

# **20th Annual Report 2005 - 2006**



## **JALPAC INDIA LTD.**



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**BOARD OF DIRECTORS**

R.K. Gupta - Nominee of PICUP  
 Yogesh Rastogi - Nominee of ICICI Bank Ltd.  
 K. K. Shukla - Nominee of PICUP  
 S.S. Jain  
 Anil Sharma  
 Madhukar Jalan - Managing Director  
 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 20th Annual General Meeting of the Company will be held on Wednesday, the 27th September, 2006 at 11.00 a.m. at the Registered Office of the company at Village : Tularampur, P.O. Mota Haidu, Tehsil Haldwani, Distt. Nainital (Uttanchal) to transact the following business.

**Ordinary Business:**

1. To receive, consider, and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit & Loss account as on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S.S. Jain who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri R.R. Malhotra 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 in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri Anil Sharma, who was appointed as a Director pursuant to the provisions of section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the company whose period of office will be liable to determination by retirement by rotation".

**6. As an Ordinary Resolution:**

"RESOLVED THAT pursuant to section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to borrow from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the company and its free reserves not so set apart for any specific purposes, provided that the total amount upto which moneys may be borrowed by the Board of Directors shall not exceed, the sum of Rs 125.00 crores."

**7. As an Ordinary Resolution:**

RESOLVED THAT pursuant to the relevant provision of the Companies Act 1956 and all other applicable provisions if any, the consent of the Company be and is hereby accorded to the Board of Directors for offering, issuing and allotting, any securities including instruments convertible into Equity Shares whether optionally or otherwise, Global Depository Receipts (GDRs), American Depository Receipts (ADRs), Foreign Currency Convertible Bonds (FCCBs), ("Securities") as also through External Commercial Borrowings all or any of these upto an amount not exceeding US \$ 15 million or equivalent in Indian currency and /or any other currency(ies) to such investors (including Qualified Institutional Buyers or any of their eligible nominees or affiliates) as may be acceptable to the Company, at a price and premium as may be decided by the Board in accordance with the guidelines of the Ministry of Finance / SEBI / such other authorities.

By Order of the Board

New Delhi  
28th June, 2006

(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 20/09/2006 to 27/09/2006 (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 02/11/95). 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. & Uttaranchal, 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, 1995 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 (@5% Final Dividend for which record date was 08/11/96) 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**

Shri Anil Sharma was appointed as a nominee director of PICUP on the Board of the company on 03/11/2001. He retired from the services of PICUP on 31st March, 2006.

In view of the vast experience of Shri Sharma in various industries and expertise in the diversified fields viz technical, finance and management, the Board considered that his services should continue to the company in future also and appointed him as an additional director at the Board Meeting held on 19th April, 2006 with effect from 1st April, 2006.

Shri Sharma is also the Chairman of the audit and remuneration committees of the company.

In terms of provisions of 260 of the Companies Act, 1956, Shri Anil Sharma will hold office upto the date of this annual general meeting.

The company has received notice in writing from a member alongwith deposits of Rs.500 proposing the candidature of Shri Anil Sharma for the office of Director of the Company under the provisions of section 257 of the Companies Act, 1956.

The Board recommends the resolution for approval of the shareholders.

Except Shri Anil Sharma, no other Director of the Company is concerned or interested in the proposed resolution.

**ITEM NO. 6**

At the Annual General Meeting held on 31st July, 2004, the Board of Directors of the company was authorised to borrow monies from time to time, in excess of the aggregate of the paid up capital of the company and its free reserves subject to maximum of Rs 60.00 crores. In view of increase in financial requirement of the company, the aforesaid limit needs to be further increased to Rs 125.00 crores.

The Board recommends the resolution for approval of the shareholders.

None of the Director of the Company is concerned or interested in the proposed resolution.

**ITEM NO. 7**

The company is contemplating raising of funds for payment of existing debts and investment in equipments to forward integration into select niche product segments to turn the company around in future. The Board of Directors has, therefore, thought it desirable to look into various options/ opportunities of raising money by any of the ways or in combination of foreign direct investment/ External Commercial Borrowing GDR, ADR etc. upto USD 15.00 millions.

The directors recommend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the proposed resolution.

By Order of the Board

New Delhi  
28th June, 2006

(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 S.S. Jain and Shri R.R. Malhotra retire by rotation and being eligible, offer themselves for re-appointment. Shri Anil Sharma who was appointed as additional director on 19/04/2006, holds office till this Annual General Meeting, being eligible offers himself for re-appointment.

**Shri S.S. Jain** aged about 71 years is a legal practitioner by profession and an independent director, associated with the Company since inception. Shri Jain has a wide range of experience in areas of legal, administration and finance. He is also member of the Audit Committee and remuneration committee of the Company. The other directorships of Shri S.S. Jain are as under:

**PUBLIC**

1. Omni Holding Limited
2. Alliance Udyog Limited
3. Alliance Mills South Limited
4. RTS Power Corporation Ltd.
5. East India Cotton Mfg. Co. Ltd.
6. Bhutoria Agrotech Limited.
7. Lindsay Securities Limited.
8. RGF Capital Markets Ltd
9. Annapurna savings & Finance Co. Ltd.
10. East India Udyog Limited
11. Alfred Herbet (India) Ltd
12. Alfred Herbet Ltd
13. Lodha Capital Markets Ltd

The membership/Chairmanship of Shri S.S. Jain in the committees of the Board of other Companies is as under:

RTS Power Corporation Ltd. - Audit Committee

**Shri R.R. Malhotra** aged about 53 years, a Postgraduate and Executive Director, has been associated with the Company since 1988. He was working with the company as Vice President before he was appointed as the whole time director of the company in October, 1999. Shri Malhotra has a wide range of experience in the areas of marketing, purchase, production, labour management and administration.

Shri R.R. Malhotra does not hold any directorship and committee position in other companies.

**Shri Anil Sharma** aged about 58 years, an Engineering and Business Management qualified professional and an independent director, has been associated with the Company since 2001. Shri Sharma has a wide range of experience in areas of business development, financial services, 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. Phoenix Lamps India Ltd
3. Saladino Continental Ltd

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

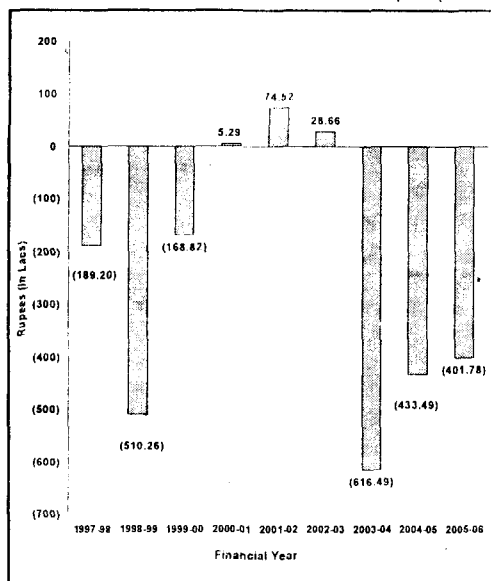
1. Raunaq Automotive Components Ltd. - Audit Committee
2. Phoenix Lamps India Ltd. - Audit Committee



## Key Performance Parameters at a Glance - Last 9 Years

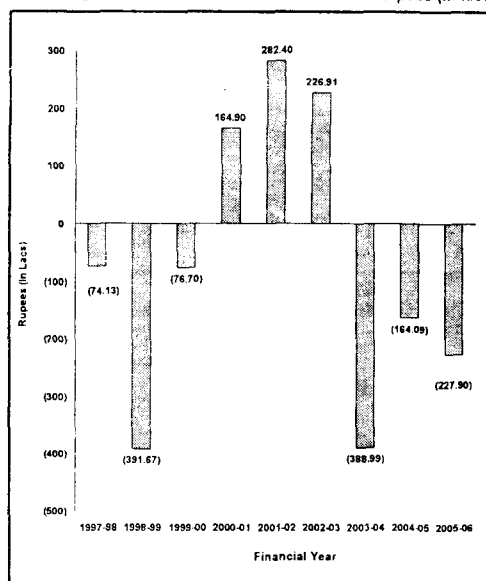
NET PROFIT BEFORE TAX

Rupees (In lacs)



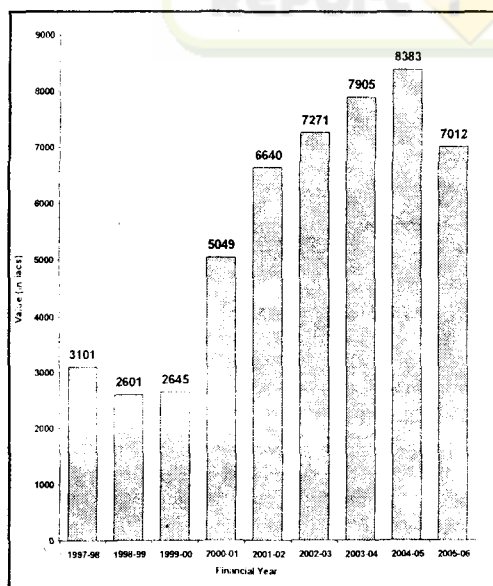
CASH PROFIT

Rupees (In lacs)



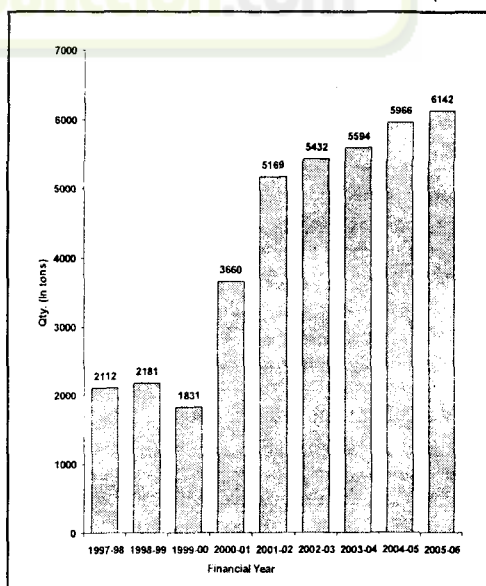
SALES

Value (In lacs)



SALES

Volume (In tons)



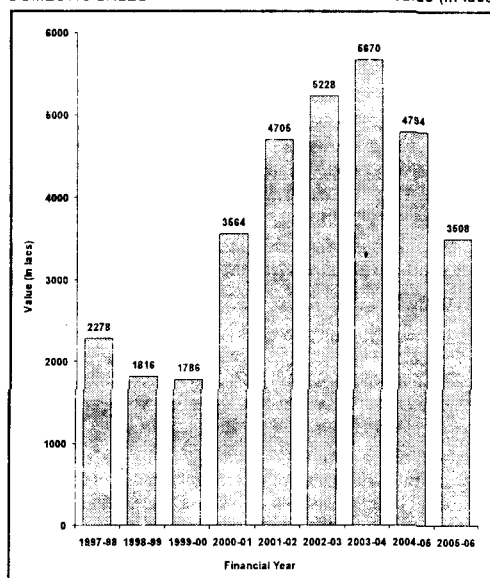
- Note :-
1. Though volume increased in the last financial, value declined because of a sharp compression in raw material prices.
  2. Trial run quantities and values are excluded.
  3. The financial year 1999-00 covers a period of 9 months.



## Sales Breakup - Domestic and Export

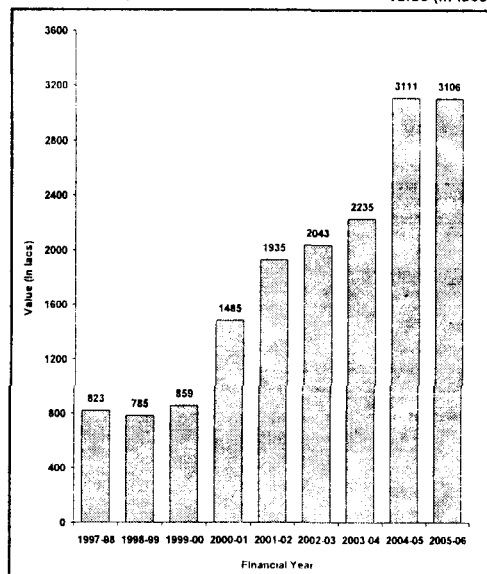
DOMESTIC SALES

Value (In lacs)



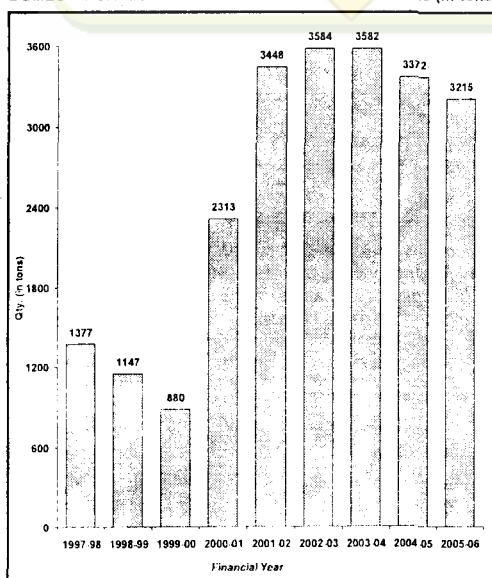
EXPORT SALES

Value (In lacs)



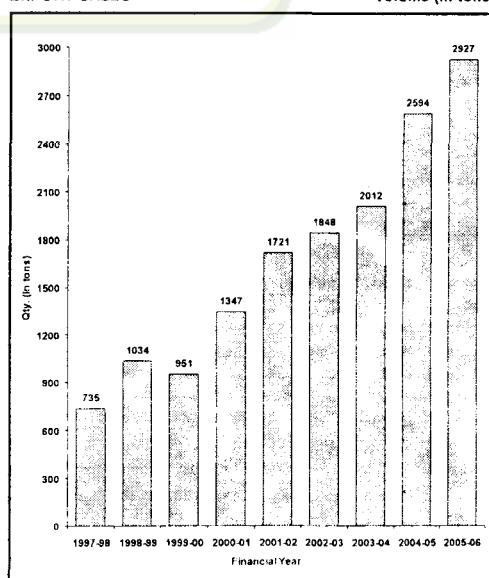
DOMESTIC SALES

Volume (In tons)



EXPORT SALES

Volume (In tons)



- Note :-
1. Trial run quantities and values are excluded.
  2. The financial year 1999-00 covers a period of 9 months.
  3. 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, 2006.

## FINANCIAL RESULTS

	(Rupees in lacs)	
	Year Ended 31st March, 2006	Year Ended 31st March, 2005
Net Sales & Other Income	6592.16	7793.00
Profit before		
Interest & Depreciation	127.18	180.66
Profit before Depreciation	(227.90)	(164.09)
<b>Profit before Tax</b>	<b>(496.25)</b>	<b>(433.49)</b>
Add: Exceptional Items	94.47	----
Less: Provision for FBT	4.88	----
Profit after Tax	(406.66)	(433.49)
Profit brought forward	(1569.51)	(1136.02)
Balance carried forward	(1976.17)	(1569.51)

## DIVIDEND

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

## OPERATIONS

Despite the financial restructuring the financial performance was far from satisfactory. The main reason continues to be constant pressure on margins because of further additions of capacity by polyester film manufacturers who have forward integrated into the metallizing business during the last 3-4 years. In November 05, metallizing capacity of 15000 tons per annum was added by film producers.

As a result of this, the growth in sales was very subdued at 3% in quantity terms. Value of sales declined by 16% mainly because of a sharp compression in polyester film (our major raw material) prices.

While these threats were identified earlier, it was believed that the focus on exports where margins are better and the shift towards value added (coated) products would be able to counter this threat. However, this response does not appear to be sufficient to mitigate this threat.

It now appears that a radical shift in product mix is required entailing a major shift from polyester based products to paper based products in which product segment polyester film manufacturers would enjoy no competitive advantage. Various product development initiatives have been taken on non polyester based products which if successful would help the company reduce its dependence on polyester based products where film manufacturers with metallizers have a tremendous strategic and competitive advantage.

The company already has a presence in the metallized paper segment. However volumes in this segment will have to be driven up to improve value addition.

Additionally, fresh investments will be required in areas like holography. Also some forward integration areas have been identified that would help add value as also give a competitive edge in select niche product segments. Investment avenues are being explored.

## EXPORTS

Stiff competition was encountered from Indian film suppliers with metallizers who enjoy both a competitive

and locational advantage now because of their location in Thailand, Turkey and UAE and are closer to the markets. Also for the first time, cheaper offerings from China herald future competition in this area.

Despite this, exports in quantity terms grew by 13%, though there was no growth in value terms because of a sharp compression in raw material prices.

During this financial year, your company was awarded:

- The "Top Exporter award" in the newly created Metallized Polyester Film Category, for the year 2003-04 by the "Plastics Export Promotion Council of India", the apex body, co-ordinating plastics exports from India.
- The Plasticon "Winner's award" for an 'Outstanding export performance' for the year 2004-05.

## OUTLOOK

Despite having strengths of an excellent plant facility, a product quality that meets international standards, access to international markets and a continuous growth in exports, the financial performance has been far from satisfactory because of our strategic vulnerability.

Margins have been eroded in the high volume and growing domestic packaging segment - earlier because of backward integration by large printing convertors (our customers) into the metallizing business and in the last three years a massive capacity addition by polyester film producers (our raw material suppliers) into this business.

There is, therefore, an imperative need for reducing this strategic disadvantage by forward or backward integration. Backward integration into film production entails a large financial outlay. Hence, investment options are being seriously explored for forward integrating in select niche segments.

This change, along with a major shift to paper based products and a radical change of product mix will reduce the strategic vulnerability and if successful will put the company on the path of financial recovery. If investment options come through, it should take about two years to implement this plan.

## FINANCIAL RESTRUCTURING

During this year, the debt restructuring was executed by the working capital bankers, State Bank of India and State Bank of Bikaner & Jaipur in July 05 and November 05 respectively in line as envisaged in the last year's Director's Report. The salient features of the debt restructuring are as under:

- Reduction of interest rate to 8.25%
- Repayment of WCTL and TL to commence from 2007-2008
- Enhancement of working capital limits: Fund based Rs. 435 lacs and Non fund based by Rs. 122 lacs

Your directors wish to place on record their sincere appreciation and gratitude to ICICI, SBI and SBBJ banks for their continuous support to the company.

## CHANGE IN THE CAPITAL STRUCTURE

In order to augment the capital base of the company, the authorised capital of the company was increased during the year from Rs. 15 crores to Rs. 20 crores divided into 11750000 Equity Shares of Rs. 10/- each and 825000 Preference Shares of Rs. 100/-.



### ISSUE OF PREFERENCE SHARES

In terms of the debt restructuring granted by the banks, the directors issued 0.1%, 505000 Cumulative Redeemable Preference shares of Rs 100/- each for an aggregate value of Rs 50.5 millions to the promoters against their interest free unsecured loans as approved in their meeting held on 28th October, 2005.

### DISPOSAL OF LAND

In terms of the debt restructuring granted by the banks, industrial land at Silvassa measuring 4770 square meters was sold by the company to generate funds to meet the requirement for debt restructuring.

### 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 7th June, 2004 and registered by BIFR on 21st 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.

### 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 dated 28th June, 2006 to the members together with Annexure 'A' thereto containing information as per requirement under the Manufacturing and Other Companies (Auditor's Report) Order, 1988 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

In terms of the debt restructuring with banks, your company has sold during the year 85% of its equity in Americas JIL, INC. (Subsidiary of the Company in USA) equivalent to USD 51000 at par value of USD 1 per share 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 under Companies Auditors' Report Order, 2003 as under:

#### 1. Impairment of Assets:

In view of appreciation in the value of land at Haldwani and overall value of the assets and considering the future outlook, there is no need for providing an impairment loss.

#### 2. Delay in payment of ICICI Interest:

There was a delay ranging from 2-19 days. This was mainly due to late receipt of bills from ICICI Bank.

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 year 2006-2007 to all Stock Exchanges.

### DIRECTORS

During the year, ICICI Bank withdrew the nomination of Shri Deviinder Gupta, from the Board w.e.f. 13.2.06. Shri Gupta played an important role in the company's debt restructuring. The Board places on record its deep appreciation of the valuable guidance provided by Shri Gupta during his tenure.

Shri Yogesh Rastogi, nominee of ICICI Bank Ltd was appointed as director of the company w.e.f. 13/02/06 in place of Shri Deviinder Gupta.

The tenure of Shri Anil Sharma as PICUP nominee ended on 31st March, 2006 due to his retirement from PICUP. Shri R.K. Gupta, has been appointed as the PICUP nominee w.e.f. 01/04/06 in place of Shri Anil Sharma.

Considering the vast industrial experience of Shri Anil Sharma and his expertise in diversified fields viz technical, financial and managerial, the Board has decided that his services should continue to the company and has appointed Shri Anil Sharma as an independent director w.e.f. 1st April, 2006. Shri Anil Sharma shall also continue as member and Chairman of the audit committee and remuneration committee of the company w.e.f. 1st April, 2006.

Shri S.S. Jain and Shri R.R. Malhotra directors retire by rotation as required under the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

### AUDITORS

M/s Lodha & Co. Chartered Accountants, auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.