

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1998

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ORIENT PAPER & INDUSTRIES LIMITED



DIRECTORS

SHRI C.K. BIRLA (*Chairman*)

SHRI B.K. JHAWAR

SHRI P.K. SEN

SHRI D.N. PATODIA

SHRI B.M. KHAITAN

SHRI A. GHOSH

SHRI R. KAPOOR

SHRI M.L. PACHISIA

MD	<input checked="" type="checkbox"/>		BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

AUDITORS

MESSRS. S.R. BATLIBOI & CO.

Chartered Accountants

36, Ganesh Chandra Avenue,

CALCUTTA-700 013

REGISTERED OFFICE

BRAJRAJNAGAR-768216

DIST. JHARSUGUDA (ORISSA)

MILLS

BRAJRAJNAGAR, Orissa

AMLAI, Madhya Pradesh

DEVAPUR, Andhra Pradesh

CALCUTTA, West Bengal

DHARUHERA, Haryana

FARIDABAD, Haryana

SHAHIBABAD, Uttar Pradesh



SHARE TRANSFER AGENTS

MCS Limited

Sri Venkatesh Mangalam

24/26 Hemanta Basu Sarani

Calcutta-700 001

ORIENT PAPER & INDUSTRIES LIMITED

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ORIENT PAPER & INDUSTRIES LIMITED

Notice

TO

THE SHAREHOLDERS,

NOTICE is hereby given that the Annual General Meeting of the Shareholders of ORIENT PAPER & INDUSTRIES LIMITED will be held on Saturday, the 19th September, 1998 at 2.30 p.m. at Orient Club, Brajrjnagar to transact the following business :

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March, 1998 together with the Report of the Directors thereon.
2. To declare dividend on Ordinary Shares.
3. To elect Directors in place of those retiring by rotation.
4. To appoint Auditors for the current year and to fix their remuneration and in this connection, to consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

“RESOLVED that M/s. S.R. Batliboi & Company, Chartered Accountants of 36, Ganesh Chandra Avenue, Calcutta-700 013 be and are hereby appointed as Auditors of the Company until the conclusion of the next Annual General Meeting on a remuneration of Rs. 11,00,000 (Rupees Eleven lacs only) exclusive of travelling, boarding and lodging expenses at the Company's Factories, Forest Centres and other places outside Calcutta which shall also be borne by the Company and that the said remuneration be paid to them in four equal quarterly instalments”.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following Resolutions :

As Ordinary Resolutions

- I. “RESOLVED that subject to the approval of the Central Government, the existing remuneration, perquisites and other allowances be paid to Shri M.L. Pachisia, the Executive Director of the Company notwithstanding the loss or inadequacy of profit during the tenure of his office, other terms & conditions remain the same.”
- II. “RESOLVED that consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for mortgaging and/or charging, on such terms and conditions and at such time or times and in such form or manners as it may think fit, the whole or substantially the whole of the Company's any one or more of the Undertakings or all the Undertakings, including the present and/or future properties, whether movable or immovable comprised in any existing or new Undertakings of the Company, as the case may be, together with the power to take over the management of the business and concern of the said Undertaking(s) of the Company in certain events in favour of (a) Industrial Development Bank of India (IDBI) and (b) The Industrial Credit and Investment Corporation of India Ltd. (ICICI) to secure rupee term loans of Rs. 3000 lacs and Rs. 1500 lacs lent and advanced and/or agreed to be lent and advanced by IDBI and ICICI respectively to the Company together with the interest at the agreed respective rates, additional interest, liquidated damages, commitment charges, costs, charges, expenses and all other monies payable by the Company to IDBI and ICICI in terms of their respective loan agreements, heads of agreements, hypothecation agreements, letters of sanction, memoranda of terms & conditions entered into or to be entered into by the Company in respect of the said term loans, such security to rank pari passu with mortgages and/or charges already created and/or to be created in future by the Company or in such manner as agreed to between the concerned parties and as may be thought expedient by the Board of Directors of the Company”.

“Resolved further that the Board of Directors of the Company be and is hereby authorised to finalise with IDBI and ICICI the manner and methods of the documentation for creating aforesaid mortgages and/or charges and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolutions.”

Calcutta, the 28th July, 1998

By Order of the Board
For ORIENT PAPER & INDUSTRIES LIMITED

Regd. Office :

Brajrnagar

Dist: Jharsuguda (Orissa)

D.K. Patodia

Secretary

- Notes :
1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
 2. The Register of Members and Share Transfer Books of the Company in respect of Ordinary Shares remains closed from 17th July to 31st July, 1998 both days inclusive.
 3. The dividend when declared will be payable to the registered holders of Ordinary Shares on 17th July, 1998 or to their mandatees on or after 26th October, 1998.
 4. Sarvashri B.K. Jhavar, R. Kapoor and M.L. Pachisia, Directors of the Company, retire by rotation and are eligible for re-election.
 5. The unclaimed dividends up to the Company's financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government.

Explanatory Statement (As required by Section 173 of the Companies Act, 1956)

Item No. 5

- I. It will be recalled that pursuant to the provisions of Article 95 of the Articles of Association of the Company and Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the Company at its meeting held on 23rd September, 1997 appointed Shri M.L. Pachisia as a whole-time Director designated as Executive Director for a period of five years with effect from 23rd September, 1997 and the said appointment was approved by the Shareholders at its meeting held on 25th April, 1998 on the following terms & conditions :

- (i) Salary : Rs. 90,000/- per month, subject to such increments as the Board may approve from time to time provided that the monthly salary shall not exceed Rs. 1,50,000/- per month.
- (ii) Other allowances aggregating to : Rs. 7,500/- per month
- (iii) Perquisites :
 - (a) Housing : Accommodation owned by the Company may be provided (unfurnished), if available. The expenditure by the Company on hiring unfurnished accommodation for the Executive Director shall not exceed sixty percent of the salary. In case no owned or hired accommodation is provided by the Company, the Executive Director shall be entitled to house rent allowance of sixty percent of the salary.
 - (b) Medical reimbursement : Expenditure incurred for the Executive Director and his family, subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
 - (c) i) Leave Travel concession : For the Executive Director and his family once in a year incurred in accordance with the rules framed by the Company.
 - ii) Leave : In accordance with the rules framed by the Company.
 - (d) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
 - (e) Personal Accident Insurance : Premium not to exceed Rs. 4000/- per annum.
 - (f) Contribution to Provident Fund and Superannuation Fund to the extent these either singly or put together are not taxable under the Income Tax Act.
 - (g) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
 - (h) Encashment of unavailed privilege leave at the end of the tenure.
 - (i) Provision of car for use on company's business and telephone at residence. Personal long distance calls on telephone shall be billed by the Company to the Executive Director. If the Executive Director engages a driver, he will be reimbursed Rs. 2,800/- p.m. on account of driving charges.

- (iv) In addition to the above, the Board may at its discretion pay to the Executive Director other allowances, benefits, perquisites and exgratia amount not exceeding Rs. 5,00,000/- in a year.

Provided that the total of the emoluments paid to the Executive Director pursuant to sub-clauses (i) to (iv) above, excluding those which under the Act are to be excluded for computation of the ceiling, shall at no time exceed the limits laid down by Schedule XIII of the Companies Act, 1956.

Provided further that in the event of loss or inadequacy of profit in any financial year during the currency of tenure of service of the Executive Director, payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of the Schedule XIII of the Companies Act, 1956.

Shri M.L. Pachisia shall subject to superintendence, control and directions of the Board of Directors, have the management of the whole or substantially the whole of the affairs of the Company and shall perform such duties and exercise such powers as have been or may from time to time be entrusted to or conferred upon him by the Board.

Resolutions adopted by the Board of Directors of the Company at its meeting held on 23rd September, 1997 and the shareholders at the General Meeting of the members of the Company held on 25th April, 1998 pertaining to the appointment and remuneration payable to Shri M.L. Pachisia, the Executive Director of the Company, inter alia, provides that in the event of loss or inadequacy of profit in any financial year, during the currency of tenure of services of the Executive Director, the payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII of the Companies Act, 1956. The provisions of Schedule XIII of the Companies Act, 1956, inter alia, provides that in the event of absence or inadequacy of profit, approval of the Central Government will have to be obtained for payment of remuneration in excess of the provisions of Section II of Part II of Schedule XIII of the Companies Act, 1956. Since during the financial year ended 31st March, 1998 there is no profit, it is proposed to continue the existing remuneration, perquisites and other allowances being paid to Shri M.L. Pachisia, the Executive Director of the Company notwithstanding loss or inadequacy of profit during the currency of tenure of his office subject to the approval of the Central Government. Hence this resolution.

An abstract of the amendment in the terms of appointment of Shri M.L. Pachisia has already been circulated to the shareholders as required under Section 302 of the Companies Act, 1956. Except Shri M.L. Pachisia, no other Director is concerned or interested in the resolution.

- II. In order to augment the long term financial resources of the Company, arrangements have since been made with IDBI for rupee term loans of Rs. 3000 lacs and ICICI for rupee term loan of Rs. 1500 lacs. The above financial assistance are required to be secured by creation of mortgage/charge on the assets of the Company in favour of IDBI and ICICI as may be agreed between the Board of Directors of the Company and IDBI and ICICI.

Section 293(1)(a) of the Companies Act, 1956 inter alia, provides that the Board of Directors of the Company shall not except with the consent of the Company in general meeting, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, the whole or substantially the whole of any one or more of such undertakings of the Company. The relative security documents will empower IDBI and ICICI to take over the management of the undertakings in certain events of defaults. It is, therefore, proposed to obtain the consent of the Company at its General Meeting before creation of mortgage/charge for the purpose. Hence this resolution.

Save and except that Shri A. Ghosh, a Director of the Company is a nominee of ICICI, none of the Directors of the Company is concerned or interested in the above resolution.

Directors' Report

FOR THE YEAR ENDED 31ST MARCH, 1998

TO THE SHAREHOLDERS,

Your Directors have pleasure in presenting their Report and the Accounts of the Company for the year ended 31st March, 1998.

SUMMARY OF THE OPERATING RESULTS

	Rs.	Rs.
The Profit & Loss Account, after providing for Depreciation and Taxation, shows a loss of		14,39,88,985
Which is adjusted against :		
Investment Allowance Reserve no longer required	3,98,00,000	
Debenture Redemption Reserve written back	86,00,000	
Amount brought forward from the previous year	21,49,35,523	26,33,35,523
Making a total of		<u>11,93,46,538</u>
Which is appropriated as under :		
Transfer to Debenture Redemption Reserve	4,08,00,000	
Provision for proposed dividend on Ordinary Shares	1,48,37,290	
Provision for tax on proposed dividend	14,83,729	5,71,21,019
Balance to be carried forward		<u>6,22,25,519</u>
		<u>11,93,46,538</u>

Your Directors recommend, for consideration at the Annual General Meeting, declaration of dividend of Re.1 per Ordinary Share.

The funds raised by issue of Debentures from time to time have been utilised for the purposes as sanctioned. Issue of 25,000 Secured Redeemable Non-convertible Debentures (IX & X Series) of Rs. 10,000/- each for an aggregate amount of Rs.25 crores referred to in the earlier year's report was fully subscribed and allotted. The Company further issued during the year Secured Non-convertible Debentures for an aggregate amount of Rs.15 crores on private placement basis. During the year the authorised capital of the Company was increased from

Rs. 25 crores to Rs. 100 crores.

PAPER DIVISION

During the year under review, the paper industry in India continued to face a very difficult period.

While the general slow down in the economy resulted in depressed demand for Paper and Boards, the availability increased as a result of increasing imports and new local capacities becoming operational. The market prices therefore continued to be under pressure while the input costs increased.

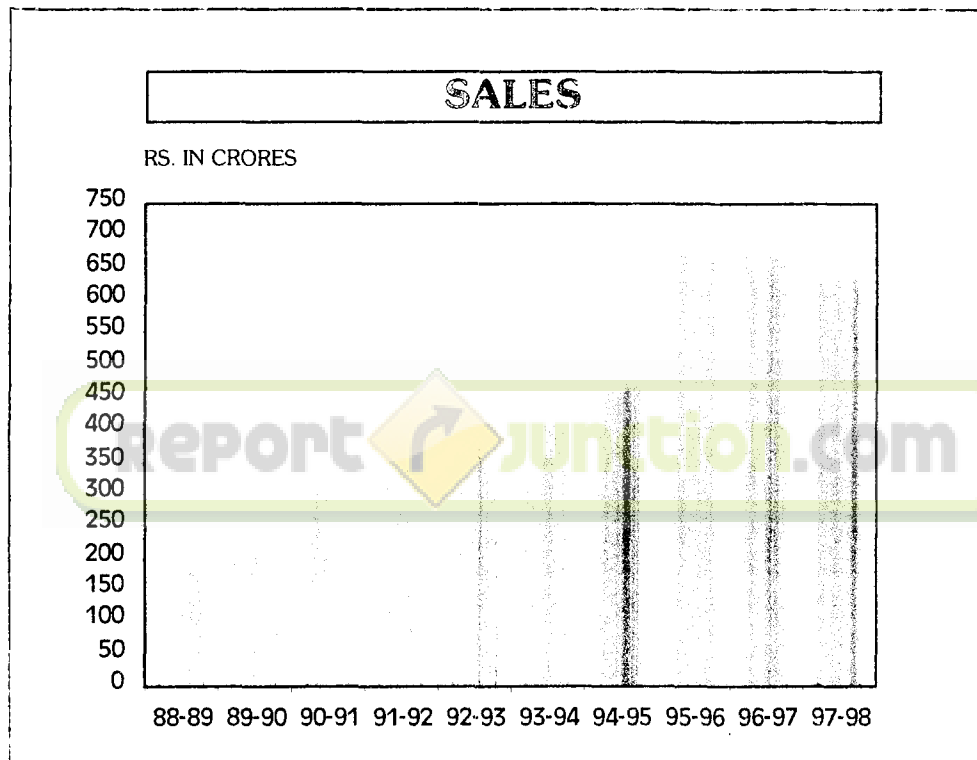
In spite of this situation, our Amlai unit continued to perform reasonably well and its production was higher than the preceding year. However at our Brajrajnagar

unit, a major overhaul of the plant and equipment was carried out for which the entire plant was totally shut for nearly 3 months and was only partially operational for a further period of 3 months. While this should prove beneficial in the long run, it resulted in lower total production of Paper & Board during the year under review at 92,684 tonnes as against 1,13,194 tonnes in the preceding year.

The Indian paper industry hopes that the Government

commissioned. The installation of additional Drum Chipper and upgradation of Chlorine and Hypo Washers at Amlai are in an advanced stage and are expected to be completed shortly.

Our new Tissue Plant at Amlai was also commissioned in September 1997. Although we have so far been facing normal teething problems, the quality of Soft Tissue paper has now been satisfactorily established. Market development activities for this quality are being taken up



will take the necessary measures to discourage dumping and unfair competition from imports.

On our own part, both our plants have initiated several positive measures to further improve work practices and efficiencies and to reduce costs. We are also proceeding with the implementation of the ongoing development projects to achieve higher production and lower costs. During the year under review, the upflow tower system for Chlorine Dioxide bleach plant at Amlai and the 350 tonnes Recovery Boiler and Electrostatic Precipitator at Brajragnar were completed and successfully

vigorously both within India and in the export markets.

CEMENT DIVISION

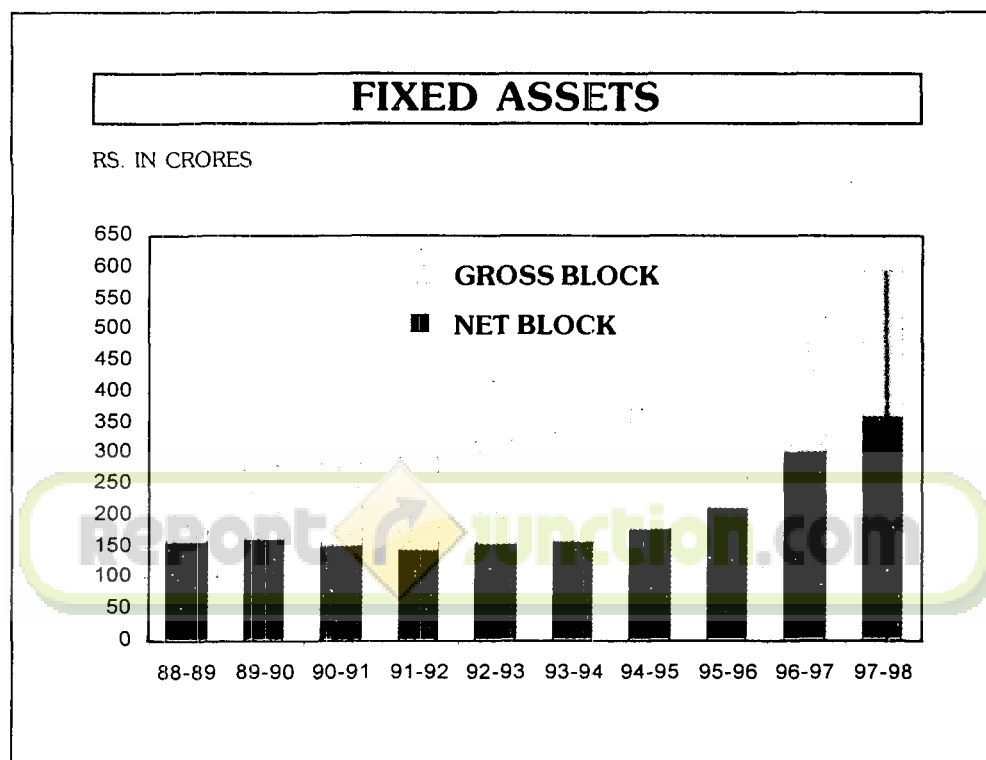
In the Cement Division also, there were increases in the input costs mainly due to increases in the price of Fuel, Transportation and Power. Due to depressed market conditions specially during the second half of the financial year, the additional manufacturing costs had to be absorbed by the Company. However, as a result of various measures taken and efficiencies achieved by the Management, the operations of the Cement Division were largely satisfactory. The production of Cement during

the year under review was 12,08,494 tonnes as against 10,65,553 tonnes in the previous year. The newly expanded capacity from 9.00 lac tonnes to 11.80 lac tonnes per annum was utilised fully during the year. The modernisation-cum-expansion scheme to increase the Cement manufacturing capacity to 17.5 lac tonnes per annum including setting up of a split grinding unit of

(E.A.) Ltd., Kenya.

INDUSTRIAL RELATIONS

The Industrial relations situation was generally satisfactory except at Brajrajnagar Unit during the first half of the year, when the workers had resorted to indiscipline and slowdown of work. This was dealt with firmly and normal working was restored. The process of bringing about



5.70 lac tonnes per annum at Jalgaon is progressing satisfactorily and is expected to become operational during the current year.

FAN DIVISION

The Fan Division, during the year has shown encouraging performance by achieving higher sales and maintained its position as one of the leading manufacturers of fan in the country. The export of fan also registered a growth of 50% from the previous year.

OVERSEAS VENTURE

The Company earned Rs. 325.19 lacs for technical know-how and services rendered to the Pan African Paper Mills

progressive change in work practices and methods is being pursued at all our units.

STATUTORY MATTERS

Details regarding conservation of Energy, Research and Development, Foreign Exchange earnings and outgo are furnished in Annexure "A" to the Report pursuant to the provisions of Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars to the Report of Board of Directors) Rules 1988.

Particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 have been given in Annexure "B" to the Report.