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30TH ANNUAL REPORT 1998-2000

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BOARD OF DIRECTORS	DHARMA VIRA	CHAIRMAN
	N.N. BHARGAVA	VICE CHAIRMAN
	ANITA BHARGAVA	EXECUTIVE DIRECTOR
	R. KRISHNA MOORTHY	
	VINOD BHARGAVA	
	GUNNAR JOHANSSON	
	Y. BANSAL	
	VIDYAWATI BHARGAVA	
	GEETA MATHUR	NOMINEE ICICI
	S.N. BAHETI	NOMINEE IDBI
PRESIDENT	AMBRISH BHARGAVA	
G.M. (LEGAL) & GROUP C.S.	R. MANGTANI	
SR. VICE PRESIDENT (Machinery Division)	K.P. RAJ	
GENERAL MANAGER (Paper Board & Paper Divn.)	V. KRISHNAMURTHY	
SR. G.M. (TECH. DEV.)	S.C. MALHOTRA	
SR. G.M. SALES & MARKETING	RAVEEN CHOUDHARY	
GROUP G.M. (HRD)	DR. P.L.N. RAJU	
G. M. (PURCHASE)	ASHIT KHOSLA	
G.M. (SALES)	B. CHATTERJEE	
DGM (GROUP A/CS. & TAXATION)	N.K. GUPTA	
AGM (GROUP FINANCE & BANKING)	M. KHANDELWAL	

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REGISTERED OFFICE	13/6, Mathura Road, Faridabad - 121 003 Haryana
AUDITORS	S.S. KOTHARI & CO. Chartered Accountants, New Delhi
SOLICITORS	J.B. Dadachandji & Co. New Delhi
BANKERS	CANARA BANK STATE BANK OF MYSORE STATE BANK OF INDIA

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NOTICE

The Thirtieth Annual General Meeting of the Company will be held as scheduled below:

Date 20th September, 2000
Time 10.30 A.M.
Place Regd. Office - 13/6, Mathura Road, Faridabad (Haryana)

to transact the following business:

1. To receive, consider and adopt the Accounts of the Company for the year ended 31st March, 2000, the report of the Board of Directors and Auditors thereon.

2. To appoint a director in place of Mr. N.N. Bhargava, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint a director in place of Mrs. Anita Bhargava, who retires by rotation and being eligible, offers herself for reappointment.

4. *To appoint a director in place of Mr. Y. Bansal, who retires by rotation and being eligible, offers* himself for reappointment.

SPECIAL BUSINESS

5. To appoint auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, to fix their remuneration and to consider and if thought fit, to pass, with or without modification(s) the following as **a Special Resolution:**

   "RESOLVED that, pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S.S. Kothari & Co., Chartered Accountants, New Delhi be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting, at a remuneration, to be decided by the Board of Directors, payable in two instalments of 6 monthly each, as audit fee and reimbursement of out-of-pocket expenses."

6. To consider, and if thought fit, to pass with or without modification(s) the following resolution *as an Ordinary Resolution.*

   "RESOLVED THAT in supersession of the resolution limiting the borrowing powers of the Board of Directors of the company at the Annual General Meeting held on the 27th August, 1996 the Board of Directors of the Company be and is hereby authorised pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, to borrow money from time to time up to a limit not exceeding in the aggregate Rs. 100 crores (Rupees one hundred crores

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only) notwithstanding that moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from 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, that is to say, reserves not set apart for any specific purpose."

7. To consider, and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution.**

"RESOLVED that the 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 mortgaging and/or charging by the Board of Directors of the Company all the immovable and moveable properties of the company wheresoever situated, present and future, and the whole of the undertaking of the company to or in favour of the Financial Institutions and Banks, from time to time for their financial assistance provided to the company, subject to a maximum of Rs. 100 crores (Rupees one hundred crores only) in aggregate."

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-

(R. MANGTANI)
G.M. (Legal) & Group Company Secretary

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DATE : 28TH JUNE, 2000

Registered Office
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FARIDABAD - 121 003
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Notes:

a) A member entitled to attend and vote at the Annual General Meeting may appoint a Proxy, who need not be a member, to attend and vote on his/her behalf. Proxies in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting.

b) The Register of Members and Debenture holders and the Transfer Books of the Company will remain closed from 15th September to 20th September, 2000 (both days inclusive).

BY ORDER OF THE BOARD OF DIRECTORS

Sd/-
(R. MANGTANI)
G.M. (Legal) & Group Company Secretary

DATE : 28TH JUNE, 2000

Registered Office
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EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956.

In conformity with the provision of Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out the material facts relating to item No. 5 to 7 mentioned in the accompanying Notice and should be taken as forming part of the Notice.

Item No.5

Messrs S.S. Kothari & Co. Chartered Accountants, have intimated their willingness to continue as Auditors of the Company, if appointed. A Certificate has been obtained by the Company from them to the effect that their reappointment, if made, will be in accordance with the limits specified in Section 224(IB) of the Companies Act, 1956. As the provisions of Section 224 A of the said Act, are applicable to the Company, the reappointment of Auditors is required to be made by a Special Resolution.

None of the Directors of the Company has any concern or interest in this item of business.

Item No.6

Shareholders of the Company in their Annual General Meeting held on 27th August, 1996 had authorised the Board of Directors to borrow funds up to a limit not exceeding in the aggregate Rs. 75 crores (apart from the temporary loans obtained from Company's bankers in the ordinary course of business), notwithstanding the money borrowed may be exceeding the aggregate of the paid up capital of the Company and its free reserves, this is to say, reserves not set apart for any specific purpose.

However, with the increase in the turnover and the expansion and diversification activities of the company the requirement of funds have increased drastically.

Pursuant to the provisions of clause (d) of sub-section (1) of Section 293 of the Companies Act, 1956, the Board of Directors cannot borrow more than the aggregate amount of the paid-up capital of the Company and its free reserves at any time except with the consent of the Shareholders of the Company in General Metting. Therefore the consent is hereby sought from the Shareholders.

None of the Directors of the Company has any concern or interest in this item of business.

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Item No.7

From time to time the Company has to take financial assistance from the Banks and Financial Institutions for meeting the requirement of Capital Expenditure and working capital respectively by charging its assets. In order to secure the charge for the availment of such financial assistance, by the company, the Board is required to be authorised under Section 293(1)(a) of the Companies Act, 1956. The creation of such charge(s) would be subject to the limit of Rs.100 crores in aggregate.

None of the Directors of the Company has any concern or interest in this item of business.

BY ORDER OF THE BOARD OF DIRECTORS

Sd/.
(D. MANGTANI)
G.M. (Legal) & Group Company Secretary

DATE : 28TH JUNE, 2000

Registered Office
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DIRECTORS REPORT

The Directors of your Company have pleasure in presenting the Thirtieth Annual Report on the business and operation of the Company and financial Accounts for the period of eighteen months ended 31st March, 2000, which are as under.

FINANCIAL RESULTS

(Rs in lacs)

	Year ended 31-03-2000 (for 18 months)	Year ended 30-09-1998 (for 12 months)
TURNOVER	22955.75	17586.39
GROSS OPERATING PROFIT	1287.69	1960.04
Less : Interest	2202.87	1288.11
Depreciation	768.90	461.93
Contingencies	60.00	-
Provision for Tax	-	21.00
Provision for Income tax earlier year reversed	(19.00)	-
Provision for Wealth Tax	0.66	0.50
PROFIT AFTER TAX	(1725.74)	188.50
Add : Surplus brought forward	39.81	221.24
Capital Reserve		
AVAILABLE FOR APPROPRIATION	(1685.93)	409.74
Transfer to :		
Capital Redemption Reserve	-	111.67
Debenture Redemption Reserve	-	141.13
Proposed Dividend :		
Preference Shares	-	38.06
Equity Shares	-	68.42
Corporate Div. Tax	-	10.65
Transfer to General Reserve	-	-
BALANCE CARRIED TO BALANCE SHEET	(1685.93)	39.81

EXTENSION OF FINANCIAL YEAR

During the Financial year from October 1998 to September, 1999 operations of the company continued to be adversely affected due to the following circumstances.

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a. Recession in Paper and Paper Board Industry because of over capacity and dumping of paperboard in the Indian market at substantially reduced import duties adversely affected the sale of Indian Paper Board. As a consequence most of the paperboard mills in the country suffered losses due to weak prices in the market.

b. Due to economic crisis in CIS countries export to these countries was adversely affected.

c. There has been lower off-take of Packaging material and Packaging Machines.

Since the outlook for next six months ending on 31st March, 2000, appeared to be fairly good for Packaging and machinery manufacturing division, your Board of Directors decided to extend financial year by 6 months after due approval from Registrar of Companies, Delhi and Haryana.

OPERATIONS HIGHLIGHT

During the period under review your company has recorded a turnover of Rs. 229.56 crores (18 months) as against previous year's turnover of Rs. 175.86 crores (12 months). As already stated the period 1998-2000 has continued to be a very bad year, especially for the Paper Board industry. Recession in the industry continued to cause difficulties for the paper Board industry, which resulted into loss of Rs. 1967.63 lacs in the Paper Board Division alone. Although the company had extended the capacity of the division in the previous year, however, because of recession it could not gain benefit, rather investment made in increasing the capacity contributed to further losses. Now since prices are firming up in Paper Board industry, it is expected that the division would be able to marginally improve its performance in the current year. However, considering the vast investment in Land, Building, Plant and Machinery of the Division, it is envisaged to keep only such assets in the Division which can be put to optimum use only and the remaining assets are proposed to be disposed of to interested buyers to reorganise the business of the Division, in order to make it profitable. The slowing down of the economy has also affected the working of other two divisions as well i.e. packaging and Machinery Division. Of late, demand for the Packaging machines has picked up and it is expected that in the current year, it should record better results. To improve the performance of packaging Division new product lines and formats are being worked out to enhance its profit base and customer base.

A brief review of the perfomance of different Divisions of the company during the year is given herein below:

PACKAGING DIVISION

For the period of 18 months ended on 31st March, 2000, the Division registered a turnover of Rs. 162.83 crores (18 months) as compared of Rs. 120.60 crores (12 months) during the previous year. With recessionary trend in the domestic market still continuing during the period under review, the Division has placed emphasis on controlling costs and wastages besides consolidation of manufacturing activities. It has closed down Hyderabad and Bangalore units and shifted manufacturing facilities in its own premises at Hosur, Tamil Nadu. It has also vacated the leased

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premises at Noida and Faridabad and shifted the unit to its own premises at Noida Phase II and main plant at Faridabad.

As a result of consolidation of factories it has reduced its factories from 5 to 3, which is expected to reduce its overhead cost in current year.

The Division registered export turnover of Rs. 1046 lacs.

PAPER BOARD DIVISION

The Division achieved a turnover of Rs. 51.42 crores (18 months) as compared to Rs. 40.43 crores in the previous year (12 months). The commercial production on the second Paperboard manufacturing machine installed during the previous year has commenced, however due to lower off-take of goods both from packaging division of the company and market has adversely affected the Division's performance. The selling prices had been continuously under pressure. In order to improve its performance, Division is working on its value added products, like Press Pahn Paper, Craft Paper, Abrasive Paper and Insulation Paper. During the current year, because of turn up of selling prices as per market indications and selling of value added products, Division is likely to improve its performance.

MACHINERY DIVISION

The Division has registered a turnover of Rs. 15.31 crores (18 months) during the year under review as compared to Rs. 14.83 crores (12 months) in the previous year. Packaging machines worth Rs. 141 lacs were exported to overseas customers. During the current year, performance of the Division is likely to significantly improve due to a good order book. Further it has also consolidated its factories by vacating two leased premises and shifting to company's own premises at Faridabad, which will further reduce its overhead cost.

The division has performed well inspite of depressed market conditions. Development of new machines for the packing of food grade products are in progress in line with the emerging market of packaged foods.

EXPORTS

During the financial year under review, your Company exported cartons and machinery valued at Rs. 1186.76 lacs (18 months) as compared to previous year export of Rs. 688.79 lacs.

PROSPECTS FOR THE CURRENT YEAR

During the year 1998-2000 an export oriented unit was set up at Faridabad in order to put greater emphasis on exports, which has yielded results and unit has registered increase in export as stated above. Considering the efforts put by the unit, it is expected that during the current year, performance would further improve.

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