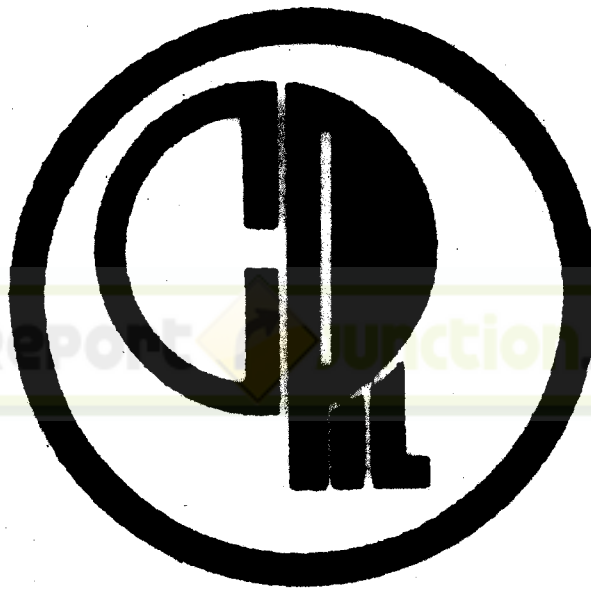


**44th Annual Report
2004-2005**



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

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, PRACTISING COMPANY SECRETARY
 AHMEDABAD

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

SITES :

KATHWADA (DIST AHMEDABAD)
 RAMOL; (DIST AHMEDABAD)

CONTENTS**PAGE NO.**

| | |
|------------------------------------|----|
| NOTICE OF MEETING | 2 |
| DIRECTORS' REPORT | 3 |
| CORPORATE GOVERNANCE REPORT | 5 |
| AUDITORS' CERTIFICATE | 10 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 11 |
| AUDITORS' REPORT | 12 |
| BALANCE SHEET | 16 |
| PROFIT & LOSS ACCOUNT | 17 |
| CASH FLOW STATEMENT | 18 |
| SCHEDULES | 19 |



44TH ANNUAL REPORT 2004-2005

NOTICE

NOTICE IS HEREBY GIVEN THAT THE FORTY FOURTH ANNUAL GENERAL MEETING of the members of CELLULOSE PRODUCTS OF INDIA LIMITED will be held on Tuesday the 13th September, 2005 at 11-00 a.m. at Post : Jantangar, Ramol, Taluka : Daskroi, Dist. : Ahmedabad-382449 to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the Audited Profit & Loss Account for the year 2004-2005 ended 31st March, 2005 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 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.

REGISTERED OFFICE :

Post : Jantanagar, Ramol,

Taluka : Daskroi,

Dist. Ahmedabad-382 449.

Date : 27th July, 2005.

By order of the Board,

Maitreya Laxmikant

Director

NOTE :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT PROXY TO ATTEND AND TO 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 FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. 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 6th September, 2005 to Tuesday, the 13th September, 2005 (both day inclusive).
3. 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 Meeting.
4. 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 account 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.



CELLULOSE PRODUCTS OF INDIA LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Dear Shareholders,

The Directors present herewith the **FORTY FOURTH** Annual Report on the affairs of the Company together with the Audited Statement of Accounts for the Accounting Year 2004-2005 ended on 31st March, 2005.

1. FINANCIAL RESULTS :

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

| (Rs. in lacs) | 2004-2005 | 2003-2004 |
|--|---------------|---------------|
| Loss before providing | 16.98 | 31.52 |
| Revenue Expenditure | | |
| Add : Deferred Revenue | | |
| Expenditure* | — | <u>38.18</u> |
| | <u>16.98</u> | <u>69.70</u> |
| Add : Loss on Sale of Assets | <u>778.73</u> | — |
| Loss for the year | 795.71 | 69.70 |
| Add : Debit balance brought forward from the last year | 69.70 | 673.54 |
| Less : Set-off against | | |
| Revaluation Reserve | — | <u>673.54</u> |
| Loss carried to Balance Sheet | 865.41 | 69.70 |

* Deferred Revenue Expenditure in 2003-04 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.

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 There were no operations at any unit of the Company. The Company has not considered

trading in cloth and other articles advisable in view of prevailing high prices. As such no trading activity was done during year under review.

3.2 The Honourable High Court passed an order on 08-07-2004 confirming sale of the entire land of the Company at Kathwada for Rs. 728 lacs. The purchaser has been allowed to pay the consideration by instalments. The last instalment is due on 08-01-2006. So far all the instalments amounting to Rs. 435 lacs have been received.

Likewise the Honorable High Court passed an order on 28-10-2004 confirming the sale of the entire land of the Company at Ramol for Rs. 431 lacs. The purchaser has been allowed to pay the consideration by instalments. The last instalment is due on 30-04-2006. So far all the instalments amounting to Rs. 231 lacs have been received.

With this, all the assets of the Company have been sold. The lands have been sold on "As is where is and whatever is" basis. The Company will enter in to sale deed of the above lands after receiving full consideration. Thus the legal right and title to the lands will be transferred to the purchasers only after execution of sale deed.

3.2 The Company is working with skeleton staff and heavily reduced expenses. The Company has shelved its future plans for a new business.

4. FINANCE :

4.1 Fixed Deposits : As on 31st March, 2005, there were no fixed deposits which has remained unclaimed.

4.2 The Company's income tax assessment has been completed upto the Financial Year 2002-03 and assessment for Sales Tax has been completed upto 2000-01.

4.3 Secured Creditors : The Secured Creditors including the Debentureholders through Debenture Trustees were paid in November, 2004 and July, 2005. With these payments the principal



amount of all the Secured Creditors holding first charge on the fixed assets of the Company amounting to Rs. 505.90 lacs have been fully paid.

The Honorable High Court has not given any direction regarding payment of interest to the Secured Creditors. The total payment made to the labour under settlement dated 03-04-1998 and other employees of all the units till date is Rs. 457 lacs.

5. 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.

6. GENERAL :

6.1 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.

6.2 Auditors : The present Auditors of the Company M/s. C. C. Chokshi & Co., Chartered Accountants, Ahmedabad, being eligible have offered themselves for reappointment.

7. DIRECTORS' RESPONSIBILITY STATEMENT :

7.1 In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

7.2 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 loss of the Company for that year.

7.3 The Directors have 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.

7.4 The Directors have prepared the annual accounts as if it is a going concern.

8. DIRECTORATE :

One of your Directors, Shri Laxmikant Bhagubhai 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. 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.

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. ACKNOWLEDGEMENT :

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 and the sale committee.

By order of the Board,
Laxmikant Bhagubhai
Chairman

Date : 27th July, 2005.
Place : Ahmedabad

CELLULOSE PRODUCTS OF INDIA LIMITED

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. Four meetings of the Board of Directors were held during the year on 24-06-2004, 29-07-2004, 29-10-2004 and 28-01-2005.

COMPOSITION AND CATEGORY OF DIRECTORS :

| Name of Directors | Category of Directorship | No. of other Directorships | Committee (1)Member-ship/(2)Chairman-ship in other companies | No. of Board Meetings attended | Attendance at the AGM held on 24-09-2004 Yes (Y) / No (N) |
|---|---------------------------|----------------------------|--|--------------------------------|--|
| Laxmikant Bhagubhai Chairman | Non-executive Promoter | 1 | - | 4 | Y |
| Maitreya Laxmikant Managing Director | Executive | 1 | - | 4 | Y |
| Roopesh Chaitanya | Non-executive | - | - | - | N |
| Jayendra A. Desai | Independent Non-executive | - | - | 4 | Y |
| Maheshbhai P. Desai | Independent Non-executive | - | - | 4 | Y |

Private companies excluded.

During the year, there were no pecuniary relationship or transactions of Non-executive Directors.

DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT AT FORTHCOMING ANNUAL GENERAL MEETING:

| | |
|--|-------------------------------------|
| Name of Director | Laxmikant Bhagubhai |
| Date of Birth | 18-08-1927 |
| Date of Appointment | 14-04-1959 |
| Expertise in specific functional areas | Finance and Management |
| List of Public Limited Companies in which Directorships held | United Esters and Nitrochem Limited |

**44TH ANNUAL REPORT 2004-2005**

Chairman/Member
of the Committees
of the Board of
Directors of the Company
Chairman/Member of the
Committees of Directors of other companies.

Member of Audit
Committee, Remuneration
Committee & Shareholders
/Investors' Grievances Committee

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 Composition of Audit Committee is as under :

| Name of the Director | Designation | Category | Attendance |
|----------------------|-------------|---------------------------|------------|
| Maheshbhai P. Desai | Chairman | Independent Non-executive | 4 |
| Laxmikant Bhagubhai | Member | Non-executive | 4 |
| Jayendra A. Desai | Member | Independent Non-executive | 4 |

Four Meetings on 24-06-2004, 29-07-2004, 29-10-2004 and 25-01-2005 were held during the year. All the Members attended the meetings.

4. REMUNERATION COMMITTEE :

The following Directors are the members:

| | | |
|------------------------|----------|-----------------------------|
| 1. Maheshbhai P. Desai | Chairman | - Non-executive Independent |
| 2. Laxmikant Bhagubhai | Member | - Non-executive |
| 3. Jayendra A. Desai | Member | - Non-executive Independent |

The meetings of the Committee were held on 24-06-2004. All the members and Chairman were present at the meetings.

The details of the remuneration paid to the Directors during the Financial year 2004-05 are as under :

(Rs. in lacs)

| Name | Salary | Perquisites | Sitting | Total |
|---|--------|-------------|---------|-------|
| Fees | | | | |
| Maitreya Laxmikant Managing Director | 1.32 | 0.12 | Nil | 1.44 |
| Maheshbhai P. Desai | Nil | Nil | 0.01 | 0.01 |
| Jayendra A. Desai | Nil | Nil | 0.01 | 0.01 |
| Laxmikant Bhagubhai | Nil | Nil | 0.01 | 0.01 |
| Roopesh Chaitanya | Nil | Nil | Nil | Nil |

5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE :

The Committee is constituted as under :

| | | |
|------------------------|----------|---------------------------------|
| 1. Laxmikant Bhagubhai | Chairman | - Non-executive |
| 2. Maitreya Laxmikant | Member | - Executive - Managing Director |

The Company received 7 complaint regarding non-receipt of Balance Sheet and 3 inquiries about declaration of dividend during the year. All the complaints redressed without delay.

Two meetings of the Committee were held on 24-06-2004 and 25-01-2005 during the year.

Shri A. N. Mehta, Secretarial Officer of the Company acts as the Secretary to the Committee.



CELLULOSE PRODUCTS OF INDIA LIMITED

6. GENERAL BODY MEETINGS :

Details of last three Annual General Meetings of the Company are given below :

| Financial Year | Date | Time | Venue | No. of Special Resolutions |
|----------------|------------|------------|---------------------------|----------------------------|
| 2000-02 | 17-09-2002 | 11.00 a.m. | Post :Janta Nagar, Ramol, | 1 |
| 2002-03 | 27-09-2003 | 11.00 a.m. | Taluka:Daskroi, | |
| 2003-04 | 24-09-2004 | 11.00 a.m. | Dist:Ahmedabad - 382 449. | |

Pursuant to the provisions of Section 192 A of the Companies Act, 1956, there was no matter required to be dealt by the Company to be passed through postal ballot.

No Extra-ordinary General Meeting was held in last 3 years.

7. DISCLOSURES :

- The Company has not entered into any transaction of material nature with the Promoters, the Directors or the Management that may have any potential conflict with the interest of the Company. The Company has no subsidiary.
- There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchange/s or SEBI or any other authorities, on any matters related to Capital Market during the last three years.

- Disclosure about other directorships and membership of Committee in other Companies

| Name of Director | Other director-ships | Membership of Committee in other companies |
|---------------------|----------------------|--|
| Laxmikant Bhagubhai | 1 | Nil |
| Maitreya Laxmikant | 1 | Nil |
| Maheshbhai P. Desai | Nil | Nil |
| Jayendra A. Desai | Nil | Nil |
| Roopesh Chaitanya | Nil | Nil |

8. MEANS OF COMMUNICATIONS :

- In compliance with the requirements of the Listing Agreement, the Company regularly intimates Unaudited/ Audited Financial Results to the Stock Exchange/s immediately after they are taken on record by the Board of Directors.

The Company does not possess any Website and as such, results are not displayed on any Website. However, the information like quarterly results etc. is sent in such form so as to enable the Stock Exchange/s on which the Company is listed to put it on its Website.

- During the year ended on 31st March, 2005, no presentations were made to Institutional Investors or analyst or any other enterprise.

9. SHAREHOLDERS' INFORMATION :

- Registered Office : Post:Janta Nagar,
Ramol, Taluka:Daskroi,
Dist:Ahmedabad - 382 449.
- Annual General Meeting : Day : Tuesday
Date : 13th September, 2005
Time : 11.00 a.m.
Venue : At the Registered Office of the Company at : Post:Janta Nagar,
Ramol, Taluka:Daskori, Dist:Ahmedabad - 382 449.

- c) Financial Calendar : Tentatively -
1st Quarter Results : End-July, 2005.
Half-yearly Results : End-October, 2005.
3rd Quarter Results : End-January, 2006.
Audited yearly Results : End-June, 2006.
- d) Book Closure Dates : From : Tuesday,
the 6th September, 2005
To : Tuesday,
the 13th September, 2005.
(Both days inclusive).
- e) Dividend Payment Date : Not applicable.
- f) Listing of Shares on : 1. The Stock Exchange - Ahmedabad,
Stock Exchanges Kamdhenu Complex, 1st Floor,
Opp. Sahajanand College,
Panjara Pole, Ambawadi,
Ahmedabad - 380 015.
2. The Stock Exchange - Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001.
- g) Stock Exchange Code : Stock Exchange Code
ASE 11214
BSE 6345
- h) Stock Price Data : The shares of the Company have not been traded during the period from 1st April, 2004 to 31st March, 2005, hence no information is submitted.
- i) Registrar and :
Share Transfer Agents.
The Company has its own In-house Share Department and has not appointed any Registrars and Share Transfer Agents. The Company carries out Share Transfer work at:
A-11, Neelamber Complex,
St. Xaviers' College Corner, Navrangpura,
Ahmedabad - 380 009.
Tele. No. : (079) 2630 5412
- j) Share Transfer System :
The transfer of shares in physical form is processed and completed by the In-house Share Department of the Company within a period of 30 days from the date of receipt thereof, after the approval of the Share Transfer Committee of Directors, which has been delegated these powers by the Board.