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ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 2000

PM

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ORIENT PAPER & INDUSTRIES LIMITED

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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. VISWANATHAN
SHRI S. RAVIKUMAR
SHRI M. L. PACHISIA

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

REGISTERED OFFICE
UNIT-VIII, PLOT NO. 7
BHOINAGAR
BHUBANESWAR-751 012 (ORISSA)

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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, 2000

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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 Friday, the 22nd September, 2000 at 2.30 p.m. at UNIT-VIII, PLOT NO. 7, BHOINAGAR, BHUBANESWAR-751012 (ORISSA) to transact the following business :

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March, 2000 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. 15,00,000 (Rupees fifteen 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".

By Order of the Board
For ORIENT PAPER & INDUSTRIES LIMITED

Calcutta, the 11th July, 2000

Regd. Office :
Unit : VIII, Plot No. 7
Bhoinagar,
Bhubaneswar - 751012 (Orissa)

P. K. Sonthalia
Executive Vice President (Finance)

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 24th July to 8th August, 2000, both days inclusive.
3. Sarvashri B. M. Khaitan, B. K. Jhawar and R. Viswanathan, Directors of the Company, retire by rotation and are eligible for re-election.

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Directors' Report

FOR THE YEAR ENDED 31ST MARCH, 2000

TO THE SHAREHOLDERS,

Your Directors present their Report and the Accounts for the year ended 31st March, 2000.

SUMMARY OF THE OPERATION RESULTS

	Rs.	Rs.
The Profit & Loss Account, after providing for Depreciation and Taxation, shows a loss of		53,52,06,382
Which is adjusted against :		
Amount brought forward from previous year	83,96,858	
Investment Allowance Reserve written back	77,00,000	
Amount transferred from General Reserve	34,50,00,000	36,10,96,858
Loss to be carried forward		17,41,09,524

The Indian economy showed signs of gradual revival during the year under review. However, the Cement sector, particularly in our regions, continued to suffer from excess supply in spite of very healthy growth in demand. The resultant unremunerative sales realisation of Cement and the immediate costs involved in bringing about long term benefits at Brajrajnagar were mainly responsible for the depressed financial performance reported above.

While your Directors do not recommend dividend payout for the year under review, we firmly believe that as a consequence of the improving economic climate, measures already taken and those being contemplated by the Company, performance of the Company will improve significantly from the current year.

PAPER DIVISION

The difficult market conditions, faced by the Paper Industry in the last several years, eased gradually during the year. International Pulp and Paper prices firmed up during the year resulting in decline in imports and higher exports. The excise duty rationalisation announced by the Hon. Finance Minister in the budget for 2000-01 will also help as this would result in a level playing field between Mills using different raw materials.

AMLAI UNIT

The performance of our paper mill at Amlai improved significantly. The plant achieved a near record production of 69593 MT during the year as against 61332 MT in the previous year. This was in spite of the fact that the plant had to face a forced shut down for 31 working days during May/June 1999 due to non-availability of water. Water shortage during summer has been affecting our performance from time to time in the past also. We are pleased to report that the unit has taken up a project aimed at finding a long-term solution to this problem. As a result, water shortage should not affect the plant performance from the year 2001-02.

On other efficiency parameters, also the unit continues to make good progress. The improvements in quality and the new product features introduced during the year under review have been appreciated by the market and have increased our market reach.

The unit has successfully developed a range of new products in the recently set up Tissue plant. This will allow the unit to utilise full capacity of this plant even though the demand for soft tissue continues to be limited presently.

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The unit also achieved record exports/deemed exports of 8538 MT during the year representing 12% of its total production for the year.

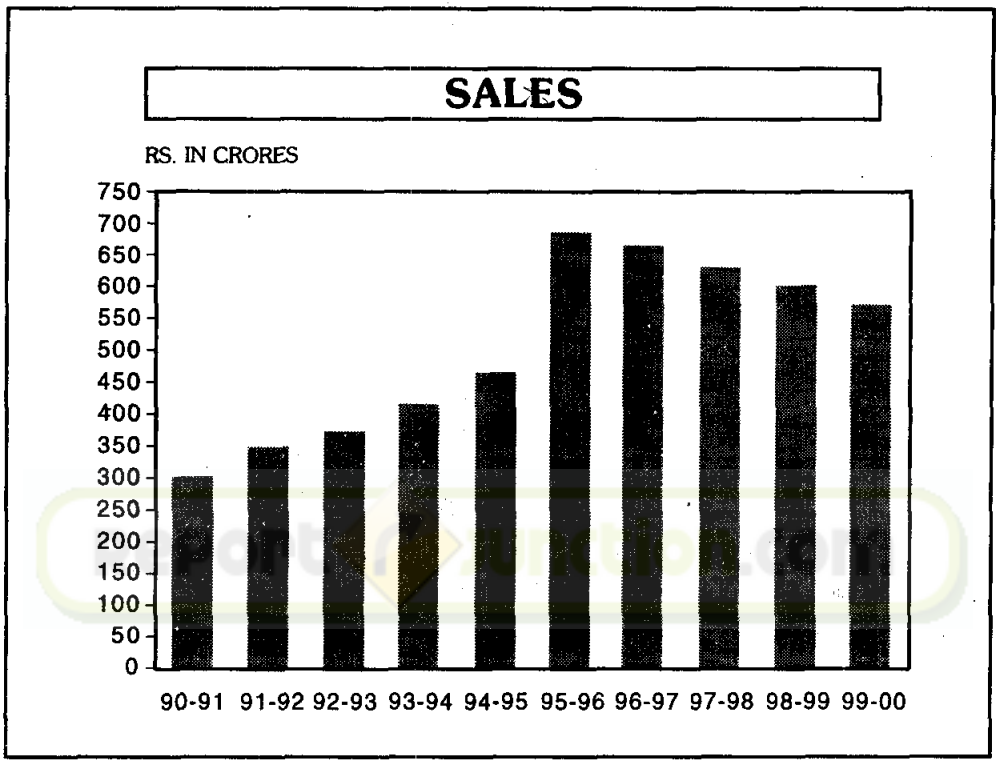
BRAJRAJNAGAR UNIT

Brajrajnagar plant continues to remain shut. The Voluntary Retirement Scheme launched by the Unit has received a good response and substantial number of employees have opted for the scheme.

improvements in productivity and necessary support from the State Government. We shall only consider revival of the unit subject to the support of the State Government being available and the long-term viability being ensured.

CEMENT DIVISION

In spite of unprecedented growth in Cement Demand for the year under review, Cement Industry, particularly in our regions, continued to face competitive pressures



This unit has been a constant drag on your company's performance for several years. While the steps taken during the last two years have resulted in temporary setbacks to the company's performance, we believe that these were essential in the long term interest of your Company.

At the request of the Orissa State Government, we have recently submitted a proposal outlining the ingredients necessary for a possible revival of this unit. The proposals include significant rationalization of workforce,

due to excess supply intensity. As a result, the sales prices dropped very sharply.

At the same time, steep increases in price of petroleum products, freight etc. caused pressure on costs. However, the unit further improved its operating efficiency and introduced several cost control measures to contain the cost increases and achieved best possible results within the overall circumstances.

Production during the year under review was 1266283 MT as against 1146414 MT during the previous year.

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Higher production was achieved with the increase in clinker capacity on completion of up-gradation project upto clinkerisation at Devapur.

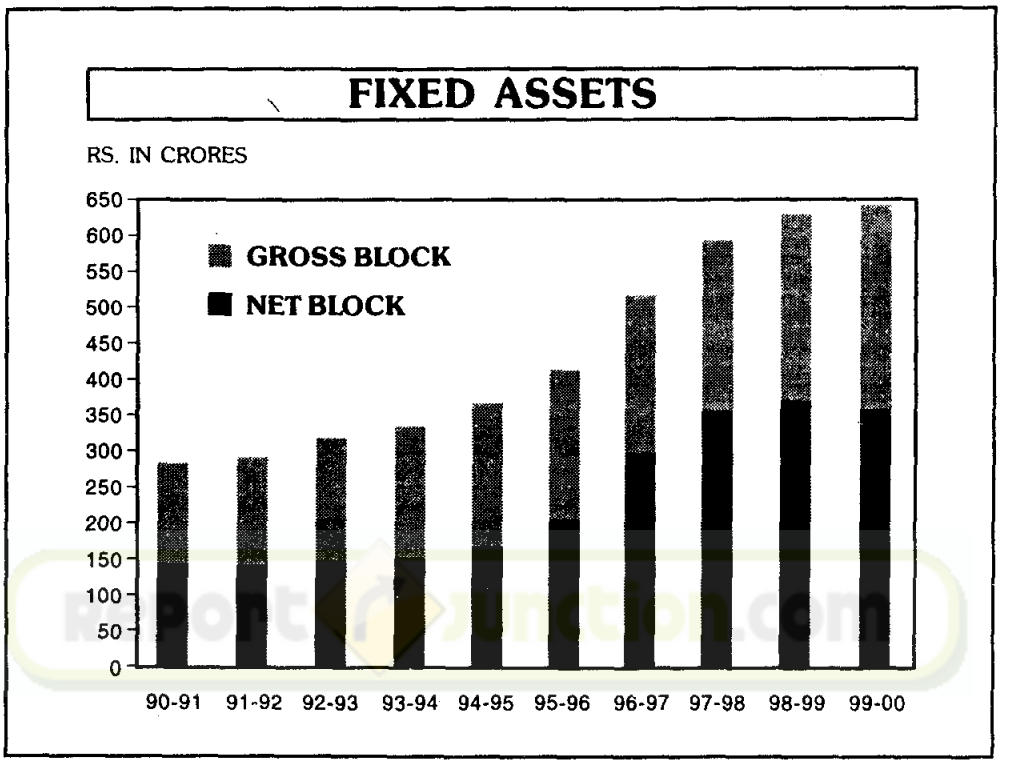
With further thrust on infrastructure sector and incentives to housing announced by the Government, overall scenario for Cement Industry is encouraging in the long run. However, the over supply situation in our region is likely to continue for some more time and will therefore continue to put selling prices under pressure.

Balance work on the project to upgrade the facilities at Devapur and setting up of the Jalgaon Cement Grinding Unit are expected to be completed by second quarter of the current financial year. This will impact the financial performance of the unit very positively as the substantial investment already made will come in productive use.

FAN DIVISION

In view of demand recession, over supply and escalation in manufacturing cost there was pressure on margin of entire fan industry during the year.

Our production of the Fans was 18.18 lacs against 18.37 lacs in the previous year. While we did manage to, more or less, maintain our volumes and our leadership position in ceiling fans, the profitability was adversely affected due to lower price realisation. The unit has however taken several cost reductions and value engineering measures, benefits of which should accrue during the coming year.



The division continues to be the leading exporter of fans from the country and has drawn up ambitious plans to further increase its export market.

OVERSEAS VENTURE

The Company earned Rs. 580.77 lacs for technical know-how and services rendered to the Pan African Paper Mills (E.A.) Ltd., Kenya.

DEBENTURES

The funds raised by issue of Debentures from time to time have been utilised for the purposes as sanctioned.

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RESTRUCTURING BUSINESS ACTIVITIES

The shareholders at their meeting held on 30th May, 1997 had authorised the Board of Directors to examine options for restructuring and/or streamlining business activities of the Company and take such steps as may be considered appropriate in consolidating and improving the Company's performance. The Board has reviewed various options in consultation with ICICI Securities Limited and decided to sell the Cement Division of the Company subject to such approvals as may be required. For this purpose, authority is being taken in favour of the Board at the ensuring Annual General Meeting.

Y2K COMPLIANCE

The Y2K transmission was smooth without any disruption to the operations of any of the divisions of your Company.

SHIFTING OF REGISTERED OFFICE

Pursuant to the Special Resolution adopted by the shareholders at the General Meeting of the members of the Company held on 26th May, 2000 the Registered Office of the Company has been shifted from Brajrajnagar to Bhubaneswar.

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 a director of the Company, nominee of the Unit Trust of India resigned from the Board with effect from 26th March, 2000. The Board places on record its appreciation of the valuable contribution by Shri S K Saha from time to time as a Director of the Company. Shri S. Ravi Kumar, Chief General Manager, Unit Trust of India has been appointed as a Director of the Company as a nominee of Unit Trust of India with effect from 26th March, 2000 in place of Shri S K Saha.

Sarvashri B.M. Khaitan, B.K. Jhawar and R. Viswanathan, Directors of the Company, retire by rotation and are eligible for re-election.

Note Nos. 1(i)(c), 1(viii), 1(x), 7, 9(a), 9(b), 9(c), 10 and 13 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

C.K. BIRLA
Chairman

Calcutta
1st June, 2000

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ANNEXURE "A"

A. CONSERVATION OF ENERGY

a. The following energy conservation measures were taken during 1999-2000.

i. In the Paper Mills at Amlai installation of Capacitor Bank and Belt Conveyor System over Flume Line, replacement of old Motors with energy efficient Motors and incandescent Lamps with energy efficient Lamps and thermal insulation of 5500 Sq. Meters at various sections of the mill has been done.

ii. In the Cement Plant at Devapur installation of vertical Roller Mill for Coal grinding and pracaloiner string and retrofitting of Folax Cooler to CFG/RFT Cooler has been done.

iii. In the Fan Division installation of energy efficient Refrigeration type Air Dryer, Automatic change over system between 750 KVA & 350 KVA Transformer and energy efficient lighting has been done.

b. Additional investment and proposal if any. :

i. In the Paper Mills at Amlai steps are being taken for installation of Additional Vacuum Pump at Paper Machine, installation of 2 nos. of DD/TDR Refiners of Main Paper Machine, Upgradation of Pneumatic Chip Supplying system to Digester, replacement of Dynodrive with variable frequency drives and detailed energy audit. The total investment for all the above measures is estimated to be about Rs. 110 Lacs.

ii. In the Cement Plant at Devapur, measures are being taken for upgrading Line II which includes modification of preheater cyclones of Stage III & IV with low pressure cyclones and retrofitting of PH Fan, CV Fans with high efficiency impellers. The total investment for the above upgradation is estimated to be about Rs.300 Lacs.

iii. In the Fan Division, proposals are there to replace the existing air cooling system with Split AC, redesigning of Assembly Line lighting and Fan arrangement and use of gas in place of electricity in baking ovens.

c. Impact of above measures on consumption of energy :

i. In the Paper Mills at Amlai, the impact of above measures has resulted in reduction of energy consumption.

ii. In the Cement Plant at Devapur there has been considerable saving in Power/Fuel consumption.

iii. In the Fan Division consumption of electricity unit per Fan produced has come down.

B. TECHNOLOGY ABSORPTION

Refer Form-B attached.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

i. The Company exported 5995 tonnes of Paper and Board (excluding 418 tonnes to Nepal) for an aggregate amount of Rs. 1414.64 Lacs (excluding Rs. 112.00 Lacs to Nepal) during the year under review against 613 tonnes (excluding 278 tonnes to Nepal) in the previous year for an aggregate amount of Rs. 137.31 Lacs (excluding Rs. 66.40 Lacs to Nepal). The Company also exported 226501 Fans for an aggregate value of Rs. 1315.00 Lacs during the year under review against 235308 Fans for an aggregate amount of Rs. 1429.05 Lacs during the previous year.

ii. The Foreign Exchange used and earned :

Used	:	Rs. 841.47 Lacs
Earned	:	Rs. 4043.39 Lacs

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FORM-'A'

A. Power & Fuel Consumption (excluding consumption in colony)

	Cement		Paper		Caustic & Chlorine (for captive consumption)	
	1999-2000	*1998-99*	1999-2000	*1998-99*	1999-2000	*1998-99*
1. Electricity						
a. Purchased						
Unit (KWH lacs)	512.28	*625.49*	10.93	*99.82*	–	*98.80*
Total Amount (Rs. lacs)	2,314.02	*2,565.59*	84.03	*488.20*	–	*410.84*
Rate/Unit (Rs)	4.52	*4.10*	7.69	*4.89*	–	*4.16*
b. Own Generation						
i. Through Diesel Generator						
Unit (KWH lacs)	787.55	*631.96*	–	–	–	–
Unit per ltr. of Diesel/Furnace Oil	3.76	*3.78*	–	–	–	–
Cost /Unit (Rs.)	2.94	*2.32*	–	–	–	–
ii. Through Steam Turbine Generator						
Unit (KWH lacs)	–	–	1195.61	*1,657.03*	–	*597.55*
Unit per M.T. of Steam	–	–	324.00	*331.00*	–	*321.00*
Cost/Unit (Rs.)	–	–	1.36	*1.32*	–	*1.28*
2. Coal (C, D, E & F Grade Coals used for Coal Boiler and Lime Kilns)						
Quantity (MT lacs)	2.02	*1.98*	1.84	*3.41*	–	–
Total Cost (Rs. lacs)	2,496.51	*2,375.79*	1,562.53	*2,484.05*	–	–
Average Rate (Rs.)	1,236.00	*1,200.00*	850.00	*728.00*	–	–
3. Furnace Oil						
Quantity (K. Ltrs)	–	–	399.00	*1,004.00*	–	–
Total Amount (Rs. lacs)	–	–	38.16	*69.13*	–	–
Average Rate (Rs.)	–	–	9,563.00	*6,885.00*	–	–

4. Others/Internal Generation	By the back pressure turbine for the paper Machine drive (KWH lacs)		Diesel (K. Ltrs.)	
	1999-2000	*1998-99*	1999-2000	*1998-99*
Quantity	10.13	*9.08*	–	*7.15*
Total Cost (Rs. lacs)	2.40 *	*1.94 **	–	*0.80*
Rate/Unit (Rs.)	0.24	*0.21*	–	*11,060.00*

* represents electricity duty paid

B. Consumption per M.T. of production

		Cement		Paper		Caustic & Chlorine (for captive consumption)	
	Unit	1999-2000	*1998-99*	1999-2000	*1998-99*	1999-2000	*1998-99*
Electricity	(KWH)	102.08	*110.00*	1,734.00	*2,045.00*	–	*3,954*
Furnace Oil	(K.Ltrs)	–	–	0.006	*0.012*	–	–
Coal (C, D, E & F Grade)	(M.T.)	0.16	*0.17*	2.64	*3.97*	–	–
Others							
Diesel	(K.Ltrs)	–	–	–	*0.00029*	–	–
Internal Generation (By the back pressure turbine for the paper machine drive)	(KWH)	–	–	15.00	*15.00*	–	–

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