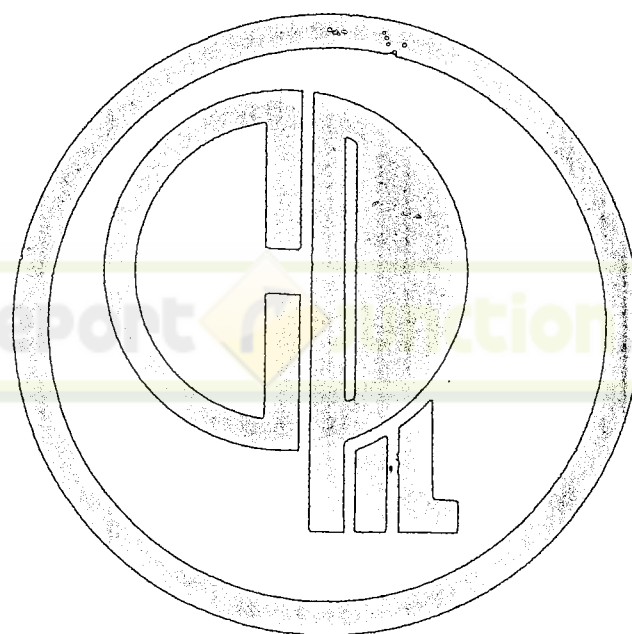
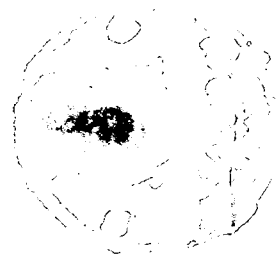


37th Annual Report 1996-97

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
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AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



CELLULOSE PRODUCTS OF INDIA LIMITED



CELLULOSE PRODUCTS OF INDIA LIMITED

**DIRECTORS**

SHRI LAXMIKANT BHAGUBHAI
 SHRI TUSHAR LAXMIKANT
 SHRI MAITREYA LAXMIKANT
 SHRI ROOPESH CHAITANYA
 SHRI HIRALAL H. BHAGWATI
 SHRI KRISHNAKANT N. TANEJA
 SHRI ARUNBHAI P. SHETH
 SHRI NARENDRAPRASAD C. PATEL
 SHRI ANUJ ROHIT MEHTA
 SHRI MUKESH M. PATEL
 SHRI D. K. DUTTA

CHAIRMAN
 MANAGING DIRECTOR
 MANAGING DIRECTOR
 MANAGING DIRECTOR
 DIRECTOR
 DIRECTOR
 DIRECTOR
 DIRECTOR
 DIRECTOR
 DIRECTOR
 DIRECTOR
 (I.I.B.I. NOMINEE)

AUDITORS

M/S. C. C. CHOKSHI & CO.
 CHARTERED ACCOUNTANTS, AHMEDABAD

BANKERS

BANK OF BARODA
 BANK OF INDIA

LEGAL ADVISORS

M/S. MALVI RANCHHODDAS GIRISH N. SHAH & CO. SOLICITORS
 AHMEDABAD
 M/S KANGA & CO. SOLICITORS, MUMBAI
 ASHWIN LALBHAI SHAH, ADVOCATE, AHMEDABAD

CORPORATE ADVISOR

SHRI KASHYAP R. MEHTA, COMPANY SECRETARY,
 AHMEDABAD

REGISTERED OFFICE

OFFICE NO. 4 & 5, 2ND FLOOR,
 NATIONAL CHAMBERS,
 NEAR DIPALI THEATRE, ASHRAM ROAD,
 AHMEDABAD 380009.

WORKS :

KATHWADA (DIST. AHMEDABAD)
 RAMOL (DIST. AHMEDABAD)
 PUNGAM (DIST. BHARUCH)
 KAPPALUR (DIST. MADURAI, TAMILNADU)

CONTENTS**PAGE NO.**

NOTICE OF MEETING 2
 DIRECTORS' REPORT 4
 AUDITORS' REPORT 8
 BALANCE SHEET 10
 PROFIT & LOSS ACCOUNT 11
 SCHEDULES 12
 CASH FLOW STATEMENT 23

NOTICE

NOTICE is hereby given that the THIRTYSEVENTH ANNUAL GENERAL MEETING of the Members of CELLULOSE PRODUCTS OF INDIA LIMITED will be held on Saturday, the 13th day of September, 1997 at 4-00 p.m. at Ahmedabad Textiles Mills Association Hall, Ashram Road, Ahmedabad-380 009 to transact the following business:

ORDINARY BUSINESS :

1. To receive and adopt the Audited Profit and Loss Account for the year ended 31st March, 1997 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Shri Narendraprasad C. Patel, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Director in place of Shri Arun Pratapsinh Sheth, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Director in place of Shri Krishnanand N. Taneja, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT that subject to the consent of the financial Institutions/Bank, the consent of the company be and is hereby accorded in terms of Section 293(1)(a) of the companies Act, 1956, for selling/disposing of any/some of the four undertakings/units of the company by the Board of Directors."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise the deal for selling/disposing of any/some of undertaking/units out of four units/ undertaking of the Company and is authorised further to sign, seal, deliver contract/document/deeds or any other instrument that may be considered necessary, for sale/disposal which according to the Board of Directors may be considered beneficial and convenient for the Company."

Registered Office :

Office Nos.4 and 5,
National Chambers, 2nd Floor,
Ashram Road,
Ahmedabad-380 009.
Place: Ahmedabad.
Date : 17th July, 1997

By Order of the Board
Maitreya Laxmikant
Managing Director.

NOTES :

1. The relevant Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of the special Business at Item Nos 6, set out in the Notice is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENTS APPOINTING PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.



CELLULOSE PRODUCTS OF INDIA LIMITED

3. Pursuant to the Section 154 of the Companies Act, 1956, Register of Members and Share Transfer Book of the Company will remain closed from **Tuesday, the 2nd September, 1997 to Saturday, the 13th September, 1997 (both days inclusive).**
4. **Members intending to require informations about accounts at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting.**
5. Members are requested to :
 - a) Intimate, if shares are held in the same name or in the same order and names, but in more than one account, such account numbers to enable the company to club the said accounts into one account.
 - b) Notify immediately the change in their registered address, if any, to the Company.
 - c) **Send their old share certificates (of Rs 100/- each) for exchange with the sub-divided share certificates (of Rs 10/- each), in case the same have not been sent till date.**

ANNEXURE TO THE NOTICE

In conformity with the provision of Section 173(2) of the Companies Act, 1956 the following Explanatory Statement sets out all material facts relating to the Special Business mentioned at Item Nos 6. of the accompanying Notice dated 17th July, 1997 and should be taken as forming part of the Notice.

In respect of Item no. 6

In view of the financial crisis and liquidity crunch faced by the Company due to the poor financial performance of some of the Units of the Company and also in view of cash losses suffered by the company, the Board of Directors of the Company has decided to sell/dispose of any/some of the four undertaking/unit of the Company. The decision of the Board of Directors in connection with sale/disposal of some/any undertaking /unit will help the Company to discontinue production activities of unviable units and will help the Company to ease liquidity crisis. The Board of Directors of the Company are of the firm opinions that sale/disposal of some of the undertaking/units will be planned strategically and will be in the best interest of the Company.

Section 293(1)(a) of the Companies Act, 1956 provides inter alia that the Board of Directors of a public company shall not, without consent of members of public company in general meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of whole or substantially whole of any undertaking. Therefore, it is proposed to have consent of the Company under section 293(1)(a) of the Companies Act, 1956 which will enable the Board of Directors of the Company to sell/dispose of any/ some of the undertaking/ units.

None of the Directors is in any way concerned or interested in the aforesaid resolution.

Registered Office :
Office Nos.4 and 5,
National Chambers, 2nd Floor,
Ashram Road,
Ahmedabad-380 009.
Place: Ahmedabad.
Date : 17th July, 1997.

By Order of the Board
Maitreya Laxmikant
Managing Director.

37TH ANNUAL REPORT 1996-97

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

The Directors present herewith the **THIRTYSEVENTH** Annual Report on the operations and affairs of the Company together with the Audited Statement of Accounts for the financial year 1996-97 ended on 31st March, 1997.

1. FINANCIAL RESULTS :

The Working results of your Company for the financial year under report are as under:

	(Rs.in Lacs)
Operating Profit	110.95
(Profit before interest & Depreciation)	
Less : Interest	224.49
Profit before tax	(113.54)
Add : Excess provision for taxation of	0.44
Surplus/(Deficit) carried to Balance Sheet	(113.98)

Remarks of Auditors in their Report and Notes attached to the Accounts are self-explanatory. No provision for Depreciation for the year 1996-97 has been made.

2. DIVIDEND :

In the absence of sufficient profits, your Directors regret their inability to recommend dividend for the year under review.

3. OPERATIONS:

The performance of the Company experienced a significant setback this year, particularly because of an illegal strike by the workers at the Company's Kathwada (Ahmedabad) Unit due to which the complete operations of this Unit were closed between December, 1996 and May, 1997. As a result, the Company lost almost four months worth of Production and Sales (from Kathwada Unit) during the financial year under review.

All the judgements (pertaining to the Kathwada unit) of the Labour Tribunals so far have been in favour of the Company and majority of the workers have reported back to work as of June 1st, 1997. The operations of the Kathwada Unit have since been normalised, and the relations with workers at the Unit are also now very favourable.

During the year under review, the Company achieved Sales of Rs. 2505 lacs and recorded a cash loss of Rs. 114 lacs, primary due to the reasons stated above and due to continued weakness of the Acetic Acid market.

4. PROMISE VS. PERFORMANCE :

As per Clause 43 of the Listing Agreement with the Stock Exchanges, the performance of the Company vis-a-vis the projection for the year ended 31st March, 1997 made in the Letter of Offer dated 1st March, 1995 are given as under:

Particulars	(Rs. in Lacs)	
	Projected Performance 1996-97	Actual Performance 1996-97
Sales & Other Income	3729	2544
Profit before Interest,		
-Depreciation & Tax	592	111
Profit/(Loss) after Tax	350	(113)
Net worth	1520	959

The variation in projections and actual profitability is mainly due to factors as enumerated above.

The Company has utilised the funds raised through Rights Issue mainly to achieve the Objects of the Issue mentioned in the Letter of Offer dated 1st March, 1995.

5. FUTURE PROSPECTS:

The Company commissioned its new MCA Plant about a week prior to the strike at the Kathwada Unit. This new plant is expected to substantially increase the production and thereby sales of MCA and SMCA during 1997-98. Furthermore, the Company has also modified the boiler at its Pungam Unit, (as of July, 1997) with an FBC Combustion System which will result in substantial savings in fuel costs.

A number of new suppliers of Caustic Soda and Chlorine, the major raw materials of the Company, have entered the market during past six months. Consequently, prices of both these raw materials have declined steadily, and are expected to remain low throughout the year.

All of the above factors are expected to favourably impact the profit margins of the Company.

Molasses, another key raw material for the Company, still remains a very difficult product because of substantial variation in its prices, which are influenced not by forces of free market supply and demand, but rather by the policies of the Government and strategies of the Sugar Federation. Molasses prices have increased substantially during 1996-97 and are expected to remain high atleast for the first half of 1997-98. Accordingly, the continuity of high Molasses prices will have a downward pressure on margins.



CELLULOSE PRODUCTS OF INDIA LIMITED

Demand for the Company's products continue to remain strong and grow, and therefore the Company expects to have a better operational performance in 1997-98 than it did in 1996-97.

6. FINANCE :

6.1 During the year under review your Company has repaid an amount of Rs.25.01 lacs to the financial institutions and banks towards principal amount of Terms Loans.

6.2 Fixed Deposits: As on 31st March 1997, fixed deposits received from Shareholders and public were of Rs.0.96 lacs. Out of the deposits accepted by the company as above, deposits amounting to Rs.0.33 had fallen due and remained unclaimed at the end of the year.

6.3 The Company's income tax assessment has been completed upto the Financial Year 1995-96 and assessment for Sales Tax has been completed upto 1994-95.

6.4 Debentures :

The 4th and 5th instalments of Rs.16/- each on 14 % Secured Debentures, three instalments each of Rs.25/- on 19.5% Redeemable Non-convertible Debentures, alongwith interest due thereon and interest on 14% Non-convertible is yet to be paid.

6.5 Investment in Fixed Assets :

The Company has made additions to its plant, Machinery and Building amounting of Rs.87.31 lacs.

6.6 The material changes and commitments affecting the financial position of the Company which have taken place after the close of the Financial Year under review and the date of this report are as under:

1. The Company has since repaid Rs.0.42 lacs towards term loans.
2. The Company has paid Rs. 32.02 lacs towards unsecured loans.

7. GENERAL :**7.1 Insurance :**

The Company's buildings, plant and machineries, stocks, spares, etc. have been adequately insured against the risks of fire, riot, strike, civil disturbance, sabotage, explosion, etc.

7.2 Particulars of Employees :

The information required to be submitted under Section 217(2)(A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of this report is annexed as Annexure - A.

7.3 Auditors :

The present Auditors of the Company M/s. C. C. Chokshi & Co., Chartered Accountants, Ahmedabad, being eligible have offered themselves for reappointment. They have furnished a certificate of their eligibility for reappointment under Section 224(1-B) of the Companies Act 1956.

8. DIRECTORATE :

8.1 Three of your Directors, Shri Narendraprasad C. Patel, Shri Krishnanand N. Taneja and Shri Arun Pratapsinh Sheth retire by rotation in terms of Article 153 of the Articles of Association of the Company and they being eligible offer themselves for reappointment.

8.2 Shri Anilbhai Chinubhai and Shri Padmakant Kanaiyalal Shah resigned as Directors of the Company with effect from 17th May, 1997 and 22nd May, 1997 respectively. Your Directors place on record deep sense of appreciation for the guidance and advice given by them and services rendered by them during their tenure as Directors.

8.3 Industrial Investment Bank of India Limited have nominated Shri D.K. Dutta on 13th May, 1997 as their Nominee Director on the Board of the Company.

8.4 The Board have thought advisable to appoint Shri Mukesh M. Patel as a Director of the Company in place of Shri Padmakant K. Shah who resigned as stated in the preceding para. Shri Mukesh M. Patel is a leading Advocate and Tax Consultant attached to many known Business and Management Institutions. Their association will benefit the Company in the overall management.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

A statement giving details of conservation of energy, technology absorption, foreign exchange

37TH ANNUAL REPORT 1996-97

earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as Annexure - B.

10. ACKNOWLEDGMENT :

The Company's relations with its employees remained cordial during the year. Your Directors wish to place on record their appreciation for the support and cooperation received from the financial institutions and its Banks for helping the Company to manage its financial requirements from time to time.

By and on behalf of the Board,
Laxmikant Bhagubhai
Chairman

Place: Ahmedabad

Date : 17th July, 1997

Annexure-A

Statement containing 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 31st March, 1997.

(A) Employed throughout the financial year under review and were in receipt of remuneration in aggregate of not less than Rs. 3,00,000/- per annum.

(a) Age (b) Qualifications (c) Designation and nature of duties (d) other terms and conditions (e) commencement of employment (f) experience (years) (g) remuneration (Rs) (h) particulars of last employment, last post, period.

(1) Shri Tushar Laxmikant (a) 44 (b) B.Sc, B.S. in Textile Engg (B.S.T.E. USA), (c) Managing Director-Management (d) present appointment (upto 22.5.1998), entitled to resign after giving 90 days notice (e) 23.5.1988. (f) 15 (g) 3,34,181 (h) Manish Organic India Ltd., Managing Director, 2yrs 7 months.

(2) Shri Maitreya Laxmikant (a) 40 (b) B.Com, MBA PCT&S, (USA) (c) Managing Director-Management. (d) Present appointment upto 31.8.98, entitled to resign after giving 90 days notice, (e) (23.2.81)/1.9.88 (f) 14 (g) 361370 (h) -

(3) Shri Roopesh Chaitanya (a) 33 (b) M.B.A.(U.S.A.) (c) Managing Director - Management, (d) Present appointment upto 15.8.99, entitled to resign after giving 90 days notice (e) 16.8.94 (f) 7 (g) 687982 (h) Bristol Myers Squibb Co., New Jersey, U. S. A., 7 Years

Notes :

1. The remuneration as above includes salary, House Rent Allowance, Company's contribution to Provident fund, Superannuation fund, Group Insurance, Leave Travel and medical benefits and in case of Managing Directors, all such benefits as sanctioned by Central Government.
2. Shri Laxmikant Bhagubhai, Shri Tushar Laxmikant, and Shri Maitreya Laxmikant are related to each other.
3. The appointments are contractual.

Annexure - B

Additional information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(A) Conservation of Energy :

In pursuit of ever vigilant policy of the Company to conserve the energy, the Company has taken following measures so as to reduce the energy consumption.

-The Company has taken measures for operating its Bio gas plant to generate methane, which can be used in the Boilers to reduce the consumption of coal.

-The Steam Lines and equipments were properly insulated to conserve heat energy and steam.

-The details of the total energy conservation as per Form A prescribed in the rules is attached herewith.

(B) Technology Absorption :

-The R & D Centre has been working in modification in specific areas like quality control, improvement of production processes and other related areas.

-Benefits derived as a result of R & D Centre are:

- i) improvement of the quality of the existing products;