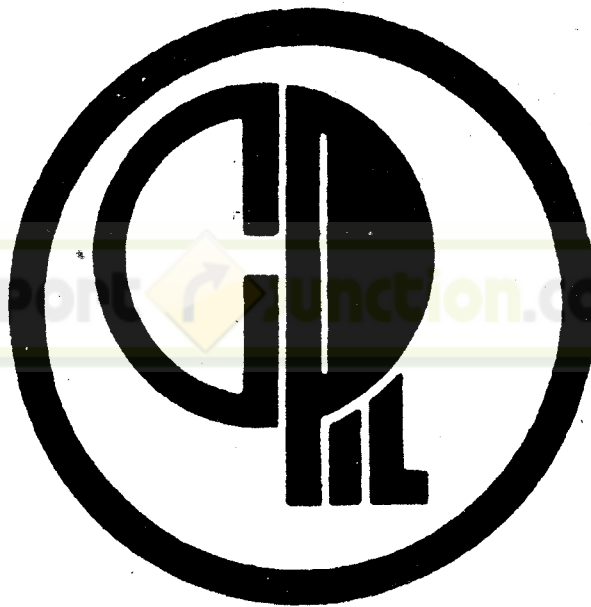


**42nd Annual Report  
2002-2003**



**CELLULOSE PRODUCTS OF INDIA LIMITED**

## CELLULOSE PRODUCTS OF INDIA LIMITED

**DIRECTORS** SHRI LAXMIKANT BHAGUBHAI  
 SHRI MAITREYA LAXMIKANT  
 SHRI ROOPESH CHAITANYA  
 SHRI JAYENDRA A. DESAI  
 SHRI MAHESHBHAI P. DESAI

CHAIRMAN  
 MANAGING DIRECTOR  
 DIRECTOR  
 DIRECTOR  
 DIRECTOR  
 (FROM 25-03-2003)

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

**BANKERS** BANK OF BARODA

**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** POST : JANTANAGAR, RAMOL,  
 TALUKA : DASKROI,  
 DIST : AHMEDABAD - 382 449.

**WORKS :**

KATHWADA (DIST AHMEDABAD)  
 RAMOL, (DIST AHMEDABAD)

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## 42ND ANNUAL REPORT 2002-2003

## NOTICE

Notice is hereby given that the FORTYSECOND ANNUAL GENERAL MEETING of the members of CELLULOSE PRODUCTS OF INDIA LIMITED will be held on Saturday, the 27th day of September, 2003 at 11.00 a.m. at the Registered Office of the Company at Post:Jantanagar, Ramol, Taluka : Daskroi, Dist:Ahmedabad - 382 449 to transact the following business:

**ORDINARY BUSINESS :**

1. To receive and adopt the Audited Profit and Loss Account for the Financial year 2002-03 ended 31st March, 2003 and the Balance Sheet as on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To appoint Director in place of Shri Roopesh Chaitanya, who retires by rotation and, being eligible, offers himself for reappointment.
3. 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 :**

4. To consider and if thought fit to, to pass with or without modification(s) the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Shri Maheshbhai P. Desai be and is hereby appointed as a Director of the Company liable to retire by rotation."
5. 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 198, 269, 309, 314 and other applicable provisions if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the Company do hereby accord its approval to the appointment of Shri Maitreya Laxmikant as Managing Director of the Company for a period of 5 years with effect from 15th February, 2004 to 14th February, 2009 on the terms and conditions (which have been approved by the Remuneration Committee of the Company) set out in the draft agreement of appointment submitted to this meeting duly initiated by the Chairman for identification and that he be paid remuneration by way of Salary and Perquisites not exceeding the amount thereof as set out in the accompanying explanatory statement which may also be paid in the years of losses or inadequacy of profits."RESOLVED FURTHER THAT the extent and scope of Salary and Perquisites as specified in the Explanatory Statement be altered, enhanced, widened or varied by the Board of Directors in accordance with the relevant provisions of the Companies Act, 1956 and subject to the approval of the Central Government for the payment of managerial remuneration in force during the tenure of the Managing Director."

**REGISTERED OFFICE :**

Post : Jantanagar, Ramol,  
Taluka : Daskroi,  
Dist. Ahmedabad-382 449.  
Date : 25th June, 2003.

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. 4 and 5 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.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 Tuesday, the 16th September, 2003 to Saturday, the 27th September, 2003 (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. 4 and 5 of the accompanying Notice dated 25th June, 2003 and should be taken as forming part of the Notice.

**In respect of Item No. 4 :**

The Board of Directors of the Company in their meeting held on 25th March, 2003 appointed Shri Maheshbhai P. Desai as an Additional Director of the Company. As per Article 131 of the Articles of Association of the Company and Section 260 of the Companies Act, 1956, he will hold office upto the date of this Annual General Meeting. As required under the provisions of Section 257 of the Companies Act, 1956, notice has been received from some of the Members signifying their intention to propose him as candidate for office of the Director.

Shri Maheshbhai P. Desai graduated twice in Commerce, first in Advanced Accountancy and later with Banking. Thereafter, he proceeded to Ann - Arbor University, Michigan, U. S. A. to obtain his MBA Degree in Finance. He has served in Banking sector for 15



## CELLULOSE PRODUCTS OF INDIA LIMITED

years and then as Administrative Manager in a private sector companies.

Shri Maheshbhai P. Desai is concerned or interested in the said business, since it relates to his appointment as Director of the Company. Except him, none of the Directors is in any way concerned or interested in the said business.

**In respect of Item No. 5 :**

The Board of Directors in their meeting held on 25th June, 2003 has reappointed Shri Maitreya Laxmikant as Managing Director for a further period of 5 years i.e. from 15th February, 2004 to 14th February, 2009.

As Net Worth of the Company has been completely eroded and there is default in making payment of debts during the Financial year 2002-03, the reappointment of Shri Maitreya Laxmikant would require approval of the Central Government.

The major terms and conditions of his appointment are as under :

**I. PERIOD :**

The term of the Managing Director shall be for a period of 5 years from 15th February, 2004 to 14th February, 2009.

**II. REMUNERATION :**

**A. SALARY :**

The Managing Director shall be entitled to salary of Rs.11,000/- per month.

**B. PERQUISITES :**

**1. Medical reimbursement :**

Medical reimbursement expenses incurred for the Managing Director and family subject to a ceiling of one month's salary per year or three months' salary over a period of three years. This will also include the premium paid for Medicaclaim Insurance for Managing Director and family.

**2. Free use of Company's car or reimbursement of car rentals, salary of driver, reimbursement of petrol expenses and reimbursement of maintenance expenses for Company's business.**

**3. Free telephone facility at residence or reimbursement of telephone expenses.**

**4. Reimbursement of all travelling expenses (domestic and foreign) incurred for the business of the Company.**

**5. Free Personal Accident Insurance for the Managing Director, premium for which not to exceed Rs. 3,000/- p.a.**

**III. The Managing Director shall be entitled to reimbursement of expenses incurred by him in connection with the business of the Company.**

**IV. The Managing Director shall not, so long as he functions as such, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company without the prior approval of the Central Government.**

**V. DUTIES :**

Subject to the superintendence, direction and control of the Board of Directors of the Company, the Managing Director Shall be entrusted with substantial powers of management and also such other duties and responsibilities as may be entrusted to him by the Board of Directors from time to time. The headquarter of the Managing Director shall be at Ahmedabad or at such place as the Board of Directors may decide from time to time.

**VI. TERMINATION :**

The Managing Director may be removed from his office for gross negligence, breach of duty or trust if a special Resolution to that effect is passed by the Company at its General Meeting. The Managing Director may resign from his office by giving 90 days' notice to the Company.

**VII. COMPENSATION :**

In the event of termination of office of Managing Director takes place before the expiration of tenure thereof, Managing Director Shall be entitled to receive compensation from the Company for loss of office to the extent and subject to limitation as provided under section 318 of the Companies Act, 1956.

As per the provisions of Sections 198, 269, 309, 314 and all other applicable provisions, if any, of the Companies Act, 1956 consent of the Company accorded by Special Resolution is necessary for holding office as Managing Director of the Company on remuneration.

The terms and conditions mentioned in the above explanatory statement may be treated as abstract of the terms of proposed contract under Section 302 of the Companies Act, 1956.

Resolution of the Board of Directors appointing Shri Maitreya Laxmikant as Managing Directors and Draft agreement of appointment are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting.

Shri Maitreya Laxmikant graduated in Commerce from the Gujarat University. Later, he proceeded to USA to obtain his Master of Business Administration Degree in Marketing & Finance from the University of Philadelphia. Thereafter, he joined the Company as Chief Executive in the year 1982 and he was appointed as Managing Director in the year 1988. Since then, he is acting as the Managing Director of the Company. He has working experience of almost 2 decades and his contribution in the fields of Marketing & Finance have helped the Company.

Shri Maitreya Laxmikant is concerned or interested in the business since it relates to his appointment as Managing Director of the Company. Shri Laxmikant Bhagubhai, Director of the Company may also be deemed to be interested or concerned with the business, since Shri Maitreya Laxmikant is his relative.

**REGISTERED OFFICE :**

Post : Jantanagar, Ramol,

Taluka : Daskroi,

Ahmedabad-382 449.

Date : 25th June, 2003.

By order of the Board,

Maitreya Laxmikant

Managing Director

## 42ND ANNUAL REPORT 2002-2003

**DIRECTORS' REPORT TO THE MEMBERS**

Dear Shareholders,

The Directors present herewith the **FORTYSECOND** Annual Report on the affairs of the Company together with the Audited Statement of Accounts for the Financial year 2002-03 ended on 31st March, 2003.

**1. FINANCIAL RESULTS :**

The working results of your company for the Accounting Year under report are as under :

	(Rs. in lacs)	
	2002-2003 (12 Months)	2000-02 (18 months)
Loss before providing Deferred Revenue Expenditure	27.80	53.88
Add:Deferred Revenue Expenditure*	77.09	115.64
	104.89	169.52
Add :Interest	-	5.94
Loss on Sale of Assets of Ankleshwar Unit	568.65	-
Loss for the year	673.54	175.46
Add :Debit balance brought forward from the last year	175.46	171.33
Less:Set-off against Revaluation Reserve	175.46	171.33
Loss carried to Balance Sheet	673.54	175.46

\* Deferred Revenue Expenditure is in respect of Dues of Labour as per Settlement dated 3rd April, 1998. 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 2002-03.

**2. DIVIDEND :**

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

**3. OPERATIONS :**

3.1 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. By the order dated 19-12-2000 of the Hon'ble High Court, the Pungam Unit of the Company was sold to M/s. Luna Chemicals for Rs. 343 lacs. Further, by order dated 08-03-2001 of the Hon'ble High Court, the sale of the unit was transferred to M/s. Doshi Chemicals Pvt. Ltd., nominee of M/s. Luna Chemicals, the

original purchaser. By order dated 08-05-2001 of the Hon'ble High Court, the physical possession of the unit was handed over to M/s. DCPL, even though the full amount was not paid by them. By the same order, the Hon'ble High Court granted them extension upto 31-12-2001 to pay the balance amount. Only in April, 2002, M/s. Doshi Chemicals completed the payment of Rs. 343 lacs and the interest for late payment amounting to Rs. 25 lacs approx.

3.2 M/s. Luna Chemicals has further prayed to the Hon'ble High Court vide its CA 3397 of 2002 to further transfer the sale of unit and licence to its nominee M/s. Pragati Alcochem Pvt. Ltd. On the recommendation of the Sale Committee, the Hon'ble High Court passed an Order in August, 2002 directing the Company to sell and transfer the Unit at Pungam, Ankleshwar to M/s. Pragati Alcochem Pvt. Ltd. Thereafter, in September, 2002, the Company executed Sale Deed for the Pungam Unit, Thus, the sale of this unit is now complete.

3.3 Recessionary condition continued in the market. These conditions foiled all the efforts of the Company to sell balance assets to generate funds. However, the Company is continuing its efforts to sell these assets. With turn in the market conditions, the Company hopes to sell these assets in near future.

**4. FUTURE PROSPECTS :**

1. The Company has no plan to restart any plant in near future.
2. The Company has reasonably high hopes to sell the open lands of the Company, but likely to take more time for negotiations and finalisation.
3. Meanwhile, the Company is working with skeleton staff and heavily reduced the expenses.
4. 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.

**5. FINANCE :**

- 5.1 Fixed Deposits : As on 31st March, 2003, there were no fixed deposits which has remained unclaimed.
- 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 1995-96.
- 5.3 Debentures : Part of the Principal amount of all the Series of Debentures has been paid to the





## CELLULOSE PRODUCTS OF INDIA LIMITED

Trustees on behalf of the Debentureholders as mentioned in the next paragraph.

- 5.4 Total payments made to the secured creditors till date is Rs. 188.28 lacs approximately against their principal amount. This includes payment of Rs. 49.07 lacs to Debenture Trustees also on behalf of the Debentureholders. The total amount paid to the labour and other employees of all the units is Rs. 204 lacs. This includes the payment made against the Settlement dated 03-04-1998. This total payment includes the amount received by them as their share of Rs. 200 lacs disbursed by the Hon'ble High Court by its Order dated 10-05-2002.

## 6. 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 1998-99.

## 7. GENERAL :

- 7.1 Particulars of Employees : There is no employee drawing remuneration requiring Disclosure under Section 217(2)(A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.
- 7.2 Auditors : The present Auditors of the Company M/s. C. C. Chokshi & Co., Chartered Accountants, Ahmedabad, being eligible have offered themselves for reappointment.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT :

- 8.1 In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- 8.2 The Directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that period.
- 8.3 The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 8.4 The Directors have prepared the annual accounts on a going concern basis.

## 9. DIRECTORATE :

- 9.1 One of your Directors, Shri Roopesh Chaitanya

retires by rotation in terms of Article 153 of the Articles of Association of the Company and he being eligible offers himself for reappointment.

- 9.2 The Board of Directors in their meeting held on 25th March, 2003 have appointed Shri Maheshbhai P. Desai as Additional Director of the Company. The Board recommends your approval to his appointment as Director of the Company.

- 9.3 The Board of Directors in their meeting held on 25th June, 2003 have reappointed Shri Maitreya Laxmikant, subject to approval of the Members and the Central Government, as Managing Director of the Company for a period of 5 years from 15th February, 2004 to 14th February, 2009 on the terms and conditions mentioned in the Notice convening Annual General Meeting.

## 10. CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock Exchange/s, a Management Discussion & Analysis Statement, a Report on Corporate Governance together with Auditors' Certificate regarding compliance of conditions of Corporate Governance form part of the Annual Report.

## 11. 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.

## 12. 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 to manage its financial requirements from time to time.

By order of the Board,

**Laxmikant Bhagubhai**

Chairman

Date : 25th June, 2003.

Place : Ahmedabad

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## REPORT ON CORPORATE GOVERNANCE

## INTRODUCTION :

The Company believes that Corporate Governance is the nucleus around which is built the confidence and trust resulting into strong, stable and long term partnership with the Investors and all other Stakeholders. This belief of the Company is reflected into the detailed Report on implementation of Corporate Governance as set out below:

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and ability. The Company has implemented the mandatory requirements of the 'Code of Governance' as mentioned in Clause 49 of the Listing Agreement. The Compliance Report of the Company vis-a-vis the Stock Exchange Listing Agreement is presented below.

## 2. BOARD OF DIRECTORS :

The Company placed before the Board at their meetings, all the relevant and necessary information regarding the activities of the Company such as trading particulars, Unaudited Quarterly Results, Minutes of the Committee Meetings, communications from State, Central and Statutory Bodies, Share Transfers etc. Five meetings of the Board of Directors were held during the year (as against the minimum requirement of 4 meetings) on 24-04-2002, 12-07-2002, 24-10-2002, 28-01-2003 and 25-03-2003.

## Composition and Category of Directors :

Name of Directors	Category of Directorship	No. of other Directorships *	Committee (1)Membership (2) Chairmanship in other companies	No. of Board Meetings attended	Attendance at the AGM held Yes(Y)/ No(N)
Laxmikant Bhagubhai Chairman	Non-executive Promoter	1	-	5	Y
Maitreya Laxmikant Managing Director	Executive	1	-	5	Y
Roopesh Chaitanya	Non-executive	-	-	-	N
Jayendra A. Desai	Independent Non-executive	-	-	4	N
Maheshbhai P. Desai @	Independent Non-executive	-	-	1	N

\* Private companies excluded.

@ Appointed on 25th March, 2003.

During the year, there were no pecuniary relationship or transactions of Non-executive Directors vis-a-vis the Company except an interest-free loan of Rs. 3.42 lacs granted to United Esters and Nitrochem Limited in which Mr. Laxmikant Bhagubhai is Chairman. However, the Board of Directors have opined that the said transaction does not affect the interest of the Company at large.



## CELLULOSE PRODUCTS OF INDIA LIMITED

## Details of the Directors seeking Appointment/Reappointment in forthcoming Annual General Meeting :

Name of Director	Roopesh Chaitanya	Maheshbhai P. Desai	Maitreya Laxmikant
Date of Birth	12-12-1963	28-02-1926	22-09-1957
Date of Appointment	16-08-1994	25-03-2003	01-09-1988
Expertise in specific functional areas	Finance and Management	He has total experience in Accounts and Administration of more than 45 years.	He has total experience in Marketing and Finance of more than 20 years.
List of Public Limited Companies in which Directorships held	-	-	United Esters & Nitrochem Ltd.
Chairman/Member of the Committees of the Board of Directors of the Company	-	Chairman of Audit Committee and Remuneration Committee	Member of Shareholders/Investors Grievances Committee
Chairman/Member of the Committees of Directors of other companies.	-	-	-

## Board Procedures :

The Board of Directors meets once a quarter to review the performance and Financial Results. A detailed Agenda File is sent to all the Directors well in time before the Board Meetings. The Chairman/Managing Director briefs the Directors at every Board Meeting, about overall performance of the Company. All major decisions/approvals are taken at the Meeting of the Board of Directors such as policy formation, business plans, budgets, investment opportunities, statutory compliance etc.

## 3. AUDIT COMMITTEE :

The Audit Committee was constituted by the Company on 25th March, 2003. The Composition of Audit Committee is as under:

Name of the Director	Designation	Category	Attendance
Maheshbhai P. Desai	Chairman	Independent Non-executive	1
Laxmikant Bhagubhai	Member	Non-executive	1
Jayendra A. Desai	Member	Independent Non-executive	1

The major terms of reference of the Committee are as under:

1. To review internal control system of the Company.
2. To review financial management/reporting system of the Company.