



SPECIALITY PAPERS LIMITED

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42nd
ANNUAL REPORT
2002 - 2003

DIRECTORS



MR. M .J . GALA
C. M. D.



MR. L. J. GALA



MR. P. J. GALA

BANKERS

DENA BANK

AUDITORS

S. S. KAPADIA & ASSOCIATES
CHARTERED ACCOUNTANTS
207, Centre Point,
Opp. Avabai High School,
Valsad - 396 001.

AND FACTORY **REGISTERED OFFICE**

MORAI, P. O. VAPI (W. RLY.)
DIST. VALSAD (GUJARAT)

CORPORATE OFFICE

93, Dadi Seth Agiary Lane,
Kalbadevi,
MUMBAI - 400 002.

DADRA BRANCH

1/11/12, ANKUR INDUSTRIAL ESTATE,
DEMNI ROAD, D & N. H.



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NOTICE

Notice is hereby given that the Forty Second Annual General Meeting of the Members of Speciality Papers Limited will be held on Wednesday, the 20th August, 2003 at 11.00 A.M. at the registered office of the company at P.O. Box No 7, Morai Village, National Highway 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 2003 and the Audited Balance Sheet as at that date together with the report of Directors and the Auditors' Report thereon.
2. To appoint a Director in place of Shri. Premji J. Gala retires by rotation 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 consider, and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof), the existing Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:

A. In Article 2 below the heading "Interpretation", the following additional definitions shall be inserted:

"Abridged Prospectus" - "Abridged Prospectus" means a memorandum containing such salient features of a prospectus as may be prescribed.

"ESOP" - "ESOP" shall mean 'Employee Stock Option Plan' which shall include "Employee Stock Option Plan and Employee Share Purchase Plan" as implemented by the Board from time to time. For this purpose, employee shall mean any permanent employee of the Company or of its Subsidiary and shall include such class of people including consultants and advisors as the Board may determine and accordingly resolve from time to time.



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"Information Memorandum" - "Information Memorandum" means a process undertaken prior to the filing of a prospectus by which a demand for the securities proposed to be issued by the company is elicited, and the price and the terms of issue for such securities is assessed, by means of a notice, circular, advertisement or document.

"Officer" - "Officer" includes any Director, Manager, or Secretary or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act.

"Postal Ballot" - "Postal Ballot" has the same meaning as defined under Section 192A of the Act.

"SEBI" - "SEBI" means the "Securities and Exchange Board of India" established under Section 3 of the Securities and Exchange Board of India Act, 1992.

"SEBI (ESOP) Guidelines" - "SEBI (ESOP) Guidelines" means the SEBI (Employee Stock Option Plan Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and shall include any modifications, enactments, regulations or amendments including any directions issued under them.

"Secretary" - "Secretary" shall mean the duly appointed Company Secretary.

"Securities" - "Securities" shall include shares, scrips, stocks, convertible preference shares, redeemable preference shares, bonds, debentures, debenture stocks and warrants, convertible into any one or more of the aforesaid securities or other marketable securities of a like nature.

"Share with Differential Rights" - "Share with Differential Rights" means a share that is issued with differential rights in accordance with the provisions of Section 86 of the Act.

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- B. In Article 2 below the heading "Interpretation", the definition of the word "Dividend" shall be altered as - "Dividend" includes Interim Dividend and Bonus.
 - C. After Article 4, the following Article will be inserted as Article 4A and shall read as follows:
 - 4 A. Buy Back of Shares - Notwithstanding anything contained in these Articles and subject to and in full compliance of the requirements of Section 77A, 77AA, 77B and any other applicable provisions of the Companies Act, 1956 or corresponding provisions of any re-enactment thereof and any Rules and Regulations that may be prescribed by the Central Government, the Securities and Exchange Board of India (SEBI) or any other appropriate authority in this regard, the Company, in a General Meeting may, upon the recommendation of the Board, at any time and from time to time, by a Special Resolution authorize buy-back of any part of the share capital of the Company fully paid-up on that date.
 - D. After Article 5, the following Article will be inserted as Article 5A and shall read as follows:



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- 5 A. "Share Capital" - The Share Capital of the Company shall be of two types viz., (a) Equity Share Capital - (1) with voting rights or (2) with differential rights as to dividend, voting or otherwise in accordance with such rules and subject to such conditions as may be prescribed from time to time under the Act.
- (b) Preference Share Capital
- E. After Article 7, the following Article will be inserted as Article 7A and shall read as follows:
- 7 A. "Dematerialisation of Securities" -
- (1) Definitions - For the purpose of this Article:
- a) "Beneficial Owner" means a person whose name is recorded as such with a Depository.
 - b) "Bye-laws" means bye-laws made by a Depository under Section 26 of the Depositories Act.
 - c) "Depository" means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.
 - d) "Depositories Act" means The Depositories Act, 1996 or any statutory modification(s) or re-enactment thereof, for the time being in force.
 - e) "Member" means the duly registered holder from time to time of the shares in the Company and includes every person whose name is entered as Beneficial Owner of shares in the records of the Depository.
 - f) "Participant" means a Depository Participant who is registered under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.
 - g) "Record" includes the records maintained in the form of books or stored in computer or in such other form as may be determined in accordance with regulations made by SEBI.
 - h) "Registered Owner" means a Depository whose name is entered as such in the records of the Company.
 - i) "Regulations" means regulations made by SEBI.
 - j) "Security" means such security as may be specified by SEBI.
 - k) "SEBI" means the Securities & Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.

Words and expressions used and not defined in the Act, but defined in the Depositories Act, shall have the same meaning as assigned to them in the Depositories Act.

- (2) Option to issue, deal in or hold the securities in electronic form - Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialized, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto shall be governed by the provisions of the Depositories Act.



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- (3) Dematerialisation/Rematerialisation of Securities - Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise/rematerialise its securities and offer securities in the dematerialized form pursuant to the Depositories Act.

- (4) Option to receive Securities Certificates or hold Securities in dematerialization form - Every person subscribing to or holding securities of the Company shall have the option to receive certificates or to hold the securities with a Depository in dematerialized form.

If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its records the name of the allottees as the Beneficial Owner of the security.

- (5) Securities in fungible form - All securities held by a Depository shall be dematerialized and certificate shall be issued for the securities held with the Depository. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owner.

- (6) Rights of Depositories and Beneficial Owners - (a) Notwithstanding anything to the contrary contained in the Act of these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.

- (b) Save as otherwise provided in (a) above, the Depository, as the registered owner, shall not have any voting rights or any other rights in respect of the security held by it.

- (c) Every person holding shares in the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.

- (7) Depository to furnish information - Every Depository shall furnish to the Company information regarding the transfer of Securities in the name of the Beneficial Owners at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

- (8) Option to opt out in respect of any security - If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly.

The Depository shall on receipt of information, make appropriate entries in its records, and shall also inform the company.

The Company shall within thirty days, or such period as may be prescribed, of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee, as the case may be.

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- (9) Provisions of Articles to apply to shares held in Depository - Except as specifically provided in these Articles, the provisions relating to joint holding of shares, calls, lien on shares, forfeiture, transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depositories Act.
- (10) Allotment of Securities dealt with in a Depository - Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a Depository, the Company shall intimate the details of allotment of relevant securities to the Depository on allotment of such securities.
- (11) Service of documents - Notwithstanding anything contained in the Act or in these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (12) Distinctive number of Securities held in a Depository - Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a Depository.
- (13) Register and Index of Beneficial Owners - The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be a Register and Index of members and other security holders."

F. After Article 9, the following Article will be inserted as Article 9A and 9B and shall read as follows:

- 9 A. Issue of Sweat Equity Shares - Notwithstanding anything contained in these Articles and subject to the provisions of Section 79A of the Act, the Company may issue sweat equity shares upon such terms, conditions, restrictions, limitations, permissions, and approval of the Shareholders and appropriate authorities and subject to such limits and approvals as may be permitted by law.
- 9 B. Power to issue Share to Employees under any Scheme - Subject to the provisions of the Act and SEBI (ESOP) Guidelines and other guidelines issued in this context, the Company may at any time authorize the Board to create or implement one or more ESOP, which may run simultaneously to any issue of Shares or Securities to its employees and/or any other persons whose contributions to the Company's performance including profitability is of material importance. The Board may, at its discretion, create one or more trusts or other special purpose vehicles of any nature, and/or any other mechanism to implement one or more ESOPs and/or use the offices of any intermediaries to conceptualise, implement, manage, and/or administer any such schemes from time to time.

G. After Article 50, the following Article will be inserted as Article 50A and 50B and shall read as follows:

- 50 A. "Nomination" - (1) Every holder of share(s), and/or debenture(s) of, the Company, so entitled under the Act and Rules framed thereunder, may at any time, nominate, in the



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manner prescribed under the Act, a person to whom his share(s), and/or debenture(s) of the Company, shall vest in the event of his death.

- (2) Where the share(s) and / or debenture(s) of, the Company, are held by more than one person jointly, the joint holders so entitled under the Act and Rules framed thereunder, may, together nominate, in the manner prescribed under the Act, a person to whom all the rights in the share(s) and/or debenture(s) of the Company, as the case may be, shall vest in the event of death of all the joint holders.
 - (3) Notwithstanding anything contained in any other law for the time being in force or in these Articles or in any disposition, whether testamentary or otherwise, in respect of such share(s) and/or debenture(s) of the Company, where a nomination made in the manner prescribed under the Act, purports to confer on any person the right to vest the share(s), and/or debenture(s) of, the Company, the nominee shall, on the death of the shareholder and/or debentureholder concerned or on the death of all the joint holders, as the case may be, become entitled to all the rights in relation to such share(s) and/or debenture(s) to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the Act.
 - (4) Where the nominee is a minor, the holder of the share(s), and/or debenture(s) of, the Company, can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the share(s), and/or debenture(s) of, the Company, in the event of his death, during the minority.
- 50 B "Transmission in case of nomination" - (1) Notwithstanding anything contained in these Articles, any person who becomes a nominee by virtue of the provisions of Article 50A upon the production of such evidence as may be required by the Board and subject as to herein after provided, elect either -
- (a) to be registered himself as holder of the share(s) and/or debenture(s), as the case may be; or
 - (b) to make such transfer of the share(s) and/or debenture(s), as the case may be, as the deceased shareholder and/or debentureholder, as the case may be, could have made.
- (2) If the person being a nominee, so becoming entitled, elects to be registered as holder of the share(s) and/or debenture(s) as the case may be, he shall deliver or send to the Company, a notice in writing duly signed by him stating that he so elects and such notice shall be accompanied with the death certificate(s) of the deceased shareholder and/or debenture holder, as the case may be.
 - (3) All the limitations, restrictions and provisions of these Articles, relating to the right to transfer and the registration of transfers of share(s) and/or debenture(s) shall be applicable to any such notice or transfer as aforesaid as if the death of the shareholder/debenture holder had not occurred and the notice or transfer were signed by that share holder and/or debentureholder, as the case may be.



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- (4) A person, being a nominee, becoming entitled to the share(s) and/or debenture(s) by reason of the death of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share(s) and/or debenture(s), except that he shall not before being registered a member in respect of his share(s) or debenture(s), be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share(s) and/or debenture(s) and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses, or other moneys payable in respect of the share(s) and/or debenture(s), until the requirements of the notice have been complied with."

- H. After Article 91(a), the following Article will be inserted as Article 91(aa) and shall read as follows:

91 (aa). "Postal Ballot" - The Company may pursuant to the provision of Section 192A of the Companies Act, 1956 and in terms of the Companies (Passing of the Resolution by Postal Ballot) Rules 2001, including any statutory modification for the time being in force or re-enactment thereof or any amendments made thereto from time to time and in case of Resolutions as the Central Government may notify from time to time to be conducted only by Postal Ballot shall get the said Resolution passed by means of a Postal Ballot instead of transacting the business in the General Meeting of the Company.

- I. In Article 121 after the clause (k) the following clause (l) be inserted:

- (l) he is a director of a public company which:
 - (i) has not filed the annual accounts and annual returns for continuous three financial years commencing on and after the first day of April 1999; or
 - (ii) has failed to repay its deposits or interest thereon on the due date or redeem its debentures on the due date or pay dividend and such failure continues for one year or more.

- J. After Article 136, the following Article will be inserted as Article 136(A) and shall read as follows:

136 A. The Board or Committee may, if the circumstances warrant, meet and/or discuss by means of Telephone, Fax, E-mail, Television or through any other audio visual links known as Video Conferencing instead of physical meetings. The provisions relating to notice, agenda, quorum and minutes statebd hereinafter shall, mutatis mutandis apply to the meetings held through such audio-visual links known as Video Conferencing and meetings held in such manner will be considered to have been held in compliance with Section 285 to 292 of the Companies Act 1956.

- K. After Article 157, the following Article will be inserted as Article 157(A) and shall read as follows:



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157 (A). "Payment of Dividend" - The amount of Dividend including Interim Dividend shall be deposited in a separate bank account within five days from the date of declaration of such dividend.

- L. In the existing Article 159, wherever the figure "42" appears to be substituted by the figure "30".
- M. The existing Article 171 be deleted and substituted by the following new Article:

171. "Unclaimed Dividend/Unpaid Dividend" - (a) Where a dividend has been declared by the Company but has not been paid, or the warrant in respect thereof has not been posted within thirty days from the date of declaration, to any shareholders entitled to the payment of the dividend, the Company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said thirty days, to a special account to be opened by the Company in that behalf in any Scheduled Bank and all the other provisions of Section 205A of the Act in respect of any such unpaid dividend or any part thereof shall be applicable, observed, performed, and complied with.

- (b) Any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund."

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business under item 4 is annexed hereto.
3. The Registered of Members and the Share Transfer Books of the Company will remain closed from August 11, 2003 to August 20, 2003 (both days inclusive).
4. Members (those holding shares in physical form only) are requested to intimate change of address, if any, to the Company's Registrars, M/s. Bigshare Services Private Limited at E-2 3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri(East), Mumbai - 400 072 or to the Company's Corporate Office quoting the relevant folio number in each case.
5. The members holding shares in the dematerialisation mode are requested to intimate all changes with respect to their bank details, mandate, nomination, power of attorney, change of address, change in name etc. to their depository participant (DP). These changes will be automatically reflected in Company's records, which will help the Company to provide efficient and better service to members.
6. In order to render better and efficient services, we request you to consolidate the multiple folios existing in the same names and in identical order. Consolidation of folios does not amount to transfer of shares and therefore, no stamp duty or other expenses are payable by you. In case you decide to consolidate your folios, you are requested to forward your share