

**ANNUAL  
REPORT &  
ACCOUNTS**

**FOR THE YEAR ENDED 31ST MARCH 2001**



**ORIENT PAPER & INDUSTRIES LIMITED**

## **BOARD COMMITTEES**

### **COMMITTEE OF DIRECTORS**

SHRI M.L. PACHISIA  
SHRI B.K. JHAWAR  
SHRI P.K. SEN

### **AUDIT COMMITTEE**

SHRI A. GHOSH  
SHRI B.K. JHAWAR  
SHRI P.K. SEN  
SHRI R. VISWANATHAN  
SHRI M. L. PACHISIA

### **SHAREHOLDERS / INVESTORS RELATION COMMITTEE**

SHRI D.N. PATODIA  
SHRI P.K. SEN  
SHRI M.L. PACHISIA

## **BOARD OF 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 — Nominee - ICICI  
SHRI R. VISWANATHAN — Nominee - GIC  
SHRI S. RAVIKUMAR — Nominee - UTI  
SHRI M. M. YESAW — Nominee - IDBI  
SHRI M. L. PACHISIA — Managing Director

## **AUDITORS**

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

## **REGISTERED OFFICE**

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

## **MILLS**

BRAJRAJNAGAR, Orissa  
AMLAI, Madhya Pradesh  
DEVAPUR, Andhra Pradesh  
KOLKATA, West Bengal  
DHARUHERA, Haryana  
FARIDABAD, Haryana  
JALGAON, Maharashtra



## **SHARE TRANSFER AGENTS**

MCS Limited  
77/2A Hazra Road,  
Kolkata - 700 029

# **ORIENT PAPER & INDUSTRIES LIMITED**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2001**



## CONTENTS

Notice .....	3
Directors' Report .....	6
Particulars of Employees and Directors' Responsibility Statement .....	12
Auditors' Report .....	13
Balance Sheet .....	16
Profit & Loss Account .....	17
<b>SCHEDULES</b>	
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. Miscellaneous Expenditure .....	25
14. Sales .....	26
15. Other Income .....	26
16. Increase in Stocks .....	26
17. Raw Materials & Components Consumed .....	27
18. Manufacturing, Administrative, Selling and Other Expenses .....	27
19. Directors' Remuneration .....	28
20. Interest (Net) .....	28
21. Depreciation .....	28
22. Notes .....	29
Cash Flow Statement for the year ended 31st March, 2001 .....	36
Statement Regarding Subsidiary Companies .....	38
<b>SUBSIDIARY COMPANIES REPORTS AND ACCOUNTS :</b>	
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 Friday, the 31st August, 2001 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, 2001 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, Kolkata-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 Kolkata 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 Resolutions :

#### (i) AS SPECIAL RESOLUTION

"Resolved that the payment of commission to the Directors (including Managing Director or Wholetime Directors if any) under Article 74A of the Articles of Association of the Company be and is hereby sanctioned for a further period of five years with effect from 1st April, 2001."

#### (ii) AS ORDINARY RESOLUTIONS

(a) "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 ICICI Ltd. (ICICI) to secure rupee term loan of Rs. 190 Crores lent and advanced by ICICI to the Company together with the interest at the agreed rate, additional interest, liquidated damages, commitment charges, costs, charges, expenses and all other monies payable by the Company to ICICI in terms of their agreements, heads of agreement, hypothecation agreement, letter of sanction, memorandum of terms & conditions entered into or to be entered into by the Company in respect of the said term 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 mortgage and/or charge 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."

(b) "Resolved that pursuant to the provisions of section 205(2)(c) and other applicable provisions, if any, of the Companies Act, 1956 and as already approved by the Central Government, approval be and is hereby accorded to the Company for the financial year 2000-01 for not providing depreciation, in respect of Company's Paper Plant at Brajrajnagar (Orissa) and on new capital investment made in Clinkerisation and Split Grinding Plant at Devapur (Andhra Pradesh) and Jalgaon (Maharashtra) respectively and that the depreciation for the aforesaid units not so



provided in the accounts of the Company for the financial year 2000-01 be adjusted during the remaining lifetime of the respective assets of the said units in such a way as to write off 95% of the value of the assets over the respective lives of such assets.

Resolved further that subject to approval of the Central Government and such other approvals as may be required, approval be and is hereby accorded to the Company for not providing depreciation on the Company's Paper Plant at Brajrajnagar (Orissa) for the two financial years 2001-02 and 2002-03.

Resolved further that the consent of the Company be and is hereby accorded to the Board of Directors of the Company to agree to such terms and conditions as may be prescribed by the Central Government while granting the approval to change in the basis adopted by the Company for providing depreciation on the respective assets of the aforesaid division of the Company.

Resolved further that the Board be and is hereby authorised to do and/or delegate the performance of all such acts, deeds, matters and things as it may in its absolute discretion deem necessary proper and desirable for the purpose of giving effect to this Resolution."

Kolkata, the 11th July, 2001

By Order of the Board  
For ORIENT PAPER & INDUSTRIES LIMITED

Regd. Office :  
Unit : VIII, Plot No. 7  
Bhojnagar,  
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 will remain closed from 16th August to 31st August, 2001, 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.
4. The instruments of Share transfer complete in all respects should be sent to the Company's Registrars and Transfer Agents M/s MCS Limited 77/2A, Hazra Road, Kolkata - 700 029, well in advance, so as to reach them prior to Book closure, Shares under any defective transfer (unless defect is removed prior to Book closing) and/or instruments of transfer received during the period of Book closing shall be considered after re-opening of the books.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed Dividends upto the financial year 1993-94 have been transferred to the General Revenue Account of the Central Government, Shareholders who have not encashed the Dividend Warrants upto the said period are requested to claim the amount from the Registrar of Companies, Orissa (Cuttack) by submitting an application in the prescribed form. In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends from the financial year 1994-95 and thereafter will be transferred to the Investor Education and protection Fund ("the Fund") established by the Central Government in accordance with Section 205C of the Companies Act, 1956 after the expiry of 7 years from the date of transfer of Dividend to the Unpaid Dividend Account of the Company. Members, who have not yet claimed their Dividend for any of the aforesaid financial years, may claim it now from the Company before the same is transferred to the fund, it may be noted that no claims shall lie against the Company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 years and transferred to the Fund and no payment shall be made in respect of any such claim.



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

### ITEM NO. 4

(i) It will be recalled that pursuant to Section 309 (7) of the Companies Act, 1956, the Shareholders had by a special resolution passed at the Annual General Meeting held on 28th September, 1995 sanctioned payment of commission to Directors upto 1% of the net profits of the Company, for a period of 5 years with effect from 1st April, 1996. As the period of 5 years has expired on 31st March, 2001 the resolution is submitted to obtain your sanction pursuant to the said Section for continuing payment of commission to Directors for a further period of 5 years with effect from 1st April, 2001.

The Directors are interested to the extent of commission that may be received by them in terms of the resolution.

(ii) (a) In order to augment the long term financial resources of the Company and for retiring higher cost borrowings, arrangements have been made with ICICI for rupee term loan of Rs. 190 Crores. The above financial assistance is required to be secured by creation of mortgage / charge on the assets of the Company in favour of ICICI as may be agreed between the Board of Directors of the Company 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 off 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 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 for 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 are concerned or interested in the above resolution.

(ii)(b) The Company has made substantial investments for last four years in the assets of Cement Division of the Company at Devapur (Andhra Pradesh) and Jalgaon (Maharashtra). Although the additional capacity could not be utilised due to non completion of the full project, the Company has continued to provide depreciation on the specific assets which were commissioned. Moreover, operations at the Company's paper mill at Brajrajnagar have remained suspended w.e.f. January, 1999 and the Company has continued to provide depreciation on the assets of the division. The net loss incurred by the Company during last few years has been further aggravated because of higher charge of depreciation on these assets.

Upon our application, the Central Government has given approval to the Company for not providing depreciation for the financial year 2000-01 in respect of the Company's Paper Plant at Brajrajnagar (Orissa) and on new capital investment made in Clinkerisation and Split Grinding Plant at Devapur (Andhra Pradesh) and Jalgaon (Maharashtra) respectively, on the condition that the arrears of depreciation should be adjusted during the remaining life time of the respective assets in such a way as to write off 95% of the value of such assets over the respective lives of such assets. Whilst granting the approval, the Central Government has stipulated that shareholders' approval be obtained to such change in relation to depreciation in the next Annual General Meeting of the Company.

In view of the fact that the operations of the Company's Paper Mill at Brajrajnagar continued to remain suspended, the Company proposes, subject to such statutory approvals as may be necessary, not to provide depreciation on the assets of the said division of the Company for the next two years i.e. 2001-02 and 2002-03. Accordingly, the resolution as set out under this item of the enclosed notice is proposed to obtain the approval of the members of the Company for not providing depreciation on the assets of the said divisions for the said financial year as mentioned above.

None of the Directors is interested in this resolution except as members of the Company. The Directors accordingly recommend the Resolution mentioned in this item of the notice for the approval of the members.





## Directors' Report

FOR THE YEAR ENDED 31ST MARCH, 2001

### TO THE SHAREHOLDERS,

Your Directors present their Report and the Accounts for the year ended 31st March, 2001.

### SUMMARY OF THE OPERATION RESULTS

	Rs.	Rs.
The Profit & Loss Account, before providing for Depreciation, extraordinary items and Taxation, Shows a profit of		6,74,96,946
Depreciation	14,29,53,875	
Extra ordinary items	5,23,38,353	19,52,92,228
Net loss before taxes		12,77,95,282
Taxes		3,30,788
Net loss		12,81,26,070
Which is adjusted against :		
Investment Allowance Reserve written back		95,88,972
To which is added		11,85,37,098
Amount brought forward from previous year		17,41,09,524
Loss to be carried forward		29,26,46,622

The Company's performance has improved significantly during the year under review. This has been possible as a consequence of several measures taken by us, which have begun to give results, and also better market conditions for Paper and Cement during 2nd half of the year.

Your Directors do not recommend dividend for the year under review but believe that your Company is now well poised to achieve significantly better performance in the coming years. The segment wise analysis of the performance and prospects of Company's activities is discussed hereunder :

#### PAPER DIVISION

The Indian paper market showed some revival during the year and selling prices, which had remained severely depressed during the last few years, showed gradual recovery. International prices were also firm, except during the last few months when prices have softened to some extent. Recently, the Indian Paper market is also showing some signs of a slow down. The long-term prospects for

the Indian Paper industry appear to be good but possible impact of the current slow down could be a cause for some concern in the short term.

#### AMLAI UNIT

Our paper mill at Amlai achieved a record production of 72802 MT of paper as against 69593 MT in the previous year, in spite of a long shutdown of over three weeks during April/May 2000 due to water shortage.

As reported last year, we have, during the year under review, completed a project, which should provide additional water during summer to meet the Unit's requirement for nearly two weeks. This should go a long way in providing a solution to our long-standing problem of water scarcity during summer months.

On efficiency and cost parameters also, the Unit has made very good progress and ranks as one of the most cost efficient units in the country.

We have also developed several new Added value products, which have helped in increasing our market reach and also improving our Sales realisation.



The Unit continues to work on several areas of further improvements in efficiencies and costs and should therefore be able to maintain its positive momentum.

### **BRAJRAJNAGAR UNIT**

As reported earlier, operations at this plant have been shut down since January 1999.

69% of employees on our rolls have opted for our Voluntary Retirement Scheme so far. Consequently, there has already been a significant reduction in fixed costs and losses attributable to this unit. While we are continuing our efforts to convince the remaining employees also to avail the VRS, we have also applied to the Orissa Government again for permission to close down this unit.

This plant has been a perpetual drag on your Company's performance for several years. Therefore, these actions will help to significantly improve our prospects in the long run.

### **CEMENT DIVISION**

Balance work to upgrade Devapur facilities was completed during the First half of this year. The Cement Grinding unit at Jalgaon was also commissioned during the second half of the year and the Unit is operating satisfactorily in terms of both productivity and power consumption. With completion of these projects, overall production capacity of our Cement division has increased to 20 lac tons per year.

In view of the draught in Gujarat, Rajasthan and some parts of other states together with the delays in implementation of infrastructure projects, demand for cement was generally sluggish and registered a negative growth during the year. In the circumstances, our cement production of 12,05,039 tons for the year under review, as against 12,66,283 during the previous year has been satisfactory.

The cement sales prices continued to be depressed during first half of the year. Increases in power tariff, royalty, cess on limestone and prices of coal put additional pressures on costs and margins. However, there has been improvement in cement prices in the second half of the year.

It is hoped that the planned implementation of some large infrastructure projects and expected growth in the housing sector should provide the much-needed boost to the demand for cement. With the completion and stabilization of our plant capacity at 20 lac tons per year and consequent improvements in operational efficiencies, the outlook for our cement division is better.

### **FAN DIVISION**

In view of continuing demand recession and over supply, there was pressure on margins for the entire Fan industry in India.

We were however able to achieve a production of 18.06 lac fans against 18.33 lac fans in the previous year. This was possible due to further consolidation of our leadership position in the domestic market and excellent performance in exports, which increased by more than 60%.

The division also took several cost reduction and value engineering measures, which helped in maintaining its profitability despite adverse market conditions.

The division's success in difficult export markets is gratifying and should provide an avenue for further growth.

### **OVERSEAS VENTURE**

The Company earned Rs. 616.86 lacs from Pan African Paper Mills (E.A.) Ltd., Kenya and Rs. 267.87 lacs from others for technical know-how and services rendered.

### **DEBENTURES**

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

### **RESTRUCTURING BUSINESS ACTIVITIES**

As indicated in the last Annual Report the Board of Directors had appointed ICICI Securities (ISEC) to explore the possibilities of selling the Company's cement division. Although ISEC has made efforts in this direction, no concrete proposal has so far been received.

### **STATUTORY MATTERS**

By virtue of erosion of the Company's net worth by more





than 50% of its peak net worth, during the immediately preceding four financial years, the Company had become potentially sick at the end of the last financial year. As required under section 23 of the Sick Industrial Companies (special provisions) Act, 1985, we had reported the fact to the members as also to the Board for Industrial and Financial reconstruction (BIFR).

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 and 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.

Directors' responsibility statement pursuant to Section 217 (2AA) of the Companies Act, 1956 has been given

in Annexure 'C' to the Report.

Shri M. M. Yesaw, General Manager of Industrial Development Bank of India (IDBI) has been appointed as a Director of the Company as nominee of IDBI w.e.f. 21-07-2000.

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. 6(b), 7, 8, 9(a), 9(b), 9(c) and 9(d) 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.

Kolkata  
16th May, 2001

By Order of the Board

C.K. BIRLA  
Chairman





## ANNEXURE "A"

### A. CONSERVATION OF ENERGY

- a. The following energy conservation measures were taken during 2000-2001.
  - i. In the Paper Mills at Amlai installation of Vacuum Pump, Belt Conveyor System over Flume Line, Energy Efficient DD Refiners, replacement of old Motors with energy efficient Motors, incandescent Lamps with energy efficient Lamps and Dyno Drive with Energy efficient variable frequency drives at Paper Machine and thermal insulation of 5100 Sq. Meters at various sections of the mill has been done.
  - ii. In the Cement Plant at Devapur installation of Low Pressure cyclones of Pre-heater and retrofitting of Pre-heater Fan and CV Fan has been done.
  - iii. In the Fan Division installation of energy efficient Lighting system, redesigning of Assembly Line Lighting and Fan arrangement, replacement of inefficient Office Cooling System by split AC 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 Evaporator Plant, Capacitor Bank, Electro Feed Pumps, Upgradation of Blow heat recovery system, replacement of Dyno Drive with variable frequency drive at cutters, FD and SA Fans with energy efficient Fans and Incandescent Lamps with energy efficient Lamps. The total investment for all the above measures is estimated to be about Rs. 150 Lacs.
  - ii. In the Cement Plant at Devapur measures are being taken for upgradation of Truck loading in Packing Plant with Mechanical Auto Loaders, Creation of Fly ash handling facilities for production of blended Cement. The total investment for the above is estimated to be about Rs.300 Lacs.
  - iii. In the Fan Division, proposals are there to replace old air compressor with new screw compressor to reduce the load and use of Gas in Paint Baking Oven in place of Electricity.
- 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 consumption of power & fuel is likely to be improved further.
  - 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 4719 tonnes of Paper and Board (excluding 443 tonnes to Nepal) for an aggregate amount of Rs. 1397.02 Lacs (excluding Rs. 150.60 Lacs to Nepal) during the year under review against 5995 tonnes (excluding 418 tonnes to Nepal) in the previous year for an aggregate amount of Rs. 1414.64 Lacs (excluding Rs. 112.00 Lacs to Nepal). The Company also exported 363560 Fans for an aggregate value of Rs. 2272.52 Lacs during the year under review against 226501 Fans for an aggregate amount of Rs. 1315.00 Lacs during the previous year.
- ii. The Foreign Exchange used and earned :
 

Used	: Rs. 1311.47 Lacs
Earned	: Rs. 4951.08 Lacs