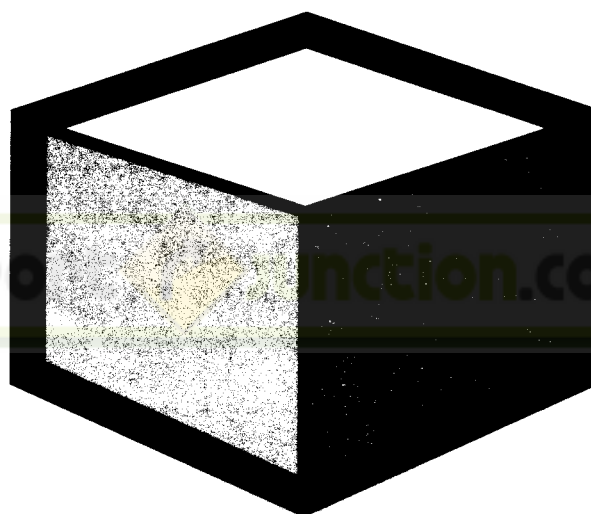


22 ND

ANNUAL REPORT

2005 - 2006



EMBALLAGE

CORE EMBALLAGE LIMITED

CHAIRMAN : SHRI (JUSTICE) BIPINCHANDRA J. DIVAN

MANAGING DIRECTOR : SHRI SUNIL HANDA

EXECUTIVE DIRECTOR & CEO : SHRI RAJIV MEHTA

DIRECTORS : SHRI BALDEV RAJ HANDA
SMT. DIVYA DEEPTI HANDA
SHRI (DR) BIMAL PATEL

VICE PRESIDENT & CFO : SHRI ASIT DESAI

AUDITORS : M/S. C. R. SHAREDALAL & CO.
Chartered Accountants
Ahmedabad

BANKERS : DENA BANK
BANK OF BARODA

REGISTERED OFFICE : "CORE HOUSE"
Off C. G. Road
Near Parimal Garden
Ellisbridge
Ahmedabad - 380 006
Gujarat

FACTORY : Village :- Radhu
Taluka :- Matar
District :- Kheda
Gujarat

**CORE EMBALLAGE LIMITED****Notice**

NOTICE is hereby given that the Twentysecond Annual General Meeting of the Members of **CORE EMBALLAGE LIMITED** will be held on Saturday, the 23rd day of September, 2006 at 10:30 a.m. at the "Conference Hall", Ahmedabad Textile Mills' Association (ATMA), Opp. National Chamber, Ashram Road, Ahmedabad 380 009 to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, Profit & Loss Account for the year ended on that date and the report of Directors' and Auditors' thereon.
2. To appoint a Director in place of Smt. Divya Deepti Handa, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Shri (Dr.) Bimal Patel, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY INSTEAD OF HIMSELF TO ATTEND AND VOTE AT THE MEETING. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY MUST BE LODGED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME AT WHICH THE MEETING IS SCHEDULED TO BE HELD. THE PROXY FORM IS ATTACHED HEREWITH.
2. The Register of Members and the Share Transfer Books shall remain closed from Thursday, the 21st day of September, 2006 to Saturday, the 23rd day of September, 2006 (both days inclusive).
3. Members are advised to avail Nomination Facility as well as Dematerialisation facility with the Company.

Registered Office :

"CORE HOUSE", Off C. G. Road
Near Parimal Garden,
Ellisbridge,
Ahmedabad 380 006.

By Order of the Board of Directors

RAJIV MEHTA

Executive Director & CEO

Place : Ahmedabad

Date : 4th May, 2006

**CORE EMBALLAGE LIMITED****Directors' Report**

To,

The Members of the Company,

Your directors have pleasure in presenting the Twentysecond Annual Report of your Company together with the audited accounts for the year ended on 31st March, 2006.

FINANCIAL RESULTS

	Year ended on 31-03-2006	(Rs. in lacs) Year ended on 31-03-2005
Total Income	2555	6166
Gross Profit/(Loss)	88	3425
Profit/(Loss) after interest	12	3325
Profit/(Loss) after depreciation	(496)	2796

DIVIDEND

In absence of profit, your company is skipping dividend for the year ended on 31/03/2006.

OPERATIONS

Your Directors are pleased to inform that the reference made to the BIFR has been disposed off and an order has been given in favour of your company. Your company is discharged from the purview of SICA, as the net worth of the company has become positive. Your company is no longer a sick industrial company.

Your company suffered due to VAT implementation in other states and non-implementation of the same in Gujarat. There was substantial increase in the fuel price during the year resulting into very high manufacturing cost as your company being in the backward area produces power by using DG sets only. The transportation cost also has gone up and due to these reasons the products of your company lost heavily on price competitiveness.

Please note your company has taken various steps to tackle the above problems. During the year the company decided to convert its own waste paper to recycled kraft paper and has already successfully converted more than 90% of its waste generation to kraft paper thereby reducing the input cost. Your company also made a presentation to the State Electricity Board and convinced them to lay electricity line up-to the company premises, which is approximately 14 km from the main feeder. Apart from convincing the State Electricity Board your company has also got sanction for the project from the consortium bankers.

Your company has also added two new franchisees during the year to give good quality and better service at the customer's doorstep. The company has also launched corrugated pallets for exporters and the same is getting good response.

Looking to the above efforts and implementation of VAT in Gujarat, the margin in the products of your company are likely to improve substantially in the coming years.

As stated earlier your company is no longer a sick industrial company, however as the accumulated losses of the company are more than half of its net-worth, the company is a potential sick industrial company.

DEMATERIALISATION OF SHARES

As on 31-03-2006, 45,29,380 No. of Equity Shares have been Dematerialised, out of which 39,34,039 Equity Shares dematerialised with National Securities Depository Limited (NSDL) and 5,95,341 Equity Shares with Central Depository Services (India) Limited (CDSL). It means 33.25% of total shares have been Dematerialised. International Security Identification Number (ISIN) of the company's equity shares is **INE218C01016**.

DIRECTORS

Smt. Divya Deepti Handa and Shri (Dr.) Bimal Patel, retire by rotation and being eligible, offer themselves for reappointment during the year under review.

You are therefore requested to accord your consent for their reappointment as Directors.

FIXED DEPOSITS

During the year under review, Company has not accepted and/or renewed any Deposits as provided under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rule, 1975. There is no unclaimed or overdue Fixed Deposits.

AUDITORS

The auditors, M/s. C. R. Sharedalal & Company, Chartered Accountants, Ahmedabad retire at the Annual General Meeting and are eligible for re-appointment.

AUDITORS' REPORT

Observations of the Auditors' are self-explanatory and have been appropriately dealt with in the Notes on Accounts as attached to this report. To avoid duplication of work, the Board has not provided the same here.

AUDIT COMMITTEE

During the year the audit committee meetings were conducted as per the provisions of the Listing Agreement with the Stock Exchanges. The details about the functioning of the committee being enumerated in the Corporate Governance forming part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors state

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures except accounting standard Nos.:- 15 & 28.
- ii) that Directors had 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 on 31st March, 2006 and of the profit or loss of the Company for that year.
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

In pursuance to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Management Discussion and Analysis Report are given elsewhere and form a part of this Report.

FULFILLMENT OF EXPORT OBLIGATION

Your directors are happy to inform you that after necessary re-presentation to the Office of Director General of Foreign Trade, Ahmedabad, they have considered the case and issued Export Obligation Discharge Certificate vide No.:- 08/36/021/00025/AM.97/EPCG dated 08/12/2005 against EPCG Licence No.:- P/L/2053375 dated 09/01/1997.

PERSONNEL

None of the employee is in receipt of remuneration as prescribed under Companies (Particulars of Employees) Rule, 1975 and hence information as required under section 217(2AA) read with Companies (Particulars of Employees) Rule, 1975 not provided herewith.

MATTER REQUIRED TO BE REPORTED AS PER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE, 1988.

CONSERVATION OF ENERGY

- Energy conservation measures taken: - Necessary efforts are put in to conserve the energy at all levels.
- Additional investments and proposals, if any, being implemented for reduction of consumption of energy: - The company is proposing to have Electricity power connection from Uttar Gujarat Vij Company Limited (UGVCL). This will reduce the power cost substantially. The total investment cost for getting this power connection would be around Rs. 80 lakhs.
- Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods: - After getting connection from UGVCL, the cost per unit will reduce from approx. Rs. 10 to Rs. 5.50, as a result the manufacturing cost will reduce substantially.
- Total energy consumption and energy consumption per unit of production:- Company is having captive power generation and hence to provide details on unit consumption is not possible.

TECHNOLOGY ABSORPTION

- efforts made in technology absorption as per Form-"B".

Form - "B"

Research and Development (R & D)

1.	Specific areas in which R & D carried out by the company	Development of Consumer Packaging, Package development for Fragile Products, Development of Industrial Packaging, Packaging of Free Flowing Material, Total Diagnostic Study and Solutions and Corrugated Pallets.
2.	Benefits derived as a result of the above R & D	Demand has increased and as a result replacing wood and Plastic items which are environmentlly unfriendly.
3.	Future plan of action	Not Applicable
4.	Expenditure on R & D	Nil *
	(a) Capital	Nil *
	(b) Recurring	Nil *
	(c) Total	Nil *
	(d) Total R & D expenditure as a percentage of total turnover.	Nil *

* = very negligible amount has been spent and hence to provide separately is not possible

Technology absorption, adaptation and innovation :

1.	Efforts, in brief, made towards technology absorption, adaptation and innovation.	Indiginisation of raw materials and components.
2.	Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc..	Reduction in import and hence quick availability of spare-parts at less rate. Even the scrape now being used for manufacture of re-cycled kraft paper, as a result substantial reduction in cost of raw material.
3.	In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.	Not Applicable
	(a) Technology imported	N.A.
	(b) Year of import	N.A.
	(c) Has technology been fully absorbed	N.A.
	(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	Not Applicable

FOREIGN EXCHANGE EARNING AND OUTGO:

Company has made direct export and earned foreign exchange of Rs. Nil (Previous Year Rs. Nil). Company has spent Rs. 10,58,108/- on import of raw materials (Previous Year Rs. 6,44,125/-) and Rs. 17,600/- on director foreign travelling (Previous Year Rs. 35,000/-).

ACKNOWLEDGEMENTS

Your directors also thanks the banks i.e. Dena Bank and Bank of Baroda for providing Working Capital and Term Loan facilities to your company. The directors further acknowledge the support received by the company from its Suppliers of goods and services, Contractors, Shareholders and employees and other agencies associated with the company.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 4th May, 2006

Sunil Handa
Managing Director

Rajiv Mehta
Executive Director & CEO

Management Discussion and Analysis Report

(A) INDUSTRY STRUCTURE AND DEVELOPMENT :

Corrugated Boxes and Carton Industry in India is mainly controlled by un-organised sector. Your company is pioneer in manufacturing of corrugated boxes with latest automatic imported technology.

The products being manufactured is packaging item used for almost all kinds of products like electronics, automobiles, food, pharma, industrial products etc... The market is very cost-competitive and not very quality conscious. Packaging is given less importance by Indian industries compared to foreign countries. However, with the globalisation of the Indian Economy the Indian Customers expect improved quality products. Your company is committed to increase the customer knowledge through customer education and creating value addition to customers by providing high strength, better aesthetics and better designed boxes. Your company uses recycled paper and manufactures environmental friendly products.

(B) OPPORTUNITIES AND THREATS

(1) Opportunities

The market dynamics transforms in to the following sets of opportunities:

- Need for International quality
- Large quantities due to consolidation.
- Increasing environmental concerns on reusability and recyclability of packaging material has also started influencing decision makers.
- Automatic packing machine require smooth surface and dimension accuracy.

(2) Threats

- Competition from local and un-organised sector.
- Demand for packaging material is dependent upon growth of other industries.
- Customers ask lower quality packaging material due to pressure of cost reduction.

(C) SEGMENT WISE PERFORMANCE OR PRODUCT WISE PERFORMANCE

The Company is presently engaged only in one segment i.e. Corrugated boxes and Cartons with different sizes and shapes.

(D) OUTLOOK

In India, packaging was a neglected area. However, there is a major shift in the perception towards the packaging in recent years. Process of globalisation of Indian Economy, Automation and increased awareness of good packaging is the major force behind the change. Your company has gained its position as the leading supplier in the country in a competitive environment.

In addition to packaging area, corrugated material is now also used in Point of Purchases (POPs), Displays, Dangers, Advertising materials and so on. A lot of awareness has come in the Agri sector also and Fruits and Vegetables are also now packed in Corrugated Boxes. There is an increased competition and pressure on margins, however there is a good amount of growth expected in the Corrugated Industry in near future.

(E) RISK AND CONCERNS

- The product of the Company is liable to Excise Duty without any monetary ceiling of turnover.
- Increase in transport cost.
- Cost and availability of imported spare parts.
- The company is having heavy burden of depreciation.

(F) INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company has adequate internal control procedures commensurate with the size and nature of business. These procedures ensure efficient use and protection of the resources and compliance with policies, procedures and statutes. There is a periodical review mechanism for ensuring the sustenance and upgradation of these systems.

(G) DISCUSSION ON FINANCIAL PERFORMANCE

During the last year the company paid off its major term lenders and also converted part of working capital facilities into working capital term loan. In an endeavour to reduce debt burden the company has paid Rs. 125 lacs of working capital term loan. During the year the total exposure of working capital was Rs. 600 lacs in 2003-2004, and has come down to Rs. 475 lacs at the year end 31-03-2006.

(H) HUMAN RESOURCES/IR

Recognising that people are an important part of the organisation, a major exercise in training and development of employees has been undertaken at all levels. The Company gives a lot of importance to Human Resources activities. These activities have helped to retain and motivate employees of the company to face these difficult years.

(I) CAUTIONARY STATEMENT

Estimates and expectations stated in this Management Discussion and Analysis may be "forward-looking statement" within the meaning of applicable securities, laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to your Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and international markets, changes in the Government regulations, tax laws, other statutes and other incidental factors.

Report on Corporate Governance

1. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

The Company is committed to achieve highest level of Corporate Governance. The Corporate Governance is nothing but transparency, high level of disclosure, fairness and unbiased to the members of the company. To achieve the highest level of Corporate Governance, the Company has well educated, experienced, qualified management team and Board of Directors of the Company effectively monitor the Management progress and corporate decisions.

2. BOARD OF DIRECTORS

As per the requirements of Corporate Governance, the Board of Directors are consisting of Executive Directors as well as Non Executive Independent Directors.

Composition and Category of Board of Directors :

Presently the Company has 6 (Six) Directors. The Board comprises of Two Executive Directors and Four Non-Executive Directors.

Sr. No.	Name of Directors	Category of Directorship	No. of other Directorship / Firm	No. of Committee positions held in other Public Company		Share Holding (%)	Amount of Deposit (Rs. in Lacs)
				Chairman	Member		
1.	Shri (Justice) B. J. Divan, (Chairman)	Non Executive Chairman / Independent Director	00	NIL	NIL	0.007	NIL
2.	Shri Sunil Handa	Promoter Director / Executive Director	10	NIL	NIL	4.707	NIL
3.	Shri Rajiv Mehta	Executive Director	02	NIL	NIL	0.037	NIL
4.	Shri Baldev Raj Handa	Non Executive Director	02	01	NIL	0.103	14.70
5.	Smt. Divya Deepti Handa	Non Executive Director	09	NIL	01	0.015	173.70
6.	Shri (Dr) Bimal Patel	Non Executive Director / Independent Director	07	NIL	01	0.073	NIL

No. of Board Meeting held during 01-04-2005 to 31-03-2006 :

During the financial year, Board of Directors met 4 (four) times. The dates of Board Meeting are :

(1) 29-04-2005 (2) 23-07-2005 (3) 24-10-2005 (4) 25-01-2006

Attendance of Directors :

Director	Attended	Last Annual General Meeting Attended
Shri (Justice) Bipinchandra J. Divan	04	NO
Shri Sunil Handa	04	YES
Shri Rajiv Mehta	04	YES
Shri Baldev Raj Handa	03	YES
Smt. Divya Deepti Handa	03	NO
Shri (Dr) Bimal Patel	04	YES