

36<sup>th</sup> Annual Report 2005  
**Porritts & Spencer (Asia) Ltd.**



**BOARD OF DIRECTORS**

Michael Cartmell, Chairman  
 Chandrakant Kahandas Thanawala, Director  
 Biren De, Director  
 Ravinder Nath, Director  
 Manoj Kumar Kapoor, Managing Director

**COMPANY SECRETARY**

C.S. Gugliani

**AUDITORS**

S.R. Batliboi & Co., New Delhi

**BANKERS**

Standard Chartered Bank, New Delhi  
 ICICI Bank Limited, Faridabad  
 UTI Bank Limited, Faridabad

**Registered Office & Mill**

113/114A, Sector 24,  
 Faridabad-121 005, Haryana (INDIA)

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Dear Shareholders,

A perusal of the results for the year 2004-05 shows that we have again come out with flying colours. This has been made possible by the consistent efforts of our people and the faith and confidence placed in us by our stakeholders.

The demand for paper is influenced by various macro-economic factors like, national economic growth, industrial production, promotional expenditure, population growth and the Government's allocation for the educational sector. Keeping in view the robust economic activity and growth of the Indian Economy, the domestic demand for paper is expected to grow by 6-7%.

It is heartening to note that many of our valued customers have announced their 'capacity expansion' plans for the coming years, which offer excellent growth potential for your Company. I assure you that your Company is totally equipped and has adequate resources to meet the likely rise in demand of its products in the near future.

We are proud to have long-lasting relationships with our customers, suppliers, bankers, shareholders and other stakeholders. Whatever the future has in store, we will continue to do everything in our power to justify the trust everyone has placed in our Company.

Warm regards,

**Michael Cartmell**  
Chairman



Dear Shareholders,

I would take this opportunity to inform you about the splendid performance of your Company. Both, on operational as well as financial fronts, your Company has witnessed a steady and impressive growth. The Sales have touched Rs. 433.81 millions mark, translating an increase of 8.51% over the previous year. Further, the profits before tax at Rs. 138.74 millions have also grown by 3.89% over the last year.

Reliability and quality are the key concepts of our identity. The dynamic development and the growth over the last few years confirm that we are heading in the right direction.

I am also pleased to announce that apart from the certification, for compliance to high standards in various areas, such as ISO, EMS, and OHSAS, your Company has also been certified for BS 7799, by TUV, Germany, for the high standards of Information Security and Management System (ISMS) maintained by it.

Our innovations are the main reasons for the confidence our customers place in us and we will continue to do the same in future also to rise up to their expectations.

I look forward to your continued support and I am confident that together we would scale new heights.

With warm regards,

**MANOJ KUMAR KAPOOR**  
Managing Director



## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors are pleased to present their Thirty-Sixth Annual Report together with the Audited Accounts of the Company for the year ended 30th September, 2005.

### FINANCIAL RESULTS

	Rs. in millions	
	2004-05	2003-04
Sales (net of excise duty)	<b>433.81</b>	399.78
Profit before taxation	<b>138.74</b>	133.54
Provision for taxation	<b>63.08</b>	53.89
Profit after Tax	<b>75.66</b>	79.65
Balance brought forward from Previous Year	<b>56.78</b>	—
<b>Amount available for appropriation</b>	<b>132.44</b>	79.65
<b>Appropriations</b>		
Dividend	<b>13.18</b>	13.18
Corporate Dividend Tax	<b>1.85</b>	1.72
Transferred to General Reserve	<b>7.56</b>	7.97
Surplus carried to Balance Sheet	<b>109.85</b>	56.78
<b>Total</b>	<b>132.44</b>	79.65

During the year under review, your Company has achieved Sales of Rs. 433.81 millions, registering an increase of 8.51% over the previous year.

The profit before tax at Rs. 138.74 millions exhibits a growth of 3.89 % over the previous year.

Barring unforeseen circumstances, your Directors expect continued growth in sales and profitability.

### DIVIDEND

Your Directors are pleased to recommend, for your approval, a dividend of Rs. 3 per equity share of Rs. 10/- each. This will absorb Rs. 13.18 millions. In addition, Rs. 1.85 millions shall be payable as Corporate Dividend Tax (CDT) thereon, including Surcharge and Education Cess.

### MARKETING

The Company's products continue to enjoy very high standing in the market due to constant enhancement in quality and proficient after sales services, provided by a dedicated and experienced technical support team.

### DIRECTORS

Mr. C.K. Thanawala and Mr. Manoj Kumar Kapoor, Directors of the Company, retire by rotation and being eligible, offer themselves for re-appointment.

The details of Directors of the Company seeking re-appointment are as follows:

Name of Director	Mr. C. K. Thanawala	Mr. Manoj Kumar Kapoor
Age (years)	72	40
Date of Appointment	02.02.1973	31.01.2002
Expertise in Special Functional areas	Finance & Management	Finance, Legal, Secretarial, Administration & Operations
Qualifications	B.A. (Hons.), B.Com, AIBIM (London), ACWA (U.K)	B.Com (Hons.), FCS, LLB, LMIMA, LMICA.
Directorships held in outside Companies, as on 30.09.2005	1. IBI Chematur (Engg. & Consultancy) Ltd. 2. Inarco Ltd. 3. ARI Consolidated Investment Ltd: 4. De Beers India Pvt. Ltd. 5. Indo Berolina Industries Pvt. Ltd. 6. Bec Chemicals Pvt. Ltd. 7. I-Maritime Consultancy Pvt. Ltd. 8. Snow White Constructions 9. Lok Cements Ltd. 10. Lok Global & National Constructions Ltd. 11. Fine Line Circuits Ltd.	Nil
Membership of Committees of other Companies, in which he is a Director, as on 30.09.2005	Nil	Nil
No. of Shares held in the Company (including those held by Relatives)	3584	24

## Porritts & Spencer (Asia) Ltd.

### AUDITORS' REPORT:

The observations of the auditors are self-explanatory and, therefore, do not call for any further comments.

### AUDITORS:

M/s S.R. Batliboi & Co., Chartered Accountants, the present auditors, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Your Company has received a certificate from them stating that the re-appointment, if made, will be in conformity with the limits specified under Section 224 (1B) of the Companies Act, 1956.

### CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the reports on Management Discussion and Analysis, Corporate Governance as well as the Auditor's Certificate regarding compliance of conditions of Corporate Governance, are annexed and form an integral part of this report.

### VOLUNTARY DELISTING OF SHARES OF THE COMPANY:

The Equity Shares of the Company have been voluntarily de-listed from The Calcutta Stock Exchange Association Limited, Kolkata, (CSE) with effect from 27th January 2005, pursuant to the application made by the Company in this regard.

### ISMS BS 7799 CERTIFICATION:

During the year, your Company has received BS 7799 Certification from TUV, Germany, for the high standards of Information Security Management System (ISMS) maintained by it.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure I, forming part of this report.

### FIXED DEPOSITS:

The Company has neither invited nor accepted any deposits from the public during the period under review. Accordingly, there are no unclaimed or unpaid deposits lying with the Company for the period under review.

### PARTICULARS OF EMPLOYEES:

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies

(Particulars of Employees) Rules, 1975, as amended, the name and other particulars of the concerned employee(s) are set out in Annexure II of this Report.

### DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities; and
4. The Directors have prepared the annual accounts on a going concern basis.

### APPRECIATION:

Your Directors wish to convey their thankful appreciation for the constant and enthusiastic support of the Company's Customers, Shareholders, Suppliers, Bankers, and the State and Central Governments, without which the Company would not have been able to accomplish whatever it has actually attained. Your Directors also take this opportunity to express their appreciation of the earnest efforts put in by the employees, at all levels, in achieving the corporate objectives.

For and on behalf of the Board

**Manoj Kumar Kapoor**  
Managing Director

New Delhi  
18<sup>th</sup> October, 2005

**C. K. Thanawala**  
**Biren De**  
**R. Nath**  
Directors



## ANNEXURE I

Information in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

### A. CONSERVATION OF ENERGY

Your Company continues to remain conscious of conserving energy resources and is in the process of implementation of measures to reduce the consumption of energy. The objective is being achieved by continued review and implementation of improved processes and techniques and by using energy efficient equipments. Resources are adequately deployed to meet these objectives.

The required data regarding total energy consumption per unit of production is given hereunder in Form A.

#### FORM A

Part A – Power and Fuel Consumption		2004-2005	2003-2004
<b>1. Electricity</b>			
(a) Purchase units (millions)		<b>1.22</b>	1.25
Total amount (Rs. millions)		<b>4.99</b>	5.20
Rate/unit (Rs.)		<b>4.08</b>	4.17
(b) Own Generation			
(i) Through diesel generating units (millions)		<b>0.69</b>	0.55
Unit per litre of diesel oil		<b>2.87</b>	2.80
Cost/unit (Rs.)		<b>9.33</b>	7.86
(ii) Through steam turbine/generator		<b>Nil</b>	Nil
<b>2. Coal</b>		<b>Nil</b>	Nil
<b>3. Furnace Oil</b>			
Quantity (K. Ltrs.)		<b>193.66</b>	176.54
Total amount (Rs. millions)		<b>4.61</b>	3.28
Average rate (Rs. per litre)		<b>23.81</b>	18.59
<b>4. Others/Internal generation</b>		<b>Nil</b>	Nil
<b>Part B – Consumption per unit of production</b>			
Product		<b>Felts</b>	Felts
Unit		<b>Kgs.</b>	Kgs.
Electricity		<b>8.13</b>	8.38
Furnace Oil		<b>0.82</b>	0.82

### B. TECHNOLOGY ABSORPTION

#### FORM B

#### Research & Development (R&D)

Areas of concentration of regular Research and Development activities carried on by the Company have been quality upgradation of the products for total customer satisfaction, introduction of new designs to meet the expectations of quality conscious market and development of indigenous sources for import substitution.

Expenditure incurred on R&D during the year is given below:

(Rs. in millions)

a) Capital	<b>NIL</b>
b) Recurring	<b>7.12</b>
c) Total (a+b)	<b>7.12</b>
d) Total R&D expenditure as a percentage of total turnover	<b>1.54%</b>



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### Technology Absorption, Adaptation & Innovation

Your Company has adapted the technology resulting in improvements in production processes, reduction in levels of pollution and consumption of energy. To keep pace with continual advances in technology, the Company regularly reviews and tries to upgrade itself to the pertinent developments as they occur.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports during the year were Rs.27.01 millions. Your Company continues to explore new foreign markets and to enlarge its share in the existing markets.

	(Rs. in millions)
Foreign exchange earnings	28.46
Foreign exchange outgo	93.56

### ANNEXURE II

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 30th September 2005:

Name	Age (years) as on 30.09.2005	Designation, Date of Commencement of employment, and Experience in years	Remuneration (Rs.)	Qualifications	Last Employment held
Mr. Manoj Kumar Kapoor	40	Managing Director 28 <sup>th</sup> July, 1992* 22 years	69,34,164	B.Com (Hons.), LLB, FCS, LMIMA, LMICA	Jaypee Hotels Ltd. Assistant Company Secretary

\*Mr. Manoj Kumar Kapoor joined the Company on 28.07.1992, as Company Secretary and he became the Executive Director w.e.f. 01.02.2002. He was appointed as Managing Director of the Company with effect from 10.04.2004 for a period of five years.

### NOTES:

1. The remuneration includes salary, allowances, medical benefits, Company's contribution to Provident Fund, Superannuation Fund and value of other perquisites.
2. The nature of employment is contractual.



## CORPORATE GOVERNANCE

Corporate Governance is a dynamic concept that basically entails adherence to good governance practices, in true spirit at all times, which safeguards the interest of all the stakeholders, enhances investor confidence and leads to creation of value on a sustainable basis.

### A. MANDATORY DISCLOSURES

#### 1. Company's philosophy on the code of Corporate Governance

Your Company constantly strives to create corporate excellence, in its pursuit to attain the highest standards of corporate values and ethics, in order to generate sustainable economic value for all its stakeholders.

#### 2. Board of Directors

The Board of Directors of the Company consists of

five Directors, headed by a Non-executive Chairman. The day-to-day management of the Company is conducted by the Managing Director subject to the supervision and control of the Board of Directors of the Company.

All statutory and material information is made available to the Board of Directors to ensure adequate disclosures and a transparent decision making process.

During the year ended 30.09.2005, the Board met 5 times, on 5th October and 9th November in the year 2004 and on 10th January, 11th April and 9th July in the year 2005.

The Composition of the Board of Directors, attendance record and details of Directorships of Directors are as follows:

Name of Director	Category	Board Meetings attended during the year	Attendance at last AGM held on 10 <sup>th</sup> Nov., 2004	Number of outside Directorships held (including Pvt. Ltd. companies)		Number of other Committee Memberships	
				Indian Companies	Other Companies	As Chairman	As Member
Mr. Michael Cartmell, Chairman	Non-Executive Director & Nominee of VF Auslandsbeteiligungen GmbH, Germany	1	Present	NIL	NIL	NIL	NIL
Mr. C.K. Thanawala	Independent & Non-Executive Director	5	Present	As Chairman: 0 As Director: 11	NIL	NIL	NIL
Mr. Biren De	Independent & Non-Executive Director	5	Present	As Chairman: 0 As Director: 01	NIL	NIL	NIL
Mr. Ravinder Nath	Independent & Non-Executive Director	5	Present	As Chairman: 0 As Director: 11	NIL	NIL	01
Mr. Manoj Kumar Kapoor	Managing Director	5	Present	NIL	NIL	NIL	NIL

#### Details of shares of the Company held by the Directors and their relatives as on 30.09.2005:

Name of the Director	Shares held by the Director in the Company	Shares held by Relatives	Total Shares held
Mr. Michael Cartmell	NIL	NIL	NIL
Mr. C.K. Thanawala	448	3136	3584
Mr. Biren De	1370	NIL	1370
Mr. Ravinder Nath	NIL	NIL	NIL
Mr. Manoj Kumar Kapoor	10	14	24

The statutory registers that are required to be kept under the various enactments are properly maintained and regularly updated.

The Company has constituted three Committees of the Board; viz. Audit Committee, Remuneration Committee and Investor Grievances Committee.

#### 3. Audit Committee

**Terms of reference** - The Audit Committee provides direction to the audit function in the Company and monitors/reviews the quality of financial management and internal audit. It also oversees the financial reporting process for proper disclosure in the financial statements and recommends appointment, re-appointment and removal of the auditors and about fixing their remuneration. The Committee also reviews the quarterly, half-yearly as well as annual financial statements before the same are submitted to the Board, with particular reference to matters to be included in Directors' Responsibility Statement, changes, if any, in the accounting policies and practices, major accounting entries involving



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estimates based on exercise of judgment by the management, significant adjustments made in financial statements, compliance with listing and other legal requirements relating to financial statements, disclosure of related party transactions, qualifications, if any, in the draft audit report etc. It also oversees the working of the Internal Audit system, including the internal control mechanism of the Company.

**Composition** - The Audit Committee of the Board of Directors is comprised of three Independent and Non-executive Directors. The Committee is chaired by Mr. C. K. Thanawala, who has done his AMBIM from London & ACWA from the United Kingdom.

The composition of the Audit Committee is given below.

Name & Designation of the Member	Category	Number of meetings attended
Mr. C.K. Thanawala, Chairman	Independent & Non-Executive Director	4
Mr. Biren De, Member	Independent & Non-Executive Director	4
Mr. Ravinder Nath, Member	Independent & Non-Executive Director	4

Mr. C.S. Gugliani, Company Secretary, is the Secretary to the Committee.

Four meetings of the Audit Committee were held during the year as per details given below:

Date of the Meeting	Purpose of the meeting
5 <sup>th</sup> October, 2004	To review the Financial Results for the Year/ Half-year/ Quarter ended on 30th September 2004.
10 <sup>th</sup> January, 2005	To review the Audited Financial Results of the Company for the Quarter ended on 31st December 2004.
11 <sup>th</sup> April, 2005	To review the Financial Results of the Company for the period ended on 31st March 2005.
9 <sup>th</sup> July, 2005	To review the Audited Financial Results of the Company for the period ended on 30th June 2005.

#### 4. Remuneration Committee

**Terms of reference** - The functions of the Remuneration Committee include making recommendations for appointments on the Board, grant of remuneration to the Whole time/ Managing Director(s) etc., and evaluation of their performance, as also forming any remuneration policy(s) in relation thereto.

**Composition** - The Remuneration Committee of the Board of Directors comprises of three Independent and Non-executive Directors. Mr. Biren De, a qualified

Engineer, chairs the Committee. Four meetings of the Remuneration Committee were held during the year, on 5th October in the year 2004 and on 10th January, 11th April and 9th July in the year 2005. The composition of the Remuneration Committee is given below:

Name & Designation of the member	Category	Number of meetings attended
Mr. Biren De, Chairman	Independent & Non-Executive Director	4
Mr. C.K.Thanawala, Member	Independent & Non-Executive Director	4
Mr. Ravinder Nath, Member	Independent & Non-Executive Director	4

**Remuneration policy** - The Managing Director is paid remuneration, as approved by the Board of Directors, on the recommendation of the Remuneration Committee. The remuneration is decided considering various factors such as qualification, experience, expertise, and capability of the appointee, remuneration prevailing in the industry, financial position of the Company, etc.

The following payments are being made to the Non-executive Directors (except the Nominee of VF Auslandsbeteiligungen GmbH):

1. Sitting Fees, which is paid to them for attending the meetings of the Board of Directors and/ or its Committees.
2. It is proposed to pay Commission @ 0.5% (half per cent) of the net profits of the Company during the year from 01.10.2004 to 30.09.2005 to the Non-executive Directors, if approved by the members at the ensuing Annual General Meeting and subject to the approval of the Central Government, if required.

The following are the details of the remuneration (including perquisites, bonus/ commission and retirement benefits) paid/ payable to the Managing Director during the year ended on September 30, 2005.

#### Details of the remuneration paid/payable to Mr. Manoj Kumar Kapoor:

Particulars	Amount (Rs.)
Salary & Allowances	51,66,832
Commission*	5,25,000
Perquisites	3,55,382
Contribution to Provident & Other Funds	8,86,950
<b>TOTAL</b>	<b>69,34,164</b>

\*Commission paid/ payable is decided by the Board of Directors from time to time based upon the profitability/ growth of the Company/ cost reduction measures/ cordial industrial relations/ innovative measures/ motivation & morale of the workforce etc.



**Note:** Liability of Gratuity not ascertainable since it is funded through Group Gratuity scheme of LIC.

**The Details of Sitting Fees paid (@ Rs. 5,000/- for each meeting) to the Independent Directors during the year for attending the meetings of the Board of Directors and/or committees thereof are as follows:**

Name of the Director	Sitting Fees (in Rs.) paid for attending meetings of				Total Sitting Fees paid (Rs.)
	Board of Directors	Audit Committee	Remuneration Committee	Investor Grievances Committee	
Mr. C. K. Thanawala	25,000	20,000	20,000	0	65,000
Mr. Biren De	25,000	20,000	20,000	0	65,000
Mr. Ravinder Nath	25,000	20,000	20,000	20,000	85,000

The overall management of your Company vests in the Board of Directors, which acts through a number of committees comprising of Directors of the Company. Further, you all are aware that your Company has made steady progress in its turnover and profitability over the past few years, for which due credit also goes to the ability and devotion of the Non-executive Directors. In view of the involvement of the Directors in the affairs of the Company, it is desirable that they should be paid commission at the rate of 0.5 (half) per cent of the net profits of the Company, as a gesture of appreciation for the extra time and efforts put in by them.

**The Details of Commission payable to the Independent and Non-executive Directors during the year, if approved by the shareholders at the ensuing Annual General Meeting and after obtaining the approval of the Central Government, if required, in this regard are as follows:**

Name of the Director	Total Commission payable (Rs.)
Mr. C. K. Thanawala	2,31,011
Mr. Biren De	2,31,011
Mr. Ravinder Nath	2,31,011

#### 5. Investor Grievances Committee

**Terms of reference** - The functions of the Investor Grievances Committee include overseeing the allotment/ approvals & rejection of transfer/

transmission of shares, issue of duplicate share certificates, review and redressal of the investors' complaints and listing requirements of securities on the stock exchanges including dematerialization and/or rematerialization of securities.

**Composition** - The Investor Grievances Committee comprises of two Directors, one Independent and Non-executive and the Managing Director. An Independent & Non-executive Director, Mr. Ravinder Nath, an advocate by profession, chairs the meetings of the Committee. Four meetings of the Investor Grievances Committee were held during the year, on 5th October in the year 2004 and on 10th January, 11th April and 9th July in the year 2005.

The composition of the Investor Grievances Committee is given below.

Name & Designation of the member	Category	Number of meetings attended
Mr. Ravinder Nath, Chairman	Independent & Non-Executive Director	4
Mr. Manoj Kumar Kapoor, Member	Managing Director	4

Mr. C.S. Gugliani, Company Secretary, is the Compliance Officer.

**Details of Investor complaints and share transfers, pending, received & disposed off during the year are as follows:**

Particulars	Share Transfers	Complaints
Number of cases pending as on 1.10.2004	03	NIL
Number of cases received during the period 1.10.2004 to 30.09.2005	194	53
Number of cases disposed off, during the period 1.10.2004 to 30.09.2005	197	53
Number of cases pending as on 30.09.2005	NIL	NIL

#### 6. General Body Meetings

Year (AGM)	Venue	Day, Date	Time
2004 (35 <sup>th</sup> )	Magpie Tourist Complex of Haryana Tourism Corporation Ltd., Sector-16A, Mathura Road, Faridabad.	Wednesday, 10 <sup>th</sup> Nov., 2004	09.30 A.M.
2003 (34 <sup>th</sup> )	Magpie Tourist Complex of Haryana Tourism Corporation Ltd., Sector-16A, Mathura Road, Faridabad.	Friday, 21 <sup>st</sup> Nov., 2003	10.30 A.M.
2002 (33 <sup>rd</sup> )	Magpie Tourist Complex of Haryana Tourism Corporation Ltd., Sector-16A, Mathura Road, Faridabad.	Friday, 8 <sup>th</sup> Nov., 2002	10.30 A.M.