

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1999

Report  Junction.com

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 S.K. SAHA
SHRI R. VISWANATHAN
SHRI M. L. PACHISIA

AUDITORS

MESSRS. S.R. BATLIBOI & CO.
Chartered Accountants
36, Ganesh Chandra Avenue,
CALCUTTA-700 013

REGISTERED OFFICE

BRAJRAJNAGAR-768216
DIST. JHARSUGUDA (ORISSA)

Report  junction.com

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

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 1999

CONTENTS

Notice	3
Directors' Report	5
Graph (Sales)	6
Graph (Fixed Assets)	7
Particulars of Employees	12
Auditors' Report	13
Balance Sheet	16
Profit & Loss Account	17
SCHEDULES	
1. Share Capital	18
2. Reserves & Surplus	18
3. Secured Loans	19
4. Unsecured Loans	20
5. Fixed Assets	21
6. Investments	22
7. Inventories	23
8. Sundry Debtors	23
9. Cash & Bank Balances	23
10. Other Current Assets	24
11. Loans & Advances	24
12. Current Liabilities & Provisions	25
13. Sales	26
14. Other Income	26
15. Increase/(Decrease) in Stocks	26
16. Raw Materials & Components Consumed	27
17. Manufacturing, Administrative, Selling and Other Expenses	27
18. Directors' Remuneration	28
19. Interest (Net)	28
20. Depreciation	28
21. Proposed Dividend	28
22. Notes	29
Cash Flow Statement for the year ended 31st March, 1999	36
Statement Regarding Subsidiary Companies	38
SUBSIDIARY COMPANIES REPORTS AND ACCOUNTS :	
Air Conditioning Corporation Ltd.	39
OPI Export Limited	54
Orient Dealers & Traders Ltd.	58

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 Thursday, the 23rd September, 1999 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, 1999 together with the Report of the Directors thereon.
2. To elect Directors in place of those retiring by rotation.
3. 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

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

As Ordinary Resolution

"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 takeover the management of the business and concern of the said Undertaking(s) of the Company in certain events in favour of ICICI Limited (ICICI) to secure : (i) 15,00,000, 18.5% Secured Redeemable Non Convertible Debentures of Rs. 100/- each for an aggregate amount of Rs. 15 crores issued and allotted by the Company on private placement basis for which ICICI is acting as Trustee for the Debentureholders and (ii) Corporate Loan of Rs. 25 Crores lent and advanced by ICICI to the Company together with the interest at the agreed respective rates, additional interest, liquidated damages, commitment charges, cost, charges, expenses and all other monies payable by the Company to the debentureholder and ICICI in terms of respective 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 debenture and loan, 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 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 resolution."

By Order of the Board

Calcutta, the 22nd July, 1999

For ORIENT PAPER & INDUSTRIES LIMITED

Regd. Office :

Brajrnagar

Dist: Jharsuguda (Orissa)

D.K. Patodia

Secretary

ORIENT PAPER & INDUSTRIES LIMITED

- 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 19th July to 31st July, 1999 both days inclusive.
 3. Sarvashri C.K. Birla, P. K. Sen and D.N. Patodia, Directors of the Company, retire by rotation and are eligible for re-election.

Explanatory Statement (As required by Section 173 of the Companies Act, 1956)**Item No. 4**

In order to augment the long term financial resources the Company has issued 15,00,000, 18.5% Secured Redeemable Non Convertible Debentures of Rs. 100/- each for an aggregate amount of Rs. 15 Crores on private placement basis for which ICICI Ltd. is acting as Trustees for the Debentureholders and arrangements has also been made with ICICI Ltd. for Corporate Loan of Rs. 25 crores. The above Debentures and the Corporate Loan are required to be secured by the creation of mortgage/charge on the Assets of the Company in favour of ICICI Ltd. as may be agreed to between the Board of Directors of the Company and ICICI Ltd.

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 ICICI Ltd. 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 Ltd., none of the Directors of the Company is concerned or interested in the above resolution.



Directors' Report

FOR THE YEAR ENDED 31ST MARCH, 1999

TO THE SHAREHOLDERS,

Your Directors have pleasure in presenting their Report and the Accounts of the Company for the year ended 31st March, 1999.

SUMMARY OF THE OPERATING RESULTS

	Rs.	Rs.
The Profit & Loss Account, after providing for Depreciation and Taxation, shows a loss of		72,36,65,615
To which is added :		
Income Tax paid in respect of earlier years		1,63,046
		<u>72,38,28,661</u>
Which is adjusted against :		
Amount brought forward from previous year	6,22,25,519	
Amount transferred from General Reserve	<u>67,00,00,000</u>	73,22,25,519
Balance to be carried forward		<u>83,96,858</u>

The Indian economy in general faced slow down during the year under review. The Paper and Cement Sectors, which constitute the major activities of your Company, were amongst the worst affected. As a result of the highly depressed market situation in these sectors, coupled with the immediate impact of some long-term corrective measures taken by your Company, the financial performance for the year was adversely affected.

Your Directors therefore recommend no dividend payout on ordinary shares. It may be recalled that your Company has maintained a track record of uninterrupted dividend payment for the last 50 years. Your Directors do believe that the year under review has been an aberration.

PAPER DIVISION

The difficult market conditions faced by the Paper Industry during the last few years continued and the Paper prices fell further. For major part of the year, the Paper prices were between 10% to 15% lower than those prevailing three years ago. On the other hand, inspite of several cost reduction initiatives, costs continued to rise mainly because of increases in procurement prices of the major

inputs like Bamboo/Wood, Coal and Power tariff.

Additionally, the performance of our Paper Mill at Brajrajnagar suffered due to go-slow and industrial unrest by the workers to resist introduction of improved work practices and enforcement of discipline. As a result of this go-slow and acts of intimidation, the management was forced to declare suspension of work at Brajrajnagar from 2nd January, 1999. Although the suspension of work had to be lifted on 2nd March, 1999, as per the directives of the Orissa State Government, we have not been able to commence production at the Mill because of water scarcity and other operational issues. Several initiatives to find long-term solutions for this Mill are under review and discussion.

The Paper Mill at Amlai also suffered some temporary set backs during the year due to an unforeseen breakdown of the Paper Machine Turbine and two Mill shuts for Plant overhaul. The unit also faced agitation by a section of the workforce, against the wage settlement agreed with majority of the unions and on other unreasonable demands. The management dealt with this firmly and

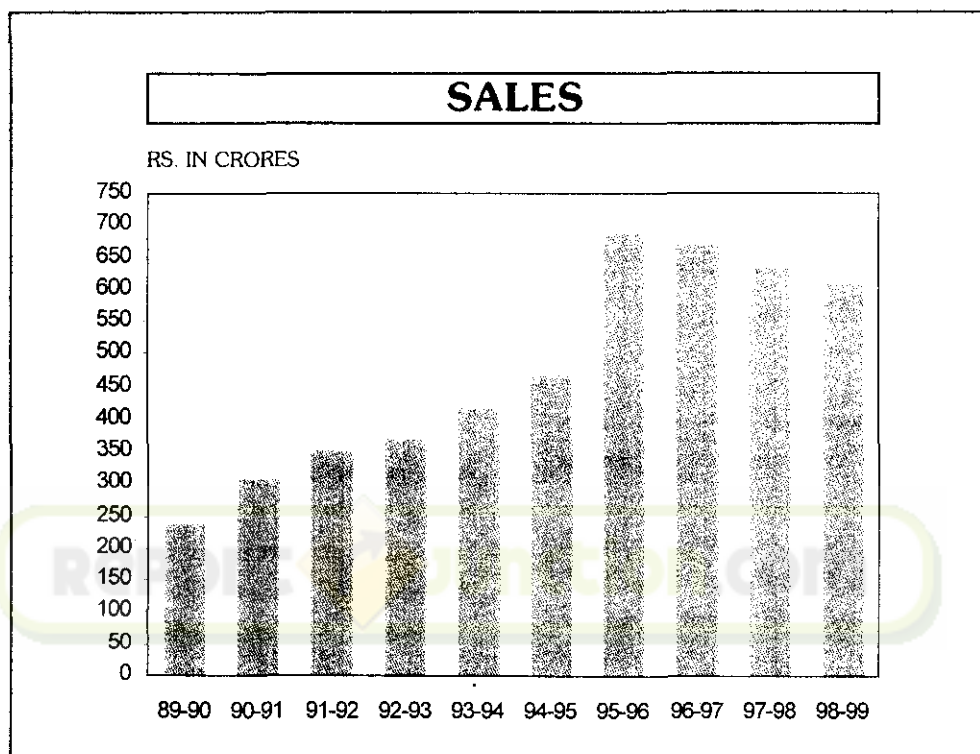
ORIENT PAPER & INDUSTRIES LIMITED

succeeded in containing the situation although this did cause loss of production on a few days.

As a result of these disruptions and the depressed market conditions, the total production of Paper was 85895MT as against 92684 MT in the previous year.

The Paper division has used the recessionary period to take several steps towards new product development, quality improvement, cost reduction and business process

The paper market has also started looking up from February, 1999 and the paper prices have been slowly firming up since then. We feel that this trend is likely to continue and we shall see a gradual improvement during the year 1999-2000. We do believe that the current improvement in the market, coupled with the expected results from the measures taken by us, should result in a much better performance by the division in the current financial year.



reengineering. We shall shortly be launching our branded Photocopier paper and also Paper for the publishing segment, which will not only improve the Net Sales Realisation but also our market base. All the projects-in hand at Amlai were also completed during the year except upgradation of the Chlorine Washer, which will be commissioned during the current year.

The Central Budget for 1999-2000 provided some relief by reducing Excise Duty on Paper from 18% to 16%, restoring 100% MODVAT benefit and imposing a 5% import duty on Newsprint.

CEMENT DIVISION

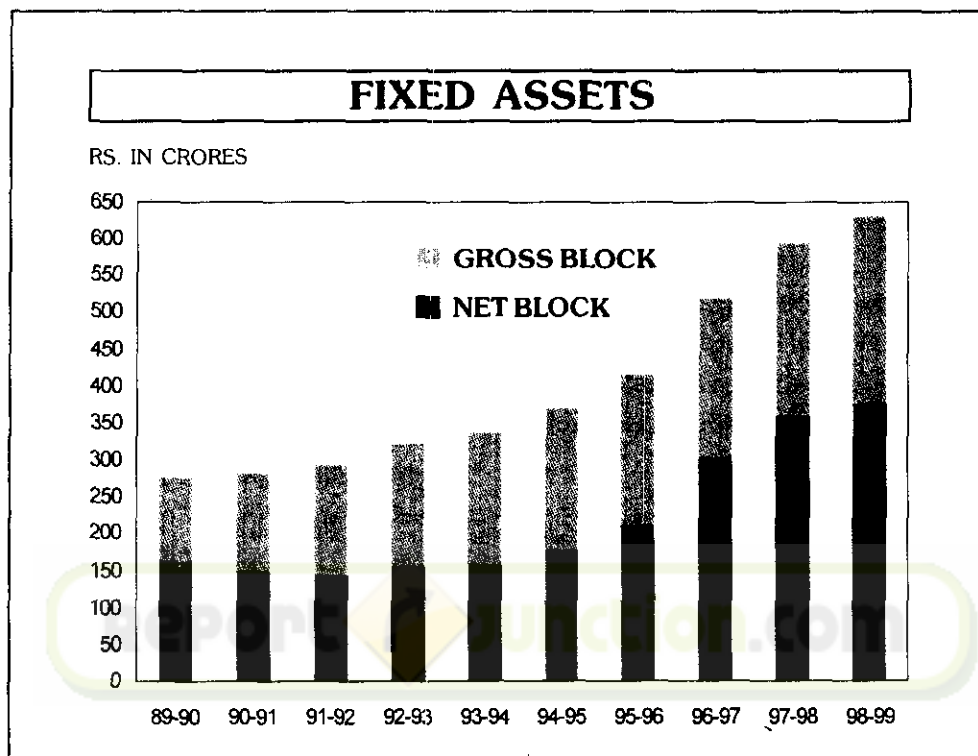
Despite normal growth in demand for the year under review, over supply and escalation in manufacturing costs caused a severe pressure on margins for the entire Cement Industry. However, operating performance of the Cement Division was satisfactory in view of significant cost control measures undertaken by the Division and improvement in operational efficiency achieved during the year. The production of Cement during the year under review was 1146414 MT as against 1208494 MT in the previous year. Production was marginally lower in view of stoppage

of the Kiln for carrying on upgradation work at the Plant, as conceived in the modernisation-cum-expansion scheme to increase Cement manufacturing capacity to 17.5 Lac MT per annum. The Split Grinding Unit of 5.70 Lac MT per annum at Jalgaon is expected to be commissioned during the current financial year.

Fans in the country. The exports of Fans also registered a growth of 21% over the previous year.

OVERSEAS VENTURE

The Company earned Rs. 615.92 Lacs for Technical Know-how and Services rendered to the Pan African Paper Mills (E.A.) Ltd., Kenya.



The growth in demand is expected to accelerate during the year with thrust on infrastructure and announcement of new Housing Policy by the Government of India. As the imbalance between supply and demand reduces, the Net Sales Realisation is also expected to improve during the current financial year.

FAN DIVISION

The Fan Division, during the year under review has shown encouraging performance by achieving higher production, sales (1940209 Fans as against 1829218 Fans in the previous year) and profitability. The Division further consolidated its position as one of the leading Brands of

DEBENTURES

The funds raised by issue of Debentures from time to time have been utilised for the purposes as sanctioned. Issue of 15000 Secured Redeemable Non-Convertible Debentures (XI Series) of Rs. 10,000/- each for an aggregate amount of Rs. 15 crores referred to in the earlier year's Report was fully subscribed and allotted. The Company further issued and allotted during the year Secured Redeemable Non-Convertible Debentures for an aggregate amount of Rs. 15 crores on private placement basis.

ORIENT PAPER & INDUSTRIES LIMITED

Y2K COMPLIANCE

Your Company has already initiated necessary steps to deal with the year 2000 (Y2K) problem effectively. Computer systems have been tested by internal as well as outside technical persons to establish their compatibility with Y2K. The systems will be upgraded wherever required to make the same Y2K compliant. The costs of remedial and other efforts relating to the Y2K problem will be very nominal.

OTHER MATTERS

Your Company decided to disinvest its shareholding of Rs. 16.87 crores in the Equity Shares of General Motors India Limited at par. As a part of the arrangement agreed upon with General Motors Corporation, USA the Company has, out of the sale proceeds of the Equity Shares, invested during the current year Rs. 11 crores in the Preference Shares of General Motors India Limited. These Preference Shares will be redeemed by General Motors India Limited in two installments upon expiry of 12 months and 24 months.

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 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.

Shri S.K. Saha, Chief General Manager, Unit Trust of India, has been appointed as a Director of the Company as nominee of Unit Trust of India with effect from 28th July, 1998.

Shri R. Kapoor, a Director of the Company resigned from the Board with effect from 30th October, 1998. The Board placed on record its appreciation of the valuable contribution by Shri Kapoor from time to time as a Director of the Company. Shri R. Viswanathan, General Manager, National Insurance Co. Ltd. has been appointed as a Director to fill in the vacancy caused by the resignation of Shri R. Kapoor with effect from 30th January, 1999.

Sarvashri C.K. Birla, P. K. Sen and D.N. Patodia, Directors of the Company, retire by rotation and are eligible for re-election.

Note Nos. 1(i)(d), 1(ix)(b), 1(ix)(c), 1(xi), 7,9,11(a), 11(b), 12 and 14 appearing in Schedule 22 to the Accounts referred to in the Auditors' Report are self explanatory.

M/s. S.R. Batliboi & Co., Chartered Accountants and Auditors of the Company retire and offer themselves for re-appointment. Special resolution would be necessary for their appointment as required under Section 224A of the Companies Act, 1956.

By Order of the Board

New Delhi
18th May, 1999

C.K. BIRLA
Chairman

ANNEXURE "A"**A. CONSERVATION OF ENERGY**

- a. The following energy conservation measures were taken during 1998-99.
 - i. In the Paper Mills at Amlai, replacement of incandescent lamps of 200/300 W with 125 W energy efficient lamps, installation of 20 T/hour energy efficient Drum Chipper, further loading of 6 MW Back Pressure TG sets, and thermal insulation of 2700 Sq. Meter at various sections of the mills has been done.
 - ii. In the Paper Mills at Brajrajnagar, installation of Tridisc Refiner in Paper machine no. 4 and 7 in place of Zordan refiner and Conical refiner respectively, replacement of motor generator set for the drive motor at Paper machine no. 6 with Thyristor convertor and replacement of incandescent bulbs of 60/100 W with 40 W has been done.
 - iii. In the Cement Plant at Devapur, modification of Cement Mill - 1 with Slegton liners and control flow diaphragm, retrofitting of CFG Cooler with high efficiency cooler fans, and retrofitting roller press with Sepol separator circuit in Raw Mill - I.
 - iv. In the Fan Division, installation of extra capacitor Banks has been done.
- b. Additional investment and proposals if any :
 - i. In the Paper Mills at Amlai steps are being taken for installation of additional vacuum pump at paper machine, installation of 1 no. DD/TDR refiner at main paper machine in place of Zordan and replacement of incandescent lamps of 200/300 W with 125 W. The total investment for all the above measures is estimated to be about Rs. 58 lacs.
 - ii. In the Cement Plant at Devapur, measures are being taken to complete the remaining modernisation/upgradation of the plant, which include new Pre heater Calciner String with retrofit of ESP and high efficiency fan and vertical roller mill for coal grinding. The total investment for completing modernisation/upgradation estimated to be about Rs. 47 crores.
 - iii. In the Fan Division, proposals are there to install BEBELEC Device for reduction in lighting load and replacement of electric heating by Kerosene Stove in Baking Ovens.
- c. Impact of above measures on consumption of energy :
 - i. In the Paper Mills at Amlai, the impact of above measures are expected to be derived from the year 1999-2000.
 - ii. In the Paper Mills at Brajrajnagar, there has been marginal reduction in cost of production due to saving in the consumption of energy.
 - iii. In the Cement Plant at Devapur, there has been a saving in power consumption, which after completion and stabilisation of all the measures is expected to improve further.
 - iv. In the Fan Division, there will be saving in electric energy consumption after implementation of above measures.

B. TECHNOLOGY ABSORPTION

Refer Form-B attached.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- i. The Company exported 613 tonnes of Paper and Board (excluding 278 tonnes to Nepal) for an aggregate amount of Rs. 137.31 lacs (excluding Rs. 66.40 lacs to Nepal) during the year under review against 1001 tonnes (excluding 309 tonnes to Nepal) in the previous year for an aggregate amount of Rs. 236.38 lacs (excluding Rs. 83.22 lacs to Nepal). The Company also exported 235308 Fans for an aggregate value of Rs. 1429.05 lacs during the year under review against 222528 fans for an aggregate amount of Rs. 1176 lacs during the previous year.
- ii. The Foreign Exchange used and earned (including Deemed Export) :

Used	: Rs.2302.93 lacs
Earned	: Rs.1695.08 lacs