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For Vapi Paper Mills Ltd.

Company Secretary

VAPI PAPER MILLS LIMITED

YEARS AT GLANCE

(Rs. in lacs)

| Description. | 1997-98 | 1996-97 | 1995-96 | 1994-95 | 1993-94 |
|-----------------------------------|---------|---------|---------|---------|---------|
| SALES & EARNINGS : | | | | | |
| Sales & Other Income | 2458.77 | 2661.78 | 3330.20 | 3225.63 | 2688.08 |
| Gross Profit before depreciation | 46.21 | 87.34 | 293.89 | 271.54 | 242.61 |
| Profit before tax | (11.32) | 43.87 | 244.06 | 240.99 | 225.70 |
| Net Profit after tax | (11.32) | 38.21 | 241.54 | 190.49 | 172.17 |
| Dividend (%) | 10% | 25% | 38% | 35% | 30% |
| ASSETS & LIABILITIES : | | | | | |
| Fixed Assets (Net) | 702.40 | 632.60 | 741.67 | 553.31 | 364.58 |
| Total Assets (Net) | 1459.63 | 1341.14 | 1411.64 | 1197.03 | 1029.51 |
| REPRESENTED BY : | | | | | |
| i) Share Capital | 228.15 | 208.15 | 208.15 | 205.67 | 200.28 |
| ii) Reserves & Surplus | 1121.19 | 1049.95 | 1111.82 | 951.34 | 812.14 |
| iii) Net Worth (i) + (ii) | 1349.34 | 1258.10 | 1319.97 | 1157.01 | 1012.42 |
| iv) Borrowings | 110.29 | 83.04 | 91.67 | 40.02 | 17.09 |
| v) Total Funds (iii) + (iv) | 1459.63 | 1341.14 | 1411.64 | 1197.03 | 1029.51 |
| RATIO : | | | | | |
| Net Earnings per share (Rs.) | — | 1.84 | 11.60 | 9.15 | 8.25 |
| Cash Earnings per share (Rs.) | 2.03 | 3.92 | 14.00 | 10.60 | 9.10 |
| Net worth per share (Rs.) | 59.14 | 60.44 | 63.41 | 55.58 | 48.64 |
| Current Ratio | 2.16 | 2.25 | 2.25 | 1.74 | 2.13 |



NOTICE

Notice is hereby given that the TWENTY FOURTH ANNUAL GENERAL MEETING of the Members of VAPI PAPER MILLS LIMITED will be held at the Registered Office of the Company at 213, Udyog Mandir No.1, 2nd Floor, 7/C, Pitamber Lane, Mahim (West), Mumbai - 400 016 on Wednesday, the 30th December, 1998 at 3.00 P.M. to transact the following business :

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit and Loss Account of the Company for the year ended 31st March, 1998, the Balance Sheet of the Company as at 31st March, 1998 and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri. P.T.Shah, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. S.K.Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint auditors and to fix their remuneration.

AS SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **ordinary resolution**.

"RESOLVED that Shri Dhirubhai B. Patel be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors by rotation."

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **ordinary resolution**.

"RESOLVED that Shri. Manoj R. Patel be and is hereby appointed as a Director of the Company whose period of office shall be liable to determination by retirement of Directors 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 in accordance with the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), the consent of the Company, be and is hereby accorded to the appointment of Shri. Manoj R. Patel as Managing Director of the Company, for a period of 5 (five) years with effect from 14th August, 1998, on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri. Manoj R. Patel, a draft whereof is placed before this meeting and is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement so as not to be exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government or as may be agreed to between the Board of Directors and Shri. Manoj R. Patel.

RESOLVED FURTHER THAT where in any financial year closing on and after 1st April, 1998, the Company has no profits or its profits are inadequate, the Company may pay Shri. Manoj R. Patel remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limit of Rs. 6,00,000/- per annum or Rs. 50,000/- per month and in addition thereto the perquisites not exceeding the limits specified under Section II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration, including salary, perquisites, allowances etc. within such prescribed limit or ceiling and the aforesaid draft Agreement between the Company and Shri. Manoj R. Patel be suitably amended to give effect to such modification

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relaxation or variation, without any further reference to the Company in general meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, to give effect to this resolution".

Registered Office : By order of the Board
213, Udyog Mandir No.1,
7/C, Pitamber Lane, **Prakash Kotak**
Mahim - (West), Financial Controller-cum-
Mumbai - 400 016. Company Secretary

Place : Mumbai.

Dated : 30th November, 1998.

NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and, on a Poll, vote instead of himself and a proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than fortyeight hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 30th November, 1998 to Friday, the 11th December, 1998 (both days inclusive).
3. The Dividend, if sanctioned at the meeting, will be payable to those shareholders whose names are on the Register of Members of the Company as on 11th December, 1998.
4. Members are requested to notify changes, if any, in their address, to the Company's Registered Office at the earliest, but not later than 11th December, 1998.
5. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
6. An Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5, 6 and 7 above, is annexed hereto.

ANNEXURE TO THE NOTICE

The following Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 setting out material facts concerning the **Special Business** mentioned in the accompanying Notice dated November, 30, 1998.

ITEM NO. 5 OF THE NOTICE :

Shri. Dhirubhai B. Patel was appointed "Additional Director" of the Company by Board of Directors w.e.f. August 14, 1998. In accordance with the provisions of Section 260 of the Companies Act, 1956 ("the act") read with Article 138 of the Articles of Association of the Company, he will hold office till the date of the forthcoming Annual General Meeting of the Company.

The Company has received separate notice in writing under Section 257 of the Act with required deposit from a Member of the Company signifying his intention to propose at the forthcoming Annual General Meeting, the appointment of Shri. Dhirubhai B. Patel as Director of the Company.

Shri. Dhirubhai B. Patel is willing to act as Director of the Company, if appointed and he has filed with the Company his consent pursuant to Section 264 (1) of the Act.

The Board of Directors of the Company, considers that the appointment of Shri. Dhirubhai B. Patel as Director of the Company would prove beneficial to the Company and accordingly recommend the Resolution set out in Item 5 of the Notice convening the Meeting.

Shri. Dhirubhai B. Patel may be deemed to be concerned or interested in the said Resolution concerning his appointment.

None of the other Directors of the Company are in any way, concerned or interested in the said Resolution.

ITEM NO. 6 OF THE NOTICE :

Shri. Manoj R. Patel was appointed "Additional Director" of the Company by Board of Directors w.e.f. August 14, 1998. In accordance with the provisions of Section 260 of the Companies Act, 1956 ("the act") read with Article 138 of the Articles of Association of the Company, he will hold office till the date of the forthcoming Annual General Meeting of the Company.

The Company has received separate notice in writing under Section 257 of the Act with required deposit from a Member of the Company signifying his intention to

propose at the forthcoming Annual General Meeting, the appointment of Shri. Manoj R. Patel as Director of the Company.

Shri. Manoj R. Patel is willing to act as Director of the Company, if appointed and he has filed with the Company his consent pursuant to Section 264 (1) of the Act.

Shri. Manoj R. Patel may be deemed to be concerned or interested in the said Resolution concerning his appointment.

None of the other Directors of the Company are in any way, concerned or interested in the said Resolution.

ITEM NO. 7 OF THE NOTICE :

Consequent to death of Shri Jayantibhai R. Patel, Chairman and Managing Director, the Board of Directors in its meeting held on 14th August, 1998 have appointed Shri Manoj R. Patel as "Managing Director" of the Company for five years w.e.f. 14th August, 1998. In terms of schedule XIII to the Companies Act, 1956, Shri Manoj R. Patel is eligible for appointment as Managing Director.

The Draft Agreement to be entered into by the Company with Shri Manoj R. Patel in respect of his appointment, inter alia, contains the following terms and conditions :

NAME & DESIGNATION : Shri Manoj R. Patel, Managing Director.

PERIOD : From 14.08.1998 to 13.08.2003

REMUNERATION: The Central Government issued a Notification GSR No. 48(E) dated 1st February, 1994, wherein it enhanced the limits upto which remuneration and perquisites could be paid to Managing Director and Wholtime Director, under amended Schedule XIII to the Companies Act, 1956. In accordance with the said Notification, a company having profits in a financial year may pay any remuneration by way of salary, dearness allowance, perquisites, commission and other allowances which shall not exceed 5% of its net profit for one such managerial person and if there is more than one such managerial person, 10% for all of them together.

The said notification also stipulates limits upto which remuneration could be paid by a company having no profits or inadequate profits. A company which has no profits or its profits are inadequate, may pay remuneration to Managing and Wholtime Directors by way of salary, dearness allowance, perquisites and any other allowances not exceeding ceiling limit of Rs. 10,50,000 per annum or Rs. 87,500 per month and in addition thereto the perquisites not exceeding the limits specified under Section II of part II of Schedule XIII to the Companies Act, 1956.

However, the Board of Directors of the Company have proposed that with effect from August 14, 1998, the remuneration payable to Shri Manoj R. Patel, will be as under :

Salary : Rs. 18,000 per month including dearness and all other allowances.

Perquisites : Perquisites shall be allowed in addition to salary.

Perquisites shall be restricted to an amount equal to the annual salary or Rs. 4,50,000 per annum whichever is less.

Perquisites are classified under following three categories.

PART - A

i. Housing :

- (a) The expenditure by the Company on hiring furnished accomodation will be subject to the following ceilings.

60% of the salary, over and above 10% payable by Shri Manoj R. Patel.

- (b) If the Company does not provide accomodation to Shri Manoj R. Patel, he shall be entitled to House Rent Allowance subject to the ceiling laid down in (a) above.

- (c) If accomodation in the Company owned house is provided to Shri Manoj R. Patel, a deduction @ 10% shall be made from his salary.

Explanation : The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of Shri Manoj R. Patel.

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ii. Medical reimbursement :

Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

iii. Leave Travel Concession :

Leave travel concession for self and family once in a year incurred in accordance with the rules of the Company.

iv. Club Fees :

Fees of clubs subject to a maximum of two clubs. No admission and life membership fees will be paid.

v. Personal Accident Insurance :

Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs. 4,000.

Note : For the purpose of perquisites stated hereinabove, 'family' means the spouse, the dependent children and dependent parents of the appointee.

The terms and conditions of appointment as set out in the draft agreement and remuneration herein may be altered and varied from time to time by the Board of Directors of the Company as it may, at its discretion deem fit, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), or any amendments made thereto.

The Agreement may be terminated by either party by giving to the other party six months' notice.

The draft Agreement to be entered into between the Company and Shri Manoj R. Patel is available for inspection at the Registered Office of the Company on any working day excluding Saturdays upto the Company upto the date of the 24th Annual General Meeting between 11.00 a.m. and 1.00 p.m.

The Board of Directors of the Company, considers that the appointment of Shri Manoj R. Patel as "Managing Director of the Company would prove beneficial to the Company and accordingly recommend the Resolution set out in Item 7 of the Notice convening the Meeting.

The above may be treated as an abstract of the terms of contract/appointment between the Company and Shri Manoj R. Patel pursuant to Section 302 of the Companies Act, 1956, when executed Shri Manoj R. Patel may be deemed to be concerned or interested in the said Resolution concerning his appointment.

None of the other Directors of the Company are in any way, concerned or interested in the said Resolution.

Registered Office :
213, Udyog Mandir No.1,
7/C, Pitamber Lane,
Mahim - (West),
Mumbai - 400 016.

By order of the Board

Prakash Kotak
Financial Controller-cum-
Company Secretary

Place : Mumbai.

Dated : 30th November, 1998.

PART - B

i. Contribution of Provident Fund and Super annuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half a month's salary for each completed year of service.

ii. Earned leave :

On full pay and allowances as per the rules of the Company but not exceeding one month's leave for every eleven months of services. Encashment of leave at the end of the tenure will be included in the computation of the ceiling on perquisites.

PART - C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company.

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DIRECTORS

| | |
|----------------------------|------------------|
| Shri Popatlal T. Shah | Chairman |
| Shri Manoj R. Patel | Manging Director |
| Shri Anilbhai R. Patel | Director |
| Shri Surendrabhai K. Patel | Director |
| Shri Shantilal L. Patel | Director |
| Shri Dhirubhai B. Patel | Director |

BANKERS

State Bank Of India

AUDITORS

Messrs. Manubhai G. Patel & Co.
Chartered Accountants
Ahmedabad.

REGISTERED OFFICE

213, Udyog Mandir No. 1, 2nd Floor,
7/C, Pitamber Lane,
Mahim (West),
Mumbai 400 016.

PLANTS**PAPER DIVISION :**

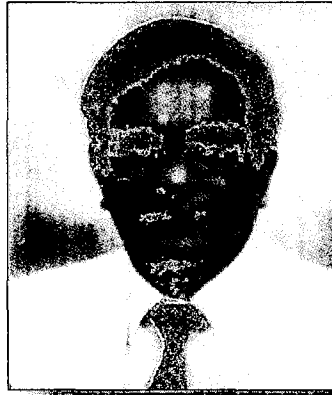
298-301, GIDC Industrial Area
Vapi 396 195
Dist, Valsad (Gujarat)

YARN DIVISION :

95, Danudyog Sahakari Sangh Ltd.,
Silvassa 396 230.
Dadra and Nagar Haveli. (U.T.)

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11-10-1933

13-7-1998

*The heart aches, the eyes mist,
the mind is blurred by tender Memories,
but the pen writ on-to pay a tribute
of love to our most beloved*

Shri Jayantibhai Patel

Chairman & Managing Director

*Honest, Hard working, Dedicated and Man of
Principle. The Company was promoted by him
in 1974 (23-7-1974). Today, after 24 years,
in spite of grim economic scenario and shake ups
amongst medium sized indigenous organization
the company is looking forward to bright future.*

*The Values, Goodwill, Credibility and
strong foundation created by him single handedly
will undoubtedly take*

VAPI PAPER MILLS LIMITED

*into Twenty First Century
with optimistic note.*

