



59th ANNUAL REPORT 2004-2005

DIRECTORS

M.P. MUNOT	Chairman
N.L. DALMIA	Vice Chairman
R. BALASUBRAMANIAN	Managing Director
D. THOMPSON	
G. MANCUSO	(Alternate: D.K. WADIA)
S.A. GANDHI	
R.K. KULKARNI	
S.B. ZAVERI	
D.N. MUNGALE	

SECRETARY

K.R. VISWANATHAN

BANKERS

BANK OF MAHARASHTRA
HDFC BANK LTD.
STATE BANK OF INDIA

AUDITORS

M.P. CHITALE & CO.,
Chartered Accountants

REGISTERED OFFICE

BLOCK-D, SHIVSAGAR ESTATE,
DR. ANNIE BESANT ROAD,
WORLI, MUMBAI 400 018.
Tel.: 2492 1900-05
Email: capriact@bom7.vsnl.net.in

FACTORIES

PLOT NOS. C-13/16, ROAD NO. 16/T, WAGLE INDUSTRIAL ESTATE, THANE 400 604.
PLOT NOS. 76/77, MIDC INDUSTRIAL ESTATE, TRIMBAK ROAD, SATPUR, NASIK 422 007.

Notice of Annual General Meeting

NOTICE is hereby given that the Fifty-ninth Annual General Meeting of the Shareholders of **CAPRIHANS INDIA LIMITED** will be held on **WEDNESDAY, the 28TH SEPTEMBER, 2005** at 3.00 p.m. at the **JAI HIND COLLEGE AUDITORIUM**, Jai Hind College Building, A Road, Churchgate, Mumbai - 400 020, to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2005 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. G. Mancuso who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. S.B. Zaveri who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. R.K. Kulkarni who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. Messrs. M. P. Chitale & Company, Chartered Accountants, the retiring Auditors are eligible for re-appointment.
6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

“RESOLVED that pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, and Resolution No. 7 passed at the 57th Annual General Meeting held on 11th June, 2003, consent of the Company be and is hereby accorded to the payment of remuneration to Mr. R. Balasubramanian, Managing Director of the Company for a further period of two years with effect from 29th April, 2006 to 28th April, 2008 upon and subject to the terms and conditions as set out in the Explanatory Statement attached to this Notice.”

“RESOLVED FURTHER that the Board of Directors be and is hereby authorised to vary the said terms and conditions and/or remuneration payable to Mr. R. Balasubramanian in such manner as the Board of Directors considers appropriate, provided, however, the terms of such appointment and/or remuneration are subject to the conditions/limits set out in Schedule XIII to the Act, or any amendments thereto.”

“RESOLVED FURTHER that in the event of any statutory amendment(s) or relaxations by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration including salary, performance bonus, perquisites and other allowances etc. within such prescribed limit of ceiling in order to give effect to such modification(s), relaxation(s) or variation(s) without any further reference to the Company in General Meeting.”

“RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all acts, deeds, matters and things as may be considered desirable or expedient to give effect to this Resolution.”

By Order of the Board of Directors

K. R. VISWANATHAN
Secretary

Registered Office:
Block D, Shivsagar Estate
Dr. Annie Besant Road
Worli, Mumbai 400 018.

Dated: 29th July, 2005.

NOTES:

- (a) An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Item No. 6 is annexed herewith (Annexure I). Pursuant to Clause 49 of the Listing Agreement, the relevant details in respect of Item Nos. 2, 3 and 4 is annexed herewith (Annexure II).
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

- (c) Proxies in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- (d) The Register of Members and Share Transfer Books of the Company will be closed from WEDNESDAY, 14TH SEPTEMBER, 2005 to WEDNESDAY, 28TH SEPTEMBER, 2005 (both days inclusive).
- (e) Pursuant to Section 205A of the Companies Act, 1956 Unclaimed Dividends for the financial year ended upto 31ST MARCH, 1995 have been transferred within the prescribed time to the General Revenue Account of the Central Government. Members who have not encashed the Dividend Warrants for any financial year ended up to 31ST MARCH, 1995 are requested to claim the amount from the Registrar of Companies, Maharashtra, C G O Complex, 2nd Floor, "A" Wing, CBD Belapur, Navi Mumbai-400 614.
- (f) Consequent to amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Act, 1999, the amount of dividend for the year 1995-96 remained unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company was transferred to the Investor Education and Protection Fund of the Central Government before the due date.
- (g) The equity shares of the Company are available for trading in dematerialised form (scrip less trading in electronic form) through Depository Participants. The ISIN code is INE 479A01018.
- (h) Shareholders are requested to bring their copy of the Annual Report to the meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued in view of the high cost of paper and printing.

Annexure (I) to the Notice dated 29th July, 2005

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 6

At the 57th Annual General Meeting of the Company held on 11th June, 2003 the Members approved the appointment of Mr. R. Balasubramanian, as Managing Director for a period of 5 years with effect from 29th April, 2003 and in terms of Schedule XIII to the Companies Act, 1956, payment of remuneration for a period of 3 years with effect from 29th April, 2003 as per the terms and conditions as set out in the Explanatory Statement attached to the Notice dated 29th April, 2003.

Mr. R. Balasubramanian will be completing three years tenure on 28th April, 2006. Payment of remuneration to him for a further period of two years from 29th April, 2006 to 28th April, 2008 requires the approval of Members on the following terms and conditions:

The information required in terms of Part II, Section II-1(B) of Schedule XIII to the Act is given below.

I. General Information

The Company is engaged in the business of manufacture of Rigid and Flexible PVC film by Calendering process and Plastic Extruded products. It has manufacturing facilities at Thane and Nasik and sales offices in 8 cities. The Company started commercial production in the year 1957.

The Company was making profits till 1996. Due to various factors as mentioned in III (Other information - Paragraph 1) herein below the Company incurred losses from 1997 to 2000. The Company had taken a number of steps to improve sales and reduce costs as mentioned in III (Other information - Paragraph 2) herein below as a result of which the Company has started making profits again from the year 2001. For the year ended 31st March, 2005, the turnover was Rs. 13889 lakhs, Profit after tax was Rs. 905 lakhs, Earnings per share was Rs. 6.89, Exports amounted to Rs. 1535 lakhs and imports amounted to Rs. 1264 lakhs. As on 31st March 2005, the paid-up capital of the Company is Rs. 1313 lakhs and the Reserves stood at Rs. 6635 lakhs. 51% of the paid up share capital is held by EVC Rigid Film GmbH (name changed on 17th June, 2005 to Ineos Films GmbH) which is part of the Ineos group. The Company has a Technical Collaboration Agreement with EVC Rigid Films GmbH (name changed on 17th June, 2005 to Ineos Films GmbH) for calendered products.

The Company is currently making profits but due to the losses incurred in the earlier years, the Company does not have profits as required by Section 349 of the Act.

II. Information about Mr. R. Balasubramanian

Mr. R. Balasubramanian completed his graduation in Commerce from Bombay University in 1972. He is qualified as Chartered Accountant, Cost Accountant and Company Secretary having Associate Membership of the respective Institutes in India. He has over 29 years of experience in industry. He joined the Company in 1983 and has been actively involved in all aspects of the business. He was appointed as Managing Director of the Company for 5 years effective from 29th April, 2003.

The details of remuneration to Mr. R. Balasubramanian is mentioned in IV herein below.

The remuneration payable is comparable to the remuneration paid to persons holding similar position in other companies of similar size as that of the Company. Mr. R. Balasubramanian was paid gross remuneration of Rs. 35.97 lakhs during the year ended 31st March, 2005.

Mr. R. Balasubramanian holds 300 equity shares of the Company. He does not have any other pecuniary relationship directly or indirectly with the Company. He does not have any relationship with the managerial personnel of the Company.

III. Other Information

The Company was making profits till 1996. The laminate unit was facing severe competition from the un-organised sector. The Company ceased manufacturing operation of the laminate division from January, 1997. The paper manufacturing unit at Roha was also disposed off in June, 1998 due to adverse market conditions. The profitability of PVC calendering operation was also adversely affected due to weak prices of PVC film manufactured by the Company due to strong competition in an over supplied market, low capacity utilization, low productivity of Company's operations and availability of superior quality products in the market. The Company had made provision for diminution in the value of certain investments. Due to closure of some operations and hiving off of non-core activities, the Company had to offer Voluntary Retirement Scheme to its staff and workers which involved a substantial expenditure. Due to all the above factors the Company incurred losses during 1997 – 2000.

Considering the long term interest of the Company, a technical and financial Collaboration Agreement was entered in to with EVC group of Companies (a leading multi-national group) in June, 1997. The Company made a preferential issue to EVC Rigid Films GmbH and allotted 66,98,325 shares of Rs. 10/- each at a premium of Rs. 47/- per share in August, 1997. The Company imported a calendering unit from EVC which commenced production in June, 1998. Consequent to this installation, the Company discontinued the operation of Powai unit resulting in saving in cost and reduction in processing charges. The Company introduced Voluntary Retirement Scheme for its workers and staff. The transfer of technology for manufacture of PVC Film under knowhow agreement with EVC was substantially completed which led to improvement in quality, better products and overall customer satisfaction. The interest cost has been reduced due to the increase in equity capital and sale of assets of non-core units. The Company commenced restructuring/re-engineering its organisation to reduce the cost and improve customer services. The Company introduced additional control systems and procedures. The Company has also substituted expensive imported raw materials with domestic raw materials and has computerised several areas of operations. Due to various measures taken above, the Company has been successful in increasing the market share in Rigid Films and realisation of better prices. The export efforts have also started yielding good results.

As a result of the above mentioned steps, the Company has started making profit from 2001. The financial performance for the last 4 years are as under :

Year	Turnover Rs. in lakhs	Profit After tax Rs. in lakhs	FOB value of exports Rs. in lakhs	Earning Per Share in Rs.
2001	9568	85	783	0.65
2002	10450	406	953	3.09
2003-04 (15 months)	14888	504	1245	3.84
2004-05 (12 months)	13889	905	1535	6.89

The Company is hopeful of maintaining/improving the productivity and profitability.

IV. Remuneration of Mr. R. Balasubramanian:

The remuneration payable to Mr. R. Balasubramanian has been approved by the Remuneration Committee at its meeting held on 29th July, 2005. The terms and conditions of appointment are as under:

Period of appointment: Five years with effect from 29th April, 2003.

Remuneration:

Salary of Rs. 2,37,500 per month in the scale of Rs. 2,00,000 - 2,75,000 per month, with authority to the Board to increase the salary within this scale. The annual increment will be decided by the Board.

Performance Bonus: Not exceeding 25% of the salary, payable annually, as may be decided by the Board.

Perquisites and Allowances:

In addition to the Salary and Performance Bonus, Mr. R. Balasubramanian shall also be entitled to perquisites and allowances including accommodation or house rent allowance in lieu thereof; furniture, house maintenance allowance, reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs; use of car with driver; telephone at residence or reimbursement of expenses in lieu thereof; medical reimbursement and leave travel concession for self and family; leave in accordance with the rules of the Company; medical/accident insurance; club fees and such other perquisites, reimbursements and allowances in accordance with the rules of the Company or as may be approved by the Board. Such perquisites and allowances will be subject to a maximum of 35% of the salary.

'Family' mentioned above means the spouse, dependent parents and dependent children.

For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules wherever applicable. In the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost to the Company.

The Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or taken together are not taxable under the Income-Tax Act, 1961 for the time being in force. Gratuity payable as per rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites and allowances aforesaid.

Minimum Remuneration:

Where in any financial year during the currency of the tenure of Mr. R. Balasubramanian the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, performance bonus, perquisites and allowances as mentioned above as minimum remuneration, subject to the provisions of Schedule XIII to the Act.

The terms and conditions of the appointment and/or remuneration may be altered from time to time by the Board as it may, in its absolute discretion, deem fit, within the limits specified by Schedule XIII to the Act or any amendments thereto.

The appointment may be terminated by either party giving the other party six months notice.

Mr. R. Balasubramanian shall, subject to the supervision and control of the Board, be entrusted with such powers and perform such duties as may, from time to time, be delegated/entrusted to him.

So long as Mr. R. Balasubramanian functions as Managing Director of the Company, he shall not be paid any sitting fee for attending the meeting of the Board or any committee thereof.

The appointment of Mr. R. Balasubramanian as Managing Director is for a period of 5 years effective 29th April, 2003 which was approved by the Members at the 57th AGM held on 11th June, 2003. In terms of Schedule XIII to the Act, remuneration was also approved for a period of 3 years at the said AGM. Approval of the Members is now sought for the remuneration for the balance period of 2 years in terms of Schedule XIII to the Act.

The above details may be considered as an abstract of the variation in the terms of appointment and memorandum of interest in the appointment, as required under Section 302 of the Act.

None of the Directors of the Company, other than Mr. R. Balasubramanian is concerned or interested in the above Resolutions.

The Board recommends the above Resolutions for your approval.

Annexure (II) to the Notice dated 29th July, 2005

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting
(in pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr. R.K. Kulkarni	Mr. G. Mancuso	Mr. S.B. Zaveri
Date of Birth	23rd May, 1945	1st April, 1959	25th April, 1938
Date of first appointment	7th August, 1997	19th November, 2001	27th March, 2002
Qualifications	B.Sc., LL.B., LL.M	Industrial Chemistry	B.Sc., B.Sc.Hons.Chem.Eng (London)
Expertise in specific functional areas and experience	Mr. Kulkarni is associated with the Company as a Director since 1997. He has 35 years of experience in legal field. He was partner with Little & Co., Advocates & Solicitors from 1979 to 31st March, 2005. Effective April, 2005 he is associated with Khaitan & Co., Advocates & Solicitors, as partner.	Mr. G. Mancuso is Operation Manager EVC Films, since July, 2001. He is associated with EVC since 1977 in various capacities.	Mr. Zaveri has 40 years of experience in Chemical industry and presently he is Managing Director of James Robinson India Pvt. Ltd. During 1972 to 1992 he was actively involved with various industry and trade association.
Directorships held in other Companies (Excluding Private Companies)	Aurangabad Breweries Ltd. Mahindra & Mahindra Ltd. Mahindra & Mahindra Contech Ltd. Beck India Ltd. Associated Polymers Ltd. Shamrao Vithal Co-op. Bank Ltd.	Nil	Chemiesynth (Vapi) Ltd. Vapi Waste & Effluent Management Co. Ltd.
Committee positions held in other companies	Audit Committee Beck India Ltd. — Chairman Mahindra & Mahindra Ltd. — Member Shareholders/Investor Grievance Committee Mahindra & Mahindra Ltd. — Member Beck India Ltd. — Member	Nil	Nil

By Order of the Board of Directors

K.R. VISWANATHAN
Secretary

Registered Office:
Block D, Shivsagar Estate
Dr. Annie Besant Road
Worli, Mumbai 400 018.
Dated: 29th July, 2005.

Directors' Report

To THE MEMBERS

Your Directors present their Fifty-ninth Annual Report on the business and operations of the Company together with the audited accounts for the year ended 31st March, 2005.

1. FINANCIAL RESULTS:

	Year ended 31st March, 2005	15 months period ended 31st March, 2004
	(Rs. in Lakhs)	
Profit before extraordinary items, Interest and finance charges, depreciation and provision for tax	874.70	1063.98
Extraordinary Income/(Expenses)	361.55	(99.14)
Interest and Finance charges	0.87	3.08
Depreciation	302.69	454.67
Profit before tax	932.69	507.09
Provision for tax	28.10	2.60
Profit after tax	904.59	504.49
Balance from last year	(788.43)	(1292.92)
Balance carried to Balance Sheet	116.16	(788.43)

2. DIVIDEND:

The Directors do not recommend any dividend for the year.

3. PERFORMANCE:

The turnover of the Company for the year is Rs. 138.89 crores as compared to Rs. 148.88 crores for the previous period (15 months). The Company earned a profit (before extraordinary items and tax) of Rs. 571 lakhs (for 12 months) as compared to corresponding previous period figure of Rs. 606 lakhs (15 months) showing a significant improvement. Further, during the year the Company paid the entire deferred Sales Tax liability resulting to an extraordinary gain of Rs. 381 lakhs. The other relevant details are mentioned in the Management Discussion and Analysis Report annexed to this report.

PVDC Coating Project:

During the year, PVDC Coating line at Nasik plant commenced production. The market for PVDC Coated film is growing and offers a good opportunity to increase sales.

4. DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed.
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2005 and of the Profit of the Company for the year ended 31st March, 2005.

- (c) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the annual accounts have been prepared on a going concern basis.

5. DIRECTORS:

Mr. G. Mancuso, Mr. S.B. Zaveri and Mr. R.K. Kulkarni retire by rotation and being eligible, offer themselves for re-appointment.

6. CONSERVATION OF ENERGY:

Details relating to the Conservation of Energy and Technology absorption and foreign exchange earnings and outgoings are given in Annexure-I forming part of the Directors' Report as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

7. INDUSTRIAL RELATIONS:

The industrial relations remained cordial during the year.

8. CORPORATE GOVERNANCE:

In terms of Clause 49 of the Listing Agreement, a report on the Corporate Governance along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance and Management Discussion and Analysis Report are given in Annexure III and IV respectively, to this report.

9. AUDITORS:

Messrs. M.P. Chitale and Company, Chartered Accountants, retire at the forthcoming Annual General Meeting in accordance with the provisions of the Companies Act, 1956 and being eligible, offer themselves for re-appointment. Note Nos. 7, 10 and 17 of Schedule 6 to the Accounts as referred in the Auditor's Report are self explanatory.

10. PARTICULARS OF EMPLOYEES:

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given under Annexure II to this Report.

11. ACKNOWLEDGEMENT:

The Board wishes to place on record its appreciation of the services rendered by the employees of the Company. The Board also wishes to thank the Bankers for the co-operation and assistance extended by them.

On behalf of the Board of Directors

Mumbai,
Dated : 16th June, 2005

M.P. MUNOT
Chairman

Annexure I to the Directors' Report

A. CONSERVATION OF ENERGY

- (a) Energy conservation measures : 1. Improvement of boiler efficiency.
 2. Preventive maintenance measures to reduce idle running of equipment and breakdown.
 3. Maintaining the improved power factor.
- (b) Additional investment : No major additional investment has been planned during the coming year.
- (c) Impact of measures at (a) and (b) above : Energy conservation measures have resulted in savings in for reduction of energy consumption and energy costs of the Company. the consequent cost impact on the cost of production.

B. TECHNOLOGY ABSORPTION

Form B for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D):

1. Specific areas in which R&D carried out by the Company : (a) Efforts to reduce/substitute the costly Raw Materials are continued during the year.
 (b) Formulations have been upgraded to reduce costs and improve performance for certain applications.
 (c) Development of Calendered & Extruded products for new applications for Pharma packaging and visual packaging.
 (d) Development of thermoformable semi rigid for special applications.
 (e) Development of special grade electrical insulation tape.
 (f) Better and timely technical services to the customers.
 (g) Development of PVDC film with improved properties.
2. Benefits derived as a result of the above R&D : (a) Reduction in customer complaints.
 (b) Saving in raw material cost.
 (c) Scrap generation has been reduced.
 (d) Substitution of imported film for Pharma grade films.
 (e) Improvement in film characteristics for visual packaging.
3. Future Plan of Action : Continuation of the above mentioned actions to reduce costs and improve quality and productivity.
4. Expenditure on R&D

Year ended 31st March, 2005	15 months period ended 31st March, 2004
(Rs. in Lakhs)	

(a) Capital	1.15	1.20
(b) Recurring	26.65	28.50
(c) Total	27.80	29.70
(d) Total R&D Expenditure as a percentage of total turnover	0.20	0.20