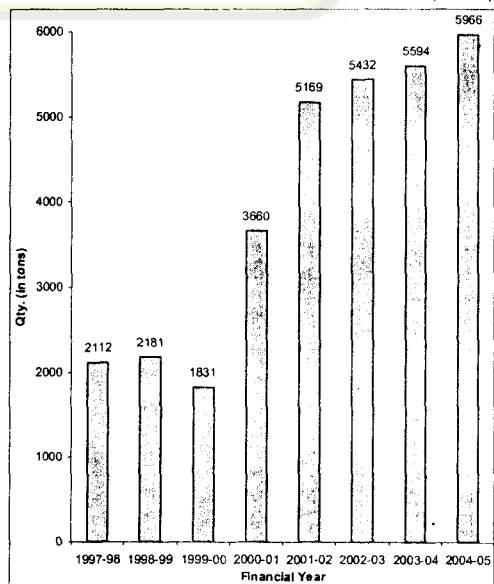
SALES

Value (In lacs)



SALES

Volume (In tons)



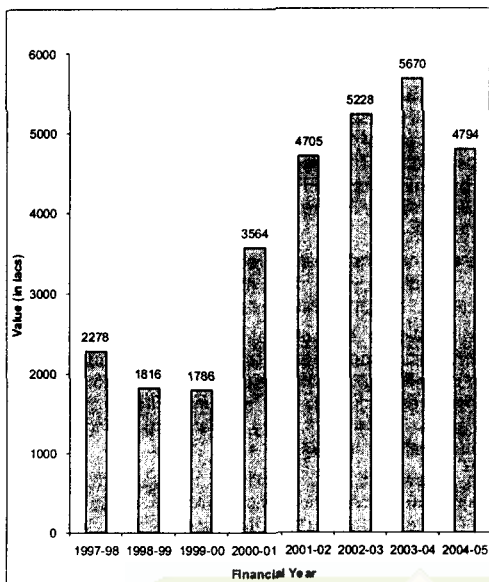
Note :- Trial run quantities and values are excluded.  
The financial year 1999-00 covers a period of 9 months.



## Sales Breakup - Domestic and Export

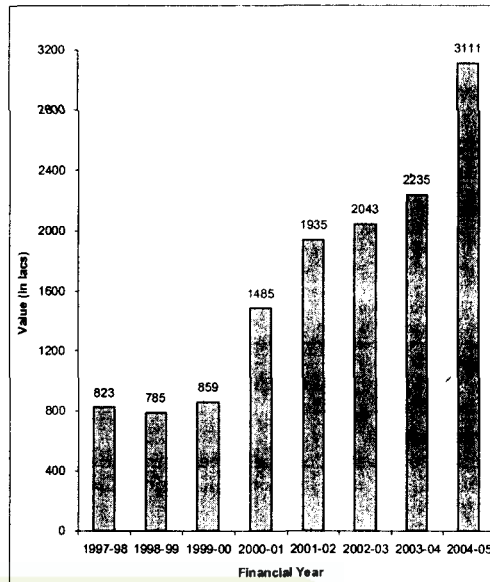
DOMESTIC SALES

Value (In lacs)



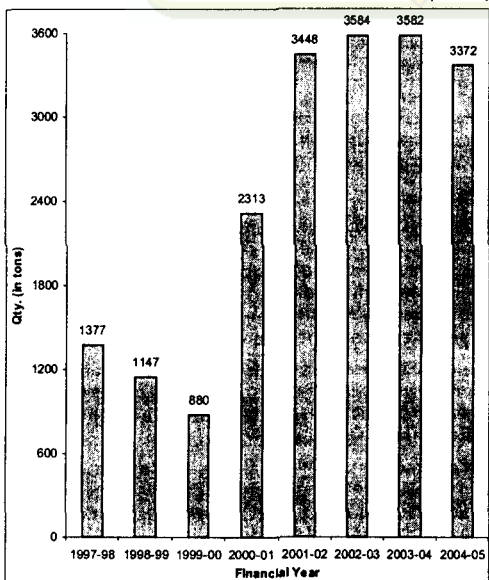
EXPORT SALES

Value (In lacs)



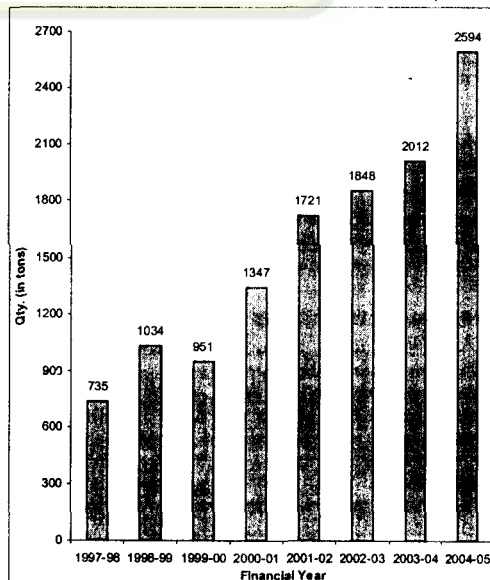
DOMESTIC SALES

Volume (In tons)



EXPORT SALES

Volume (In tons)



Note :- Trial run quantities and values are excluded.  
 The financial year 1999-00 covers a period of 9 months.  
 Export Sales value reflects the FOB value of exports including deemed exports.





## DIRECTORS' REPORT

To  
The Members,

Your Directors present the Audited Accounts of the Company for the year ended 31st March, 2005.

## FINANCIAL RESULTS

|                                     | (Rupees in lacs)               |                                |
|-------------------------------------|--------------------------------|--------------------------------|
|                                     | Year Ended<br>31st March, 2005 | Year Ended<br>31st March, 2004 |
| Net Sales & Other Income            | 7709.72                        | 7162.11                        |
| Profit before                       |                                |                                |
| Interest & Depreciation             | 155.70                         | (95.81)                        |
| Profit before Depreciation          | (164.09)                       | (388.99)                       |
| Profit before Tax                   | (433.49)                       | (616.49)                       |
| Tax Provision for Earlier Years w/b | -                              | 0.56                           |
| Provision for Deferred Tax w/o      | -                              | (130.24)                       |
| Profit after Tax                    | (433.49)                       | (746.16)                       |
| Profit brought forward              | (1136.02)                      | (389.85)                       |
| Balance carried forward             | (1569.51)                      | (1136.02)                      |

### DIVIDEND

In view of the accumulated losses, the Directors do not recommend any dividend.

### OPERATIONS

During the year the Company's performance improved, although, far below the potential, inspite of paucity of working capital.

As a result of this, the growth in production and sales was subdued at 5% and 7% respectively in quantitative terms. Net Sales value increased by 8%. Because of constrained working capital, the strategy adopted was to give up the low margin segments of the domestic market and focus on exports where realizations were better than the domestic market.

Export sales jumped by a record 41% in value terms despite competition from film suppliers who have forward integrated into metallizing. This gives the company confidence that after the financial restructuring, the company will be able to meet the projections, though these will be achieved later than envisaged because of delay in sanction of working capital and the set backs and road blocks faced during the last two financial years.

Despite these constraints, an eye was kept on the future and product and market development initiatives were continued which will show results once these constraints are removed.

### FINANCIAL RESTRUCTURING

The key objective this year was to tackle the major road blocks through financial restructuring and the company finally completed the debt restructuring exercise with ICICI bank on 31<sup>st</sup> March 05. As indicated in the Directors' report of the previous year, there was a default with ICICI Bank during the year 2003-04 and with this restructuring exercise, the company has completed all its interest obligations to ICICI bank upto 31<sup>st</sup> March 05.

Your directors are pleased to inform that ICICI bank have taken a constructive approach and restructured the debt of the company. The salient features of the debt restructuring are as under:

- The cut off date for restructuring is March 31, 2004.
- Repayment of Rupee term loan and Foreign

Currency Loan has been extended to the period May 15, 2007 to February, 2013.

- Reduction of interest rate on the Foreign Currency Loan to LIBOR +300 BP and Rupee Term Loan to 10%.

ICICI Bank has also agreed to withdraw the debt recovery suit filed against the company with the Debt Recovery Tribunal.

As a part of the debt restructuring proposal the promoters/company had to bring in an additional Rs 15.00 millions before 30<sup>th</sup> April, 2005 by outside induction of funds/sale of Silvassa land/sale of investment in the US subsidiary. This amount includes Rs 100 lacs brought in by promoters and Rs 21 lacs realised from the sale of 85% stake in the subsidiary -Jalpaca Americas Inc.U.S.A..

The promoters have also agreed for conversion of their interest free loan of Rs 50.50million into 0.1% preference shares to strengthen the capital base of the company.

The ICICI debt restructuring will result into a write back of interest to the tune of Rs.163 lacs provided by the company in its books on the basis of higher interest rate prior to restructuring. This amount will be adjusted in the accounts of the company, once restructuring with the other banks is completed.

The company has also submitted a debt restructuring proposal to SBI (in consortium with SBBJ) in line with the ICICI Bank restructuring. The salient features of this restructuring are proposed as under:

- Reduction in interest rate to 8.25%
- Repayment of WCTL and TL to start from 2007-08
- Enhancement of fund based and non fund based working capital by Rs 500 lacs

The restructuring proposal is under an advanced stage of appraisal and is expected to be finalized, although delayed by a few months, by 30<sup>th</sup> June, 2005.

Your directors wish to place on record their sincere appreciation and gratitude to ICICI, SBI and SBBJ banks for their continuous trust in the company and co-operation at this crucial juncture.

### EXPORTS

Though the overall performance of the company was not satisfactory due to the constraints highlighted above, exports have registered a significant growth of 43% in dollar value terms and 41% in rupee value terms. This was achieved despite the constraints faced and increased competition in the international market.

Your directors are pleased to inform that based on the export growth during the year, your company has become eligible for additional export incentives under the target plus scheme of the EXIM Policy.

Your company is continuously making efforts to increase exports by developing a range of new value added products like the direct plain and embossed metallized papers and holographic products.

### STATUS OF REFERENCE TO BIFR

As reported last year, the company is a Sick Industrial Company within the section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. A reference was filed with BIFR under Section 15(1) of the said Act by the company on 7<sup>th</sup> June, 2004 and registered by BIFR on 21<sup>st</sup> June, 2004. The company has not received any



communication from the Honourable BIFR regarding further proceedings in the matter.

#### **FIXED DEPOSITS**

The company has not accepted/renewed any deposits during the year.

#### **SALES TAX EXEMPTION**

Your directors are pleased to inform that after a continuous follow up for the last decade, your company has finally received the amended eligibility certificates from the Uttaranchal Government for sales tax exemption under section 4A of the U.P. Trade Tax Act, 1948 for expansion/enhancement of capacity undertaken during the years 1994-95 and 1998-99 by setting up metallizers II and III at our plant at Haldwani. This ensures that the company is now protected from any liability on account of the sales tax exemption availed on this account.

#### **OUTLOOK**

Competition in the plain metallised film in the domestic market will keep margins under pressure despite a growth rate of over 15% in the packaging segment in India.

With the debt restructuring and sanction of additional working capital from banks in place, your directors are confident of improving the financial performance because of :

- Increased capacity utilisation
- Altered product mix with a larger share of value added products
- Continuous focus on exports where margins are likely to be better.
- New Product development
- Excess worldwide polyester film capacity that will keep our major raw material prices in check.

#### **DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956 :**

As required under Section 217(2AA), which was introduced by the Companies (Amendment) Act, 2000 your Directors confirm that :

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- II. The Directors have selected prudent accounting policies;
- III. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- IV. The Directors have prepared the annual accounts 'on going concern basis';
- V. These financial results of the company have been audited by M/s Lodha & Co. Chartered Accountants. A reference may be made to their report 20th, June 2005 to the members together with Annexure 'A' thereto containing information as per requirement under the Companies (Auditor's Report) Order, 2003 attached with these annual accounts.

#### **CORPORATE GOVERNANCE**

The Company has complied with the mandatory provisions of Corporate Governance as prescribed in the Listing Agreement with the Stock Exchanges. A separate

report on Corporate Governance is included as a part of the annual report alongwith the Auditors' Report on this compliance.

#### **SUBSIDIARY COMPANY**

The accounts of Americas JIL, INC. Subsidiary of the Company in USA are annexed with a statement pursuant to Section 212 of the Companies Act, 1956. Your company decided to sell 85% of its equity in Americas JIL, Inc. in order to generate funds to meet the requirement of funds for Debt Restructuring.

#### **AUDITORS' REPORT**

Your directors wish to comment on the following remarks made by the auditors in their report, as under :

##### **1. Impairment of Assets:**

In view of appreciation in the value of land at Haldwani ( Rs. 313 Lacs), impairment loss in the value of land at Silvassa amounting to Rs. 73.77 lacs has not been provided. The overall value of assets based on the report of an independent valuer is more than the carrying cost.

##### **2. Short Term Funds used in long term usage:**

Pending the sanction of restructuring proposal, certain term loan installments and interest was directly debited by the bank into the working capital account over and above the cash generation of the company. With the infusion of promoter's funds and sanction of the restructuring proposal by banks, this situation will be corrected in the immediate future.

Your directors are confident that internal accruals will be generated in the near future.

Other comments of the Auditors in their Report have suitably been explained in the relevant notes on accounts, which are self explanatory and do not call for any further comments from the Directors.

#### **LISTING OF SECURITIES**

The equity shares of the company are listed at Delhi, Kolkata, Ahmedabad, Kanpur (Regional Stock Exchange) and Mumbai.

The company has paid listing fees for the financial 2005-2006 to all Stock Exchanges.

#### **DIRECTORS**

During the year Shri A.K. Patni, nominee of ICICI Bank Ltd. has resigned from the Board of Directors of the Company effective from 02/09/04. The Board places on record its deep appreciation of the valuable guidance provided by Shri Patni during his tenure.

Shri Deviinder Gupta, nominee of ICICI Bank Ltd was appointed as director of the company w.e.f. 02/09/04 in place of Shri A.K. Patni.

Shri Anil Sharma and Shri K.K. Shukla directors retire by rotation as required under the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

Shri R.R. Malhotra, Executive Director was re-appointed by the Board of Directors in the Board meeting held on 29<sup>th</sup> May, 2004 and AGM held on 31<sup>st</sup> July, 2004 for 5 years w.e.f. 26<sup>th</sup> October, 2004 subject to the approval of the Central Govt.. The approval of the Central Govt has since been received for re-appointment and payment of remuneration to Shri R.R. Malhotra.

#### **AUDITORS**

M/s Lodha & Co. Chartered Accountants, auditors of the Company, retire at the forthcoming Annual General