

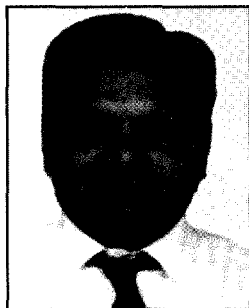
SPECIALITY PAPERS LIMITED

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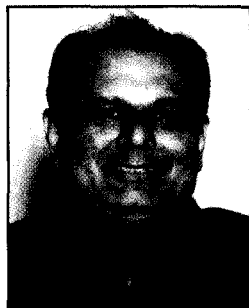
ANNUAL REPORT

2004 - 2005

BOARD OF DIRECTORS



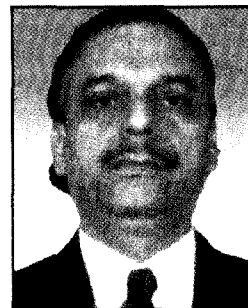
MR. MEKAN J. GALA
Chairman & Managing Director



MR. LAKHAMSHI J. GALA
Director



MR. PREMJI J. GALA
Director



MR. PRADEEP K. CHOPRA
Director

BANKERS

STATE BANK OF INDIA
Mumbai.

AUDITORS

S. S. KAPADIA & ASSOCIATES

Chartered Accountants

5/B, Shopping Centre,
Near Bank of India, Silvasa Road,
G. I. D. C. Vapi - 396195.

SOLICITORS & ADVOCATE

L. D. SHAH & CO.

General Assurance Building,
232, D. N. Road, Ground Floor,
Mumbai - 400 001.

REGISTRAR & TRANSFER AGENTS

BIGSHARE SERVICES PVT. LTD.

E- 23, Ansa Industiral Estate,
Saki Vihar Road, Saki Naka,
Andheri (East), Mumabi - 400 072.

REGISTERED OFFICE AND PLANT

Morai Village, National Highway No.8
P. O. Vapi - 396191. Dist. Valsad (Gujrat).

CORPORATE OFFICE

27, Kermani Building, 3rd Floor, Jn. of
P. M. Road & D. N. Road, Opp. Citi Bank,
Mumbai - 400 001.

Speciality Papers Limited

NOTICE

Notice is hereby given that the Forty Fourth Annual General Meeting of the Members of Speciality Papers Limited will be held on Wednesday, 24th August, 2005 at 11.00 A. M. at the Registered Office of the Company at Village Morai, National Highway No. 8, Vapi, Distt. Valsad (Gujarat) – 396 191 to transact the following business as:

ORDINARY BUSINESS:

1. To consider, approve and adopt the Balance Sheet as on 31st March, 2005 and the Profit and Loss Account for the year ended on that date and the Directors and the Auditor's Report thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri Premji J. Gala who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT Shri. Pradeep Kumar Chopra, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company liable to retire by rotation.”

6. 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 94 read with Sections 16, 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof), the Authorised Share Capital of the Company be increased From Rs.7,50,00,000/- (Rupees Seven Crores Fifty Lakhs only) divided into 74,50,000 (Seventy Four Lakhs 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. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 2,45,00,000 (Two Crore Fourty Five Lakhs) 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”

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“RESOLVED FURTHER THAT pursuant to section 16 and all other applicable provisions of the Companies Act, 1956 the Memorandum of Association of the Company be and is hereby altered by substituting the following New Clause V for the existing Clause V.

V. The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) divided into 2,45,00,000 (Two Crore Fourty Five Lakhs) 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.

“RESOLVED FURTHER THAT the Articles of Association of the Company be and is hereby altered by substituting the following New Article 5 for the existing Article 5.

5. The Authorised Share Capital of the Company shall be as per Clause V of the Memorandum of Association with power to increase, reduce, divide and/or sub divide the Share Capital or reclassify them into several classes and attach thereto respectively such preferential, priority, deferred, qualified or special rights, privileges, conditions or restrictions, whether in regard to dividend, voting, return of capital, distribution of assets or otherwise, as may be determined in accordance with the law and the regulations from time to time of the Company and to vary, modify or abrogate any such rights, privileges, conditions or restrictions and to consolidate or sub divide or reorganize shares or issue shares of higher or lower denominations in such manner as may from time to time be decided by Ordinary Resolution of the Company. ”

7. 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 81(1), 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force, the provisions of the Memorandum and Articles of Association of the Company and in accordance with listing agreement entered into by the Company with the Stock Exchange where the shares of the Company are listed and subject to the approval of the Securities and Exchange Board of India (hereinafter referred to as “SEBI”), Reserve Bank of India (hereinafter referred to as “RBI”) and all other appropriate authorities and departments, if and to the extent necessary and such other approvals, permissions and sanctions, as may be necessary, and subject to such condition(s) and modification(s) as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company and/or duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as the “Board”), at its sole discretion, the consent of the Shareholders be and is hereby granted to the Board to create, offer, issue and allot Equity Shares/any securities convertible into Equity Shares whether optionally or otherwise/securities linked to Equity Shares/any other financial instrument (hereinafter referred to as “securities”) for any aggregate amount not exceeding Rs. 60 Crores (Rupees Sixty Crores only), to the existing shareholders/general public/

Speciality Papers Limited

promoters/Foreign Investors (whether institutions and/or incorporated bodies and/or individuals or otherwise) / Overseas Corporate Bodies / Non-Resident Indians/Foreign Institutional Investors/Financial Institutions/Banks/Mutual Funds/Companies/Group Companies and to such other persons/entities as may be considered to be in the best interest of the Company and whether or not such investors are members of the Company, through prospectus/letter of offer/circular and/or on private placement basis or otherwise, in one or more modes or combinations thereof, at such time or times, in such tranche or tranches, at such price or prices, at a discount or premium to market price, in such manner and on such terms and conditions as may be decided or considered appropriate by the Board at the time of such issue or allotment considering the prevailing market conditions and other relevant factors and in consultation with the Lead Manager(s) and advisors.

“RESOLVED FURTHER THAT the Board is also authorized to enter into and execute all such arrangements with the Lead Managers/Underwrites/Depositories/Custodians and all such agents as may be involved or concerned in such offering of securities and to remunerate them including by way of payment of commission, brokerage, fees or the like.

“RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Equity Shares/Securities/Instruments, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable and to settle any questions, difficulty or doubt that may arise in regard to the offering, issue, allotment and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and proper.

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

"RESOLVED THAT pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchange, the consent of the Shareholders be and is hereby granted for payment of sitting fees to Non-Executive Directors of the Company for attending meetings of the Board of Directors and Committees thereof, as may be decided by the Board of Directors from time to time, within the limits prescribed under the applicable provisions of the Companies Act, 1956 or any amendments thereto or any modifications or statutory re-enactment(s) thereof and/or any rules or regulations framed thereunder from time to time."

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : July 21, 2005

MEKAN J. GALA
Chairman and Managing Director

Speciality Papers Limited

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 5 & 8 is annexed hereto.
3. The Registered of Members and the Share Transfer Books of the Company will remain closed from August 17, 2005 to August 24, 2005 (both days inclusive).
4. Payment of dividend as recommend by the Board, if approved at the Annual General Meeting, will be paid to those members, whose name appear in the Company's Register of Members, as at the close of business on August 16, 2005 and in respect of share held in electronic form, to those "deemed members" whose name appear in the statement of Beneficial Ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) at the close of business hours on August 16, 2005.
5. In order to provide protection against fraudulent encashment of the warrants, shareholders holding shares in physical form, are requested to intimate 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, under the signature of the Sole/First Joint holder, the following information for printing on the Dividend Warrants:
 - i) Name of the Sole/First Joint Holder and the Folio Number
 - ii) Particulars of Bank account viz.
 - a) Name of the Bank
 - b) Name of the Branch
 - c) Complete address of the Bank with PIN Code Number
 - d) Account Type, whether Savings (SB) or Current Account (CA)
 - e) Bank Account number allotted by the Bank

Members will appreciate that the Company will not be responsible for any loss arising out of fraudulent encashment of the dividend warrants.

6. 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.

Speciality Papers Limited

7. 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.
8. 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. Consolidated 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 certificates to the Company's Corporate Office or to the Company's Registrar and Transfer Agent.
9. Members may note that the Company is accessible on the internet at the website **reliablepaperindia.com**
10. Members desiring any information relating to the Company's Accounts are requested to write to the Company at least 10 days in advance, so as to enable the Management to keep the information ready.
11. For the convenience of the Members, an Attendance Slip is annexed to the Proxy Form. Members are requested to affix their signature at the space provided and fill up the particulars and hand over the attendance slip at the place of the Meeting.
12. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
13. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the Meeting.
14. Company's Equity Shares are listed on The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The listing fees for the financial year 2005-06, is already paid to The Stock Exchange, Mumbai.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : July 21, 2005

MEKAN J. GALA
Chairman and Managing Director

Speciality Papers Limited

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

Item No.5.

Shri. Pradeep Kumar Chopra, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 with effect from January 8, 2005. Shri. Pradeep Kumar Chopra holds office upto the date of the ensuing Annual General Meeting. The notice under Section 257 of the Companies Act, 1956 has been received by the Company together with deposit of Rs.500/- from a member signifying his intention to propose Shri. Pradeep Kumar Chopra for appointment as a Director of the Company liable to retire by rotation.

Shri. Pradeep Kumar Chopra is qualified B. Tech. (Chemical Engineering) and has specialized in Pulp & Paper Technology. He has been in paper industry for more than 28 years. The Board considers Shri. Pradeep Kumar Chopra's association as an Independent, Non-Executive Director would be beneficial and in the best interest of the Company and recommends passing of the Ordinary Resolution contained in Item No. 5 of the accompanying Notice.

Shri. Pradeep Kumar Chopra may be considered interested in the resolution at Item No. 5 since it relates to his appointment as a Director of the Company. None of the Directors may be considered to be interested in the passing of the Resolution.

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Item No.6.

Alteration of Capital clause of Memorandum and Articles of Association

The present authorised share capital of the Company is Rs. 7,50,00,000/- (Rupees Seven Crores Fifty Lakhs only) divided into 74,50,000 (Seventy Four Lakhs 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.

The Company has embarked upon expansion cum modernization projects and expansion cum modernization plans envisages infusion of fresh funds in the share capital of the Company. Hence, the Board proposes to increase the authorised Share Capital to Rs. 25,00,00,000/- from the existing Rs. 7,50,00,000/-. Consequent to the increase in the Authorised Share Capital, it will be necessary to make consequential amendments in the Memorandum and Articles of Association of the Company.

The Directors recommend the above special resolution for approval of the members. None of the Directors of the Company are interested in the said resolution.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations will be available for inspection by the shareholders at the Corporate Office of the Company at any time between 11.00 a.m. and 1.00 p.m. on any working day except Saturday, Sunday and Holiday upto the date of the Meeting.

Speciality Papers Limited**Item No.7.**

The Company has embarked upon expansion cum modernization projects and expansion cum modernization plans envisages infusion of fresh funds in the share capital of the Company. To part finance the Company's expansion plans, the Company proposes to make an offering of Equity Shares/any securities convertible into Equity Shares whether optionally or otherwise/ securities linked to Equity Shares/any other financial instrument for any aggregate amount not exceeding Rs. 60 Crores (Rupees Sixty Crore).

Funds from the issue would be utilized for meeting the capital expenditure requirements, as well as for long term working capital, modernization and general corporate purpose etc. Therefore your Company proposes that the decision to undertake an offering of securities be taken pursuant to a special resolution passed in accordance with the provisions of Section 81(1), 81(1A) and all other relevant provisions of the Companies Act, 1956. The Directors consider the proposal to be in the interest of the Company and accordingly recommend the above special resolution for approval of the members.

The Directors of the Company may be deemed to be concerned or interested in the said resolution to the extent of shares issued and allotted, if any to them.

Item No. 8.

The Proposed amendment to the Clause 49 of the Listing Agreement entered into with the Stock Exchange requires that the fee/compensation, if any, paid to Non-Executive Directors, including Independent Directors, shall be fixed by the Board of Directors of the Company and shall also require previous approval of Shareholders of the Company.

The approval of the Shareholders is sought for payment of sitting fees to Non-Executive Directors, including Independent Directors for attending meetings of the Board of Directors and Committees thereof, as may be decided by the Board of Directors from time to time, within the limits prescribed under the applicable provisions of the Companies Act, 1956 or any amendments thereto or any modification or statutory reenactment(s) thereof and or any rules or regulations framed thereunder from time to time.

Since the resolution relates to the payment sitting fees to the Non Executive Director, each of the Non Executive Director is interested and concerned in this resolution.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai

Date : July 21, 2005

MEKAN J. GALA

Chairman and Managing Director

Speciality Papers Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting 44th Annual Report and Audited Accounts of the company for the year ended 31st March 2005.

FINANCIAL RESULTS

	Current Year 31/03/2005 (Rs. in Lacs)	Previous Year 31/03/2004 (Rs. in Lacs)
Sales & Other Income	1184.87	1081.09
Profit/(Loss) before Interest & Depreciation	218.10	179.67
Less: Interest	53.29	45.59
Less: Depreciation	25.42	20.18
Net Profit/ (Loss) for the year before Taxation	139.39	113.90
Less: Provision for Taxation	11.00	28.51
Net Profit/(Loss) after Tax	128.39	82.39
Less: Provisions for Taxation (Deferred)	39.46	7.80
Net Profit/(Loss) after Deferred Tax	88.93	77.59
Prior Period Adjustments	6.75	4.68
Amount available for Appropriation	82.18	72.91
Add: B/F from earlier years	40.14	(19.49)
Dividend	11.77	11.77
Tax on Dividend	1.54	1.51
Balance in Profit & Loss Account carried forward to next year	109.01	40.14

DIVIDEND

The Directors are pleased to recommend for consideration of the Members dividend @5% (Rs. 0.50 per Equity Share of Rs. 10.00 each) for the financial year 2004-2005 (previous year @ 5% i.e. Rs. 0.50 per Equity Share).

OPERATIONS - PERFORMANCE HIGHLIGHTS

The year under review was overall, a good and eventful year for the Company. Despite of stiff competition, the company has achieved net sales of Rs 1184.87 Lacs and a net profit of Rs 139.39 Lacs as against Rs 1081.09 Lacs and Rs 113.90 Lacs respectively of the corresponding previous year.