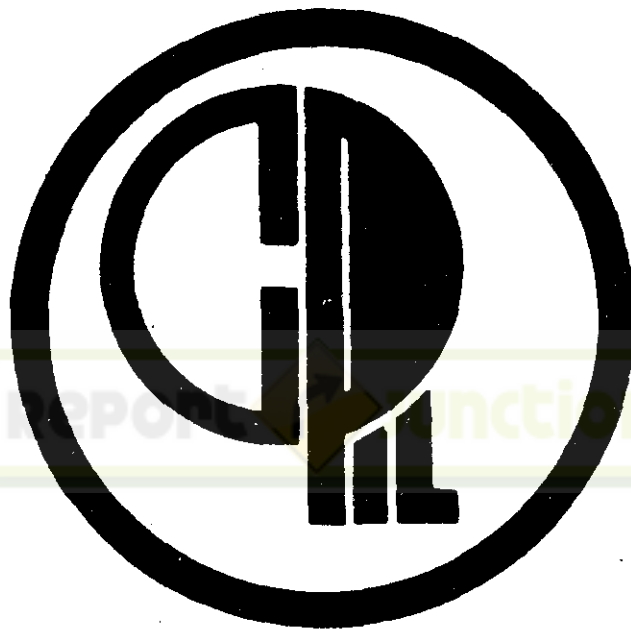


**39th Annual Report
1998-99**



CELLULOSE PRODUCTS OF INDIA LIMITED



CELLULOSE PRODUCTS OF INDIA LIMITED

DIRECTORS	SHRI LAXMIKANT BHAGUBHAI	CHAIRMAN
	SHRI TUSHAR LAXMIKANT	MANAGING DIRECTOR
	SHRI MAITREYA LAXMIKANT	MANAGING DIRECTOR
	SHRI ROOPESH CHAITANYA	DIRECTOR
	SHRI KRISHNANAND TANEJA	DIRECTOR
	SHRI ARUNBHAI P. SHETH	DIRECTOR
	SHRI NARENDRAPRASAD C. PATEL	DIRECTOR
	SHRI ANUJ ROHIT MEHTA	DIRECTOR

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 A -11, NEELAMBER COMPLEX,
NEAR ST. XAVIER'S COLLEGE CORNER,
NAVRANGPURA, AHMEDABAD-380009.

WORKS:

KATHWADA (DIST AHMEDABAD)
RAMOL (DIST AHMEDABAD)
PUNGAM (DIST BHARUCH)

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTYNINTH ANNUAL GENERAL MEETING of the members of CELLULOSE PRODUCTS OF INDIA LIMITED will be held on Wednesday, the 22nd day of March, 2000 at 11-00 a.m. at Ahmedabad Textile 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 1998-1999 (From 1st April, 1998 to 30th September, 1999 - 18 months) ended 30th September, 1999 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Shri Laxmikant Bhagubhai, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint Director in place of Shri Narendraprasad C. Patel, who retires by rotation and, being eligible, offers himself for reappointment.
4. 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:

5. To consider, the report of Directors as to the erosion of more than 50% of the Peak Net Worth of the Company as at 30th September, 1999 and causes of such erosion under the provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and to consider, and, if thought fit, to pass with or without modification (s), the following Resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Report of the Directors as to the erosion of more than 50% of the Net worth of the Company as the 30th September, 1999 in relation to peak Net worth during immediately preceeding four financial years and causes of such erosion be and are hereby considered and noted pursuant to the provisions of Section 23 of the Sick Industrial Companies (special Provision) Act, 1985 (SICA)."

6. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution. "RESOLVED THAT pursuant to the provisions of Section 146 and other applicable Provision, if any, of the Companies Act, 1956, the Company do hereby accord its approval to shifting of Registered office of the Company from presently situated at A -11, Neelamber Complex, Near St. Xavier's College Corner, Navrangpura, Ahmedabad-380009. to Post : Janatanagar, Ramol, Taluka : Daskroi, Dist : Ahmedabad - 382449 with effect from 1st April, 2000."

A -11, NEELAMBER COMPLEX,
NEAR ST. XAVIER'S COLLEGE CORNER,
NAVRANGPURA, AHMEDABAD-380009.
Place: Ahmedabad.

Date : 31st January, 2000.

By Order of the Board,
Maitreya Laxmikant
Managing Director

NOTE :

1. The relevant Explanatory Statement, pursuant to section 173(2) of the Companies Act, 1956, in respect of the special Business at Items Nos.5 and 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 VOTE INSTEAD OF HIMSELF. 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.
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 Friday, the 17th March, 2000 to Wednesday, the 22nd March, 2000 (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 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**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT 1956**

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 Items Nos.5 and 6 of the accompanying Notice dated 31st January, 2000 and should be taken as forming part of the Notice.

In respect of Item No. 5 :

Pursuant to the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), if the "Accumulated losses" of the Company at the end of any financial year has resulted in erosion of 50% or more of its Peak Net Worth during immediately preceeding four financial years, then, the company is required to report the fact of such erosion to the Board of Industrial and Financial Reconstruction (BIFR) and to hold General Meeting of Shareholders of the Company to consider such erosion.

As reported to the Members in the Directors' Report for the year 1997-98, the Company has suspended operations at all the units. Thus, since the suspension of operations in December, 1997, the Company is without any income. After paying and providing for expenses as required, the total loss of the Company for the current year (1998-99 - 18 months) comes to Rs.

CELLULOSE PRODUCTS OF INDIA LIMITED



592.56 lacs. The amount of loss is more than 50% of the Peak Net Worth of preceding four years which is Rs. 393.12 lacs, i.e. 50% of the Peak Net Worth of Rs. 786.24 lacs as on 31st March 1996.

The reasons for suspension of operations are increasing competition from cheap imported and locally manufactured product, increasing cost of raw materials, labour unrest and high wage bill, removal of control on the price of Molasses and subsequent highly erratic behaviour of price of Molasses.

As per Section 23 of the SICA, the Shareholders are requested to consider the erosion of the Net Worth and causes of such erosion as enumerated in the Report of Directors, an Ordinary Resolution is placed before the Shareholders for the purpose of consideration and for passing, if thought fit.

The Company is taking necessary steps with a view to report the fact of such erosion to BIFR as required by Section 23 of the SICA.

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

IN RESPECT OF ITEM No. 6 :

With a view to streamline the administrative activities and for better co-ordination, it has been deemed fit to shift Registered Office of the Company from A-11, Neelamber Complex, Near St. Xavier's College Corner, Navrangpura, Ahmedabad-380 009 to Post : Janlanagar, Ramol, Taluka : Daskroi, Dist : Ahmedabad - 382 449 with effect from 1st April, 2000.

As per the provision of Section 146 and other applicable provision, if any, of the Companies Act, 1956, consent of the Company accorded by Special Resolution is necessary for shifting of the Registered Office of the Company as shown above.

None of the Directors of the company is, in any way, concerned or interested in the above resolution.

A -11, NEELAMBER COMPLEX,
NEAR ST. XAVIER'S COLLEGE CORNER,
NAVRANGPURA, AHMEDABAD-380009.
Place: Ahmedabad.

By Order of the Board,
Maltreya Laxmikant
Managing Director

Date : 31st January, 2000.

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS AS TO EROSION OF NET WORTH AND CAUSES OF SUCH EROSION.

As such for the last five years, the Company was running in red. The Company did show some profit in 1985-86. This saved the Company from being a 'Sick' company under the Sick Industrial Companies (Special provisions) Act, 1985 (SICA). However, during the current year, the loss to the Company has exceeded 50% of the peak net worth in preceding four years. The net worth of 1995-96 of Rs. 786.24 lacs is to be taken as 'Peak' of the preceding four years. Thus 50% of this comes to Rs. 393.12 lacs, where as the total loss for the current year is Rs. 592.56 lacs. Thus, pursuant to the provisions of Section 23 of the SICA, it would be necessary to consider the causes leading to such erosion and efforts made to avert it.

This Report of the Board of Directors explains the causes of such erosion and the efforts made by the Company to improve the performance :

CAUSES FOR EROSION :

The following factors have affected the performance of the Company adversely :

1. Under the liberalised policy of the Government, the import of CMC, Cotton Linter Pulp and Industrial Alcohol became very easy and cheap in price. These were the main products on which the Company flourished. This led the importers to dump the goods in the market. Further easy process of manufacturing also brought many small scale manufacturers in the field with all the advantages of a small scale unit. The company's plant was getting worn out and hence was running on low efficiency, with high overheads. Thus, the Company could not compete with low priced material of importers and small manufacturers.
2. The other important factor was the price of molasses. The Government decontrolled the price in 1994. Since then, every state followed the policy about price and movement of Molasses which was most favourable to them. The demand of molasses in Gujarat was higher than its availability. However, the states like Maharashtra and Uttar Pradesh having surplus molasses prohibited export of Molasses from their state to other states. This made Gujarat consumers starving of Molasses causing unimaginable rise in its price. The price reached such a level that it became uneconomical to procure and produce Industrial Alcohol from it. During the control period, Molasses was sold in the range of Rs. 90-Rs. 150 per M. T. After the decontrol, the prices soared to Rs. 1,200-Rs. 1,600 and reaching the peak at Rs. 2,400/- per M. T. intermittently.
3. The continuous rise in the prices of Raw Materials and other materials have also played their role in the dismal performance of the Company.
4. The labour unrest and rise in variable D. A. payable to the labour increased the labour cost beyond the means of the Company.
5. General recession in the industrial climate also drove the customers for reduction in demand and opting for cheaper material.

CORRECTIVE MEASURES TAKEN/TO BE TAKEN :

The Company has taken and plans to take the following measures :

1. The Company adopted measures to lower the cost by way of nonfilling the vacancies created by resignation of officers in high pay bracket. The Company also stopped recruiting persons at all levels.
2. The Company raised capital by issuing right shares. The Company also tried to infuse fresh capital by way of selling idle assets. The Company was able to sell certain properties, but others like openlands, could not be sold due to heavy recession in land development and in construction industry.
3. Fresh capital was used to repay the loans and thus reducing the interest burden and the management plants the same for the future also.
4. The Company inducted as managing Director a young dynamic NRI, Shri Roopesh Chaitnya. He worked for the Company for about 3 years but finally left in Feb. 1998. His efforts did pay off in the beginning, but the hostile forces proved much stronger.

Date : 31st January, 2000.
Place: Ahmedabad.

By and on behalf of the Board,
Laxmikant Bhagubhai
Chairman

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DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

The Directors present herewith the **THIRTYNINTH** Annual Report on the affairs of the Company together with the Audited Statement of Accounts for the financial year 1998-99 (From 1st April, 1998 to 30th September, 1999-18 months) ended on 30th September, 1999.

1. FINANCIAL RESULTS:

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

	(Rs. in lacs)	
	1998-99	1997-98
	(18 Months)	
Operating Loss	478.49	144.02
(Loss before interest & Depreciation)		
Add : Interest	<u>113.94</u>	<u>213.59</u>
Loss before tax	592.43	357.61
Add : Debit balance brought forward from last year	0.13	-
Loss carried to Balance Sheet	<u>592.56</u>	<u>357.61 *</u>

* The amount has been set off against revaluation reserves during 1998-99.

Remarks of Auditors in their Report and Notes attached to the Accounts are self-explanatory. No provision has been made in the accounts for Depreciation for the years 1993-94 to 1998-99.

2. DIVIDEND:

In view of the losses suffered during the year under review, your Directors regret their inability to recommend dividend for the year under review.

3. OPERATIONS:

The operations at all the units of the Company remained suspended throughout the period under review. However the Company managed to generate small income through trading chemicals and other items. Even with reduced expenses, the company has become "Partially Sick" as per section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. The attention of mem-

bers is drawn to the report of Directors on the preceeding page. Recessionary conditions continued in the market. These conditions foiled all the efforts of the company to sell unproductive assets to generate funds. The company also failed to honour the commitment to pay to labour as per the Settlement dated 03-04-1998. The Union filed an application before the High Court to get the Settlement implemented. The High Court, after considering all the options ordered to sell the assets of the Company and appointed Sale Committee for that purpose. The decision of the High Court would be final. The Sale Committee also could not sell the assets as expected. However, only Madurai Plant of the Company was sold for Rs. 39.50 lacs and the proceeds were disbursed to labour and secured creditors. The Company did not receive any amount. The Company filed an application before the High Court to get funds for payment of outstanding statutory dues and day-to-day expenses. The Company is continuing its efforts to sell the assets. With turn in the market conditions, the Company hopes to succeed.

4. FUTURE PROSPECTS:

As reported in the Directors' Report 1997-98, your Directors have carefully reviewed the position and have taken some actions on the following lines :

1. The Company has enough assets to discharge liabilities of workers, statutory dues, commitments towards Bank and Financial Institutions etc.
2. The Company has no plan to restart any plant in near future.
3. The Company has reasonably high hopes to sell the open lands of the Company, but likely to take more time for negotiations and finalisation.
4. Meanwhile, the Company is working with skeleton staff and heavily reduced expenses.
5. After meeting all the liabilities, The Company may opt for trading in chemicals. If circumstances permit, the Company may utilise buildings and open lands for warehousing facilities either by itself or through leasing to others.



CELLULOSE PRODUCTS OF INDIA LIMITED

5. FINANCE:

5.1 Fixed Deposits: As on 30st September, 1999, fixed deposits were of Rs. 30,000/- which has remained unclaimed at the end of the year.

5.2 The Company's income tax assessment has been completed upto the Financial Year 1997-98 and assessment for Sales Tax has been completed upto 1994-95.

5.3 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 there on and interest on 14% Non-convertible is yet to be paid.

5.4 After the close of the Accounting period under review but before the date of this Report, the Company repaid Term Loans to the Secured Creditors to the tune Rs. 9,63,505/- as per the directions of the Hon'ble High Court.

6. Y2K PREPAREDNESS :

The Computers utilised for services were upgraded to be Y2K compliant without incurring any significant cost. As the computers were upgraded to be Y2K compliant, no contingency plans were necessary in the event of system breakdown/failure. The Company has transited smoothly in the year 2000 in respect of systems and operations are functioning normally in the year 2000.

7. LISTING FEES :

The Equity Shares of the Company are listed on Ahmedabad and Mumbai Stock Exchanges and the Company has paid Annual Listing Fees to both the Stock Exchanges upto the year 1999-2000.

8. GENERAL :**8.1 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.

8.2 Particulars of Employees:

Since there is no employee drawing remuneration

exceeding Rs. 6,00,000/- per annum or Rs. 50,000/- pre month, 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 are not applicable.

8.3 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.

9. DIRECTORATE:

9.1 Shri Mukesh M. Patel resigned as Director of the Company w. e. f. 10th October, 1998. Your Directors place on record deep sense of appreciation for the guidance, advice and services rendered by him during his tenure as Director.

9.2 Two of your Directors, Shri Laxmikant Bhagubhai and Shri Narendraprasad C. Patel retire by rotation in terms of Article 153 of the Articles of Association of the Company and they being eligible offer themselves for reappointment.

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

As there was no manufacturing activities during the period under review, the details under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

11. ACKNOWLEDGMENT:

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

By and on Behalf of the Board,
Laxmikant Bhagubhai
Chairman

Place : Ahmedabad.

Date : 31st January, 2000.