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36TH ANNUAL REPORT

1996-97

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SPECIALITY PAPERS LIMITED





SPECIALITY PAPERS LIMITED

DIRECTORS	: MR. L. M. SHAH MR. C. M. SHAH MR. J. K. GHOSH (Nominee of I.R.B.I.) MR. A. K. JAIN (Nominee of B.I.F.R.) MR. M. J. GALA MR. P. J. GALA MR. L. J. GALA MR. J. L. SHAH MR. D. N. VORA
BANKERS	: DENA BANK BANK OF AMERICA
SOLICITORS	: MULLA & MULLA & CRAIGIE BLUNT & CAROE 51, Mahatma Gandhi Road, Mumbai - 400 023.
AUDITORS	: Messrs. A. J. Mehta & Associates Chartered Accountants 3, Shahviri, 1st Floor, 37-41, R. S. Sapre Marg, Kalbadevi, Mumbai - 400 002.
REGISTERED OFFICE AND FACTORY	: MORAI, P.O. VAPI (W. RLY.) DIST. BULSAR, GUJARAT.
MUMBAI OFFICE	: FAMOUS CINE BUILDING, 20, Dr. E. MOSES ROAD, MAHALAXMI, MUMBAI - 400 011.
CALLCUTTA OFFICE	: 24, R. N. MUKHERJEE ROAD, CALCUTTA - 400 001.



SPECIALITY PAPERS LIMITED

NOTICE

Notice is hereby given that the 36th Annual General Meeting of the Members of **SPECIALITY PAPERS LIMITED** will be held on Monday, the 29th December 1997 at 11.00 A.M. at its Registered Office at P.O.B. 7, Maroi, P.O. Vapi, Dist. Bulsar (w.Rly.) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Annual Accounts for the year ended 31st March 1997, the Balance Sheet as at that date alongwith the Schedules and Notes thereto and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. L.M. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. M.J. Gala who was appointed as an Additional Director of the Company and who vacates office on the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received Notice proposing his candidature for the office of Director pursuant to Secion 257 of the Companies Act, 1956 alongwith the requisite Deposit, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

5. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. P.J. Gala who was appointed as an Additional Director of the Company and who vacates office on the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received Notice proposing his candidature for the office of Director pursuant to Secion 257 of the Companies Act, 1956 alongwith the requisite Deposit, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. L.J. Gala who was appointed as an Additional Director of the Company and who vacates office on the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received Notice proposing his candidature for the office of Director pursuant to Secion 257 of the Companies Act, 1956 alongwith the requisite Deposit, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:



SPECIALITY PAPERS LIMITED

"RESOLVED THAT Mr. J.L. Shah who was appointed as an Additional Director of the Company and who vacates office on the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received Notice proposing his candidature for the office of Director pursuant to Section 257 of the Companies Act, 1956 alongwith the requisite Deposit, be and is hereby appointed as a Director of the Company whose office shall be liable to retirement by rotation."

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the company be and is hereby increased from Rs. 50,00,000/- (Rupees Fifty Lacs only) divided into 4,50,000 (Four Lac Fifty Thousand) Equity Shares of Rs. 10/- (Rupees Ten only) each and 50,000 (Fifty Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees Ten only) each to Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 49,50,000 (Fortynine Lac Fifty Thousand) Equity Shares of Rs. 10/- (Rupees Ten only) each and 50,000 (Fifty Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees Ten only) each by creation of an additional 45,00,000 (Fortyfive Lacs) Equity Shares of Rs. 10/- (Rupees Ten) each."

"RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing clause 'V' of the Memorandum of Association of the company relating to share capital be and is hereby altered by deleting the same and substituting in its place, the following as new clause 'V' : The Authorised Share Capital of the Company is Rs. Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 49,50,000 (Fortynine Lac Fifty Thousand) Equity Shares of Rs. 10/- (Rupees Ten only) each and 50,000 (Fifty Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees Ten only) each with power to the company to increase or reduce the said capital and to issue any part of its capital, original or increased with or without any preference, priority or special privileges of subjects to any postponement or rights or to any conditions or restrictions, so that unless the conditions of issue shall otherwise be subject to the power herein contained. The rights and privileges attached to any shares having preferential, qualified or special rights. Privileges or conditions attached thereto may be altered or dealt with in accordance with the clauses of the accompanying Articles of Association but not otherwise."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this resolution and/or otherwise considered by them in the best interest of the Company."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article _ of the Articles of Association of the company relating to share capital be and is hereby altered by deleting the same and substituting in its place, the following as new Article :-

The Authorised Share Capital of the Company is Rs. Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 49,50,000 (Fortynine Lac Fifty Thousand) Equity Shares of Rs. 10/- (Rupees Ten only) each and 50,000 (Fifty Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 10/- (Rupees Ten only) each with power to the company to increase or reduce the said capital and to issue any part of its



SPECIALITY PAPERS LIMITED

capital, original or increased with or without any preference, priority or special privileges of subjects to any postponement or rights or to any conditions or restrictions, so that unless the conditions of issue shall otherwise be subject to the power herein contained. The rights and privileges attached to any shares having preferential, qualified or special rights. Privileges or conditions attached thereto may be altered or dealt with in accordance with the clauses of the accompanying Articles of Association but not otherwise."

10. 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 Sections 81 and 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 and enabling provisions of the Articles of Association of the Company and subject, wherever applicable, to such guidelines and/or approvals of the Securities and Exchange Board of India (SEBI) and/or all other relevant authorities and subject to such other consents and approvals required by law and may be necessary and subject to such conditions and modifications as may be prescribed while granting such approvals and which may be agreed to by the Board of Directors of the Company and to which the Board of Directors is hereby authorised to agree to, if thought fit, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for issue of such number of Equity Shares of Rs. 10/- each for cash at par or at premium which in aggregate shall not exceed Rs. 2,83,00,000/-, in such manner whether by way of public offer or rights offer or private placement and on such terms and conditions as may be deemed beneficial and in the interest of the Company by the Board of Directors of the Company to such persons whether or not they are members of the Company."

"PROVIDED THAT in the event of the Equity Shares offered for subscription as aforesaid remaining unsubscribed, the Board of Directors shall be entitled to dispose off the unsubscribed portion to any person(s) including Business Associates or otherwise at such time in such manner as the Board of Directors of the Company in their absolute discretion may deem fit and proper."

"RESOLVED FURTHER THAT the new Equity Shares referred to hereinabove shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with the existing Equity Shares of the Company including the entitlement to pro-rata dividend which may be declared or paid thereon from the date of allotment for the financial year in which the same are allotted."

"AND FURTHER RESOLVED THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion it may consider necessary, expedient or desirable and to settle any question or doubt that may arise in relation thereto in order to give effect to this resolution or otherwise considered by the Directors in the best interest of the Company."

11. 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 149(2-A) and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for commencing and undertaking all or any of the businesses specified in sub-clauses nos. 6, 7, 9, 21 and 25 of Clause III of the Memorandum of Association as and when deemed fit by the Board of Directors."

12. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :



SPECIALITY PAPERS LIMITED

"RESOLVED THAT pursuant to the provisions of Section 293 (1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to the provisions of Article 176 of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company, to borrow from time to time any sum or sums of money at its discretion on such terms and conditions as the Board of Directors may deem fit, notwithstanding that the money to be borrowed by the Company together with the moneys already obtained or to be obtained from the Company's Bankers in the ordinary course of business may exceed the aggregate of Paid-up Capital of the Company and its Free Reserves, not set apart for any specific purpose, provided that the maximum amount of money so borrowed by the Board and outstanding at any one time shall not exceed the sum of Rs. 10,00,00,000/- (Rupees Ten Crores Only)."

13. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution :

"RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company ("the Board") for creation of charge and to mortgage both movable and immovable properties and assets of the Company, both present and future, and whole or substantially the whole of the undertaking of the Company in such form and manner and on such terms and conditions as the Board may determine and deem fit, to secure such loans and borrowings, the aggregate value of which shall not exceed Rs. 10,00,00,000/- (Rupees Ten Crores Only) plus interest and other charges thereon, if any."

By Order of the Board

Place : Bombay

Date : 20th November 1997

Director

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IN THE MEETING IS ALSO ENTITLED TO PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The instrument 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. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 27th December 1997 to Monday, the 29th December 1997 (both days inclusive).
4. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos. 1 to 3 are annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 4 to 7 :

Mr. M.J. Gala, Mr. P.J. Gala, Mr. L.J. Gala and Mr. J.L. Shah were appointed as Additional Directors of the Company with effect from 30th November 1996. Pursuant to provisions of Section 260 of the Companies Act, 1956, they hold office till the date of the ensuing Annual General Meeting of the Company.

The Company has received Notices from members proposing the candidature of the abovementioned Additional Directors for the offices of Directors pursuant to Section 257 of the Companies Act, 1956 alongwith the requisite Deposits.



SPECIALITY PAPERS LIMITED

The Board recommends the said resolutions for your approval.

Except Mr. L.M. Shah, Mr. C.M. Shah, Mr. M.J. Gala, Mr. P.J. Gala, Mr. L.J. Gala and Mr. J.L. Shah, no other Director shall be deemed to be concerned or interested in the above resolution.

Item Nos. 8 & 9 :

At present, the Authorised Share Capital of the Company is Rs. 50,00,000/- divided into 4,50,000 Equity Shares of Rs. 10/- each and 50,000 -9.5% Redeemable Cumulative Preference Shares of Rs. 10/- each. To accomodate the further issue of equity shares of the Company, it is necessary to enhance the authorised share capital of the Company from the existing Rs. 50,00,000/- to Rs. 5,00,00,000/- by creation of 45,00,000 New Equity Shares of Rs. 10/- each.

Consequent to increase in the Authorised Share Capital of the Company, Clause V of the Memorandum of Association and Article _ of the Articles of Association of the Company are required to be altered suitably so as to reflect the increase in the Authorised Share Capital.

Your Directors recommend the above resolutions for your approval.

None of the Directors of the Company is concerned or interested in the above resolutions.

Item No. 10 :

Pursuant to the Order of the Board for Industrial and Financial Reconstruction (BIFR), your Company is required to make raise capital amounting to Rs. 283.36 Lacs by making issue of requisite number of shares whether by way of public offer, rights offer or private placement on such terms and conditions which shall be decided by the Board of Directors of the Company keeping in view the guidelines issued from time to time and as it may deem prudent, expedient and beneficial for the Company.

Consent of the members is sought in terms of the Resolution proposed under Item No. 10 for enabling the Company to make the proposed public issue of equity shares.

None of the Directors of the Company is concerned or interested in the above resolution.

Item No. 11 :

Your Company is planning to undertake and commence business of manufacturing, fabricaing, repairing, maintaining, buying, selling and dealing in all types of plant and machinery, machine tools, spares and tools, apparatus, equipments and all such activities related thereto, which are broadly specified in sub-clause nos. 6, 7, 9, 21 and 25 of Clause III of the Memorandum of Association of the Company.

The consent of the members would be required for commencement of any of the businesses as set out in the aforesaid sub-clauses, by the Company at such time or times as the Board of Directors of the Company may deem appropriate and in the interest of the Company. The consent of the members in this regard is required by a Special Resolution pursuant to Section 149(2-A) of the Companies Act, 1956 for commencing the businesses in the existing sub-clause nos. 6, 7, 9, 21 and 25 of the Object Clause III of the Memorandum of Association of the Company.

The abovegiven resolutions are recommended for your approval.



SPECIALITY PAPERS LIMITED

None of the directors is deemed to be concerned or interested in the aforesaid resolutions.

Item No. 12 :

Considering the increase in the financial requirements of the Company, the Board of Directors may be required to resort to borrowings of funds from banks, financial institutions and such other parties as the Board may deem fit, from time to time subject to such borrowings not exceeding Rs. 10,00,00,000/- in aggregate. For borrowing funds beyond the aggregate of the paid-up share capital and free reserves of the Company, the Board is required to be empowered by way of passing of a resolution by the members of the Company under Section 293(1)(d) of the Companies Act, 1956.

Hence, the proposed resolution is recommended for your approval.

None of the directors of the Company may be deemed to be concerned or interested in the said resolution.

Item No. 13 :

For its day-to-day operations, the Company, besides mobilising funds from capital market, and / or private placements may also resort to borrowings from financial institutions by way of term loans which in aggregate shall not exceed Rs. 10,00,00,000/-. For securing the loans and borrowings, the Company may be required to create mortgage/charge. The above loans and borrowings together with interest, additional interest, liquidated damages, commitment charges, premia on repayment or on redemption, costs, charges, expenses and all other monies payable by the Company will be secured inter alia by the mortgage and/or charge of all the immovable and movable properties of the Company, both present and future.

Section 293 (1)(a) of the Companies Act, 1956 provides inter alia that the Board of Directors of Public Company shall not sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking or undertakings of the Company except with the consent of the Company in General Meeting. The creation of mortgage and charge may be regarded as attracting the provisions of Section 293(1)(a) of the Companies Act, 1956.

Your Directors recommend this Ordinary Resolution for the approval of the members.

None of the Directors is in any way concerned or interested in the said Resolution.

By Order of the Board

Place : Bombay

Date : 20th November 1997

Director



SPECIALITY PAPERS LIMITED

DIRECTORS REPORT

TO THE MEMBERS,

Your Directors have pleasure in presenting the Company's Thirtysixth Annual Report and Audited Statement of Accounts for the year ended 31st March 1997.

1. FINANCIAL RESULTS :

The financial results of the Company for the year under review in comparison with the previous year ended 31st March 1996 are furnished as under:

	For the Year ended 31-03-1997	(Rs. in Lacs) For the Year ended 31-03-1996
Sales & Other Income	614.81	440.52
Profit/(Loss) before Interest & Depreciation	(197.07)	39.28
Interest	59.78	23.98
Depreciation	7.94	3.57
Profit/(Loss) before Tax	(129.35)	11.73
Provision for Taxation	-	-
Profit/(Loss) for the year	(129.35)	11.73
Add/(Less): Prior years adjustments		
Excess Provision for Interest on Fixed Loan written back	-	19.48
Balance B/F from earlier year	(185.66)	(216.87)
Balance carried to Balance Sheet	(315.01)	(185.66)

2. OPERATION :

The Total Income during the year under review was recorded at Rs. 614.81 lacs, recording an increase of 39.56% as compared to the Total Income of Rs. 440.52 lacs for the previous year. In spite of substantial increase in the Company's Income from Operations, the Company incurred a loss of Rs. 129.35 lacs during the year under review as against Net Profit of Rs. 11.73 lacs for the previous year. The loss for the year can be attributed to all round increase in the costs i.e. Raw Materials and other Inputs, Manufacturing Expenses, Selling, Administrative and Financial Expenses, Depreciation etc.

Barring unforeseen circumstances, the Directors are confident that the Company would improve its performance during the current year.

3. DIVIDEND :

In view of the loss incurred during the year, your Directors regret their inability to recommend any dividend for the year.

4. SCHEME OF REHABILITATION :

In terms of the Scheme of Rehabilitation approved by the Board for Industrial and Financial Reconstruction, the Company is planning to make private placement and / or rights issues of equity shares to augment financial resources to the tune of Rs. 283 lacs. Necessary resolutions have been proposed in the Notice for Annual General Meeting for approval of the Members.