


SPECIALITY PAPERS LIMITED

41ST ANNUAL REPORT
2001 - 2002

**SPECIALITY PAPERS LIMITED**

| | | |
|--|---|--|
| DIRECTORS | : | MR. P. J. GALA MR. L. J. GALA MR. M. J. GALA - C. M. D. |
| BANKERS | : | DENA BANK |
| AUDITORS | : | RAIGAGLA & ASSOCIATES CHARTERED ACCOUNTANTS 105, Kaji Sayed Street, 2nd Floor, Above Union Bank of India, Mumbai - 400 003. |
| REGISTERED OFFICE AND FACTORY | : | MORAI, P. O. VAPI (W. RLY.) DIST. VALSAD (GUJARAT) |
| CORPORATE OFFICE | : | 93, Dadi Seth Agiary lane, Kalbadevi, MUMBAI - 400 002. |
| SILVASA OFFICE | : | 1/3 ANKUR INDUSTRIAL ESTATE, DEMNI ROAD, VILLAGE DADRA, SILVASA. |

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SPECIALITY PAPERS LIMITED

NOTICE

Notice is hereby given that the Forty First Annual General Meeting of the Members of **SPECIALITY PAPERS LIMITED** will be held on Wednesday, the 28th August, 2002 at 11.00 A.M. at the Registered Office of the Company at P. O. Box No.7, Morai, N. H. No.8, Vapi, Dist. Valsad (Gujarat) to transact the following Business as :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2002 and the Audited Balance Sheet as at that date together with the Report of the Directors and the Report thereon.
2. To appoint a Director in place of Shri Lakhamshi J. Gala retires by rotation and being eligible, offers himself for re-appointment.
3. To pass, with or without, modification(s) the following as an Ordinary Resolution :

"RESOLVED THAT M/s. S. S. Kapadia & Associates, Chartered Accountants, Valsad, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and they be paid remuneration as mutually agreed between them and the Board of Directors of the Company and the said Auditors be paid out-of-pocket expenses incurred by them in connection with the audit of accounts of the Company."

SPECIAL BUSINESS :

4. To pass, with or without, modification(s) the following as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310 & 311 read with Schedule XIII, as amended upto date and all other applicable provisions, if any, of the Companies Act, 1956, and other approvals, permission required from any other authorities, the consents of the Company be and is hereby accorded to the revision of remuneration payable to Shri Mekan J. Gala during the period of his continuation as Managing Director of the Company from 1st July, 2001 to 30th September, 2001 on the terms and conditions as set out in the explanatory statement.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter, amend and vary the terms and conditions of the said appointment from time to time and also further authorised to do all such acts, deeds and things as be necessary, expedient or desirable, including power to delegate, in order to give effect to this resolution or otherwise considered best in the interest of the Company."
5. To pass, with or without, modification(s) the following as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309, 310 & 311 read with Schedule XIII, as amended upto date and all other applicable provisions, if any, of the Companies Act, 1956, and other approvals, permission required from any other authorities, the consents of the Company be and is hereby accorded to the appointment and remuneration payable to Shri Mekan J. Gala as Managing Director of the Company for a period of 5 (five) years with effect from 1st October, 2001, on the terms and conditions as set out in the explanatory statement.

RESOLVED FURTHER THAT Shri Mekan J. Gala, Managing Director of the Company shall not retire by rotation.



SPECIALITY PAPERS LIMITED

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter, amend and vary the terms and conditions of the said appointment from time to time and also further authorised to do all such acts, deeds and things as be necessary, expedient or desirable, including power to delegate, in order to give effect to this resolution or otherwise considered best in the interest of the Company."

NOTES :

1. A MEMBER ENTITLED TO APPOINT AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxy Forms should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16-08-2002 to 28-08-2002.
- 4 The explanatory statement for item no. 4 & 5 is attached.

Place : Mumbai
Date : 29th June, 2002

BY ORDER OF THE BOARD

MEKAN J. GALA
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE TO THE NOTICE

THE EXPLNATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

ITEM NO. 4

REVISION IN REMUNERATION OF MANAGING DIRECTOR

Shri Mekan J. Gala was appointed as Managing Director of the Company w.e.f. 1st October, 1998 for a period of 3 (three) years. He was devoting his whole-time and attention to the business of the Company. In view of duties and responsibility delegated to him, it was proposed to increase his remuneration from Rs. 20,000/- per month to Rs.1,00,000/- per month during his tenure as the Managing Director of the Company from 1st July, 2001 to 30th September, 2001. The abstract of the terms and conditions are as under :

Basic Salary :

Rs.1,00,000/- per month

Perquisites & Allowances :

- 1) Provident Fund & Superannuation
- 2) Gratuity

As per the Income Tax Act, 1961

Half month's salary for each completed years of service.



SPECIALITY PAPERS LIMITED

3) Provision for car and telephone at residence

For the Company's business purpose only will not be considered as perquisites.

Your Directors recommends the resolutions No. 4 for your approval.

The explanation statement together with the resolution set out in accompanying notice should be treated as an abstract under section 302 of the Companies Act, 1956 in respect of appointment of Shri Mekan J. Gala as Managing Director.

None of the Directors except Shri M. J. Gala, Shri L. J. Gala and Shri P. J. Gala is deemed to be concerned or interested in the resolution.

ITEM NO. 5

RE-APPOINTMENT OF MANAGING DIRECTOR

Shri M. J. Gala was appointed as Managing Director of the Company w.e.f. 1st October, 1998 for a period of 3 (three) years. His term expired on 30th September, 2001. He is devoting his whole-time and attention to the business of the company and it is proposed to re-appoint him as Managing Director of the Company for a period of 5 (five) years w.e.f. 1st October, 2001, on the following terms and conditions :

Basic Salary :

Rs.1,00,000/- per month

Perquisites & Allowances :

1) Provident Fund & Superannuation

As per the Income Tax Act, 1961

2) Gratuity

Half month's salary for each completed years of service.

3) Provision for car and telephone at residence

For the Company's business purpose only will not be considered as perquisites.

Shri Mekan J. Gala shall not be liable to retire by rotation.

Your Directors recommends the resolutions No. 5 for your approval.

The explanation statement together with the resolution set out in accompanying notice should be treated as an abstract under section 302 of the Companies Act, 1956 in respect of appointment of Shri Mekan J. Gala as Managing Director.

None of the Directors except Shri M. J. Gala, Shri L. J. Gala and Shri P. J. Gala is deemed to be concerned or interested in the resolution.

Place : Mumbai

Date : 29th June, 2002

BY ORDER OF THE BOARD

MEKAN J. GALA
CHAIRMAN & MANAGING DIRECTOR



SPECIALITY PAPERS LIMITED

DIRECTORS' REPORT

To The Members,

The Directors present their Forty First Annual Report together with the Audited Balance Sheet as at 31st March, 2002.

FINANCIAL RESULTS :

The Financial Results of the Company for the year ended 31st March, 2002 are as under :

| | Current Year 31/03/2002 (Rs. In lacs) | Previous Year 31/03/2001 (Rs. In Lacs) |
|---|--|---|
| Sales & Other Income | 986.54 | 858.23 |
| Profit / (Loss) before Interest & Depreciation | 98.16 | 155.41 |
| Less : Interest | 19.91 | 26.30 |
| Less : Depreciation | 17.15 | 15.54 |
| Net Profit / (Loss) for the year before Taxation | 61.10 | 113.57 |
| Less : Provision for Taxation (Deferred) | 13.92 | — |
| Net Profit / (Loss) after Taxation | 47.18 | 113.57 |
| Amount available for Appropriations | 47.18 | 113.57 |
| Add / (Loss) : Balance b/fd from earlier years | (86.08) | (199.65) |
| Balance in Profit & Loss Account carried forward to next year | (38.90) | (86.08) |

OPERATIONS :

During the period under review, the Company achieved a Sales Turnover and Other Income of Rs.986.54 Lacs and Net Profit of Rs.47.17 Lacs as against Rs.858.23 Lacs and Rs.113.57 Lacs respectively of the corresponding previous year.

DIVIDEND :

In view of the carried forward losses, the Directors express their inability to declare any dividend for the year ended 31st March, 2002.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Act, the Directors' state as under :

- (a) that in preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (b) that the Directors' had 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 Profit of the company for that period;



SPECIALITY PAPERS LIMITED

- (c) that the Directors' had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the Directors' had prepared the annual accounts on a going concern basis.

SCHEME OF REHABILITATION :

The Scheme of Modification in Rehabilitation Scheme is under consideration of the Authorities and Directors are hopeful of receiving its approval shortly.

FIXED DEPOSITS :

During the period under review, the Company has not accepted / renewed any deposits within the meaning of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS :

The Board of Directors at their meeting held on 29-09-2001 re-appointed Shri Mekan J. Gala as the Managing Director w.e.f. 01-10-2001 for a period of five years. Shri Gala has specialised in Pulp & Paper industry. Shri Gala has been in paper industry for last 26 years. The Company hope that the knowledge and experience of Shri Gala would be of immense value to the Board in its deliberations and decisions.

Shri P. K. Chopra has resigned from the Board of Directors of the Company with effect from 29th June, 2002. The Board places on record its appreciation for the valuable services rendered by Shri Chopra during his tenure as Director and Joint Managing Director of the Company.

In accordance with the provisions of the Companies Act, 1956, Shri Lakhamshi J. Gala retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

PARTICULARS OF EMPLOYEES :

Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended to date is given in Annexure "A".

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGES EARNINGS AND OUTGO :

The details of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings Foreign Exchange Outgo as required pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are furnished in the Annexure "B" to this Report.

AUDITORS :

M/s. Raigagla & Associates, Chartered Accountants, the Auditors of the Company have expressed their unwillingness to be re-appointed as the Auditors of the Company for the next term. In view of the same, the



SPECIALITY PAPERS LIMITED

Board of Directors recommends the appointment of M/s. S. S. Kapadia & Associates, Chartered Accountants, Valsad, as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting. The Company has received a letter from M/s. S. S. Kapadia & Associates, to that effect that, if the appointments be made, the same would be within the limit prescribed under Section 224 (1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT :

Your Directors record their appreciation of the contribution made by the employees at all the levels during the year and also expressed their gratitude to the Company's esteemed clients, contractors, suppliers, bankers, consultants, auditors and various government Authorities for their valuable contribution and continued support.

Place : Mumbai
Date : 29th June, 2002

BY ORDER OF THE BOARD

MEKAN J. GALA
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE "A" TO THE DIRECTORS' REPORT :

Statement of the employees pursuant to Section 217(2A) of the Companies Act, 1956

| Name / Age | Remuneration (Rs.) | Designation Nature of duties | Qualification & Experience (Years) | Date of Commencement of employment | Last employment |
|-----------------------------|------------------------|---------------------------------|--|--|-----------------------------|
| Mekan J. Gala (41 Years) | 9,60,000/- (Note 3) | Managing Director | Graduate (26 Years) | 01-10-1998 | M/s. Reliable Paper Mart |

NOTE :

- (1) Mr. Mekan J. Gala is related to Mr. L. J. Gala and Mr. P. J. Gala, Directors of the Company.
- (2) Remuneration includes salary, allowances, perquisites, contribution to Provident, Gratuity & Superannuation Funds.
- (3) Remuneration is increased from Rs.20,000/- per month to Rs.1,00,000/- per month with effect from 1st July, 2001.



SPECIALITY PAPERS LIMITED

ANNEXURE "B" TO THE DIRECTORS' REPORT :

PARTICULARS AS REQUIRED UNDER SECTION 217(1)(E) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2002.

ENERGY CONSERVATION :

A) MEASURES TAKEN

- 1) Optimum utilisation of power to keep power factor more than 0.95
- 2) By proper recycling of water, water consumption has reduced substantially.

FORM A

(Form of Disclosure of particulars with respect to conservation of energy)

| | For the Year ended 31st March, 2002 (Rs. in Lacs) | For the Year ended 31st March, 2001 (Rs. in Lacs) |
|--|---|---|
| A. POWER AND FUEL CONSUMPTION | | |
| 1. Electricity | | |
| (a) Purchased Unit lac KWH | 29.40 | 22.36 |
| Total Amount | 147.87 | 112.29 |
| Rate / Unit (Rs.) | 5.03 | 5.02 |
| 2. Coal / Lignite | | |
| Quantity (Tonnes) | 2853.28 | 2241.08 |
| Total Cost | 52.03 | 35.96 |
| Average rate Rs./Per Ton | 1823.52 | 1604.58 |
| 3. Diesel | | |
| Quantity (KL) | 253.97 | 70.07 |
| Total Cost | 44.03 | 10.61 |
| Average rate Rs./per KL | 17336.69 | 15142.00 |
| B. CONSUMPTION PER UNIT OF PRODUCTION : | | |
| Production MG Posters | 1069.00 | 920.00 |
| Electricity (KWH/MT) | 1036.00 | 922.00 |
| Coal (KGS/MT) | | |

Note : The company has added some high value paper in its product mix and therefore consumption of energy varies depending upon product mix.



SPECIALITY PAPERS LIMITED

FORM B

(Form of Disclosure of particulars with respect to Technology absorption)

RESEARCH & DEVELOPMENT :

- | | |
|---|--|
| 1. Specific areas in which R & D carried Out by the company | : The Company has carried out the R & D activities for the development of Cost Coated Paper (An import Substitute) |
| 2. Benefits derived as a result of the above R & D. | : The Value addition in the product mix and Diversification of products. |
| 3. Future plan of Action | : The Company is planning to develop further Speciality grades. |
| 4. Expenditure on R & D | |
| (a) Capital | : Rs. NIL |
| (b) Recurring | : Not Significant |
| (c) Total | : Not Significant |
| (d) Total R & D expenditure as a percentage of total Turnover | : Not Significant |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- | | |
|---|--|
| 1. Effort made in brief towards technology absorption, adaptation and innovation | : The Company has developed the technology for manufacture of various types of papers in house. The technology is fully absorbed. The Directors taking affective steps to update with latest available technology in the industry. |
| 2. Benefit derived as a result of the above efforts | : The Company's plant is operating successfully and satisfactory. |
| - Product improvement | : The quality of the products are satisfactory and well accepted to the market. |
| - Cost Reduction | : There has been no reduction in cost directly, due to the same. |
| - Products Development | : The company is able to satisfy the demand of various type of Industry and Customers. |
| - Import Substitution | : Efforts are on. |
| 3. Information required in case of technology (imported during the last 5 years reckoned from the beginning of the financial years) | : Not applicable as the technology is indigeneous. |

FOREIGN EXCHANGE EARNING & OUT GO

The Company has spent foreign Exchange equivalent to Rs. 1,41,61,646/- (CIF) towards purchase of Raw materials.