36TH ANNUAL REPORT

VAPI PAPER MILLS LIMITED

FINANCIAL YEAR :- 2009 – 2010

NOTICE

NOTICE is hereby given that the 36th ANNUAL GENERAL MEETING of the Shareholders 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 Thursday, the 30th September, 2010 at 3:00 P. M. to transact the following business : -

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, Auditors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended 31st March, 2010

2. To appoint a Director in place of Smt.Laxmiben J.Patel who retire from office by rotation , and being eligible , offers herself for re-appointment.

3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By order of the Board

Manoj R. Patel
Managing Director

Place: Mumbai
Dated: 31st August , 2010

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 Company not less than 48 hours before the commencement of the Meeting.

2. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, the 23rd September, 2010 to Thursday, the 30th September, 2010 (both days inclusive) for the purpose of Annual General Meeting.

3. Members are requested to notify immediately any change in their address to the Company or its Registrars and Transfer Agents of the Company M/s Bigshare Services Pvt. Ltd., E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai – 400 072.

4. Members desirous of seeking any information about the Accounts of the Company are requested to address their queries in writing, to the Company at least Seven days in advance of the meeting so that the requested information can be made readily available at the time of the meeting.

5. The Company has been allotted ISIN No. INE464D01014. Members are requested to approach their DPs for dematerialization of equity shares of the Company.

DIRECTORS' REPORT

To,
The Members of
VAPI PAPER MILLS LIMITED,

Your Directors have pleasure in presenting the 36th Annual Report of the Company together with Audited statement of Accounts for the year ended 31st March, 2010.

1. FINANCIAL RESULTS :

(Rupees in Lacs)

	2009-10	2008-09
Net Sales and Other Income	**683.68**	1916.53
Gross Profit / (Loss)	**(337.67)**	155.15
Less: Depreciation	**50.71**	71.59
Profit / (Loss) before Tax	**(388.38)**	83.56
Less : Provision for Income Tax	-	-
Fringe Benefit Tax	-	1.10
Deferred Tax	-	-
Net Profit / (Loss) After Tax	**(388.38)**	82.46
Less: Extra Ordinary Items	**5.97**	14.69
Net Profit / (Loss) After Tax & Extra Ordinary Items	**(394.35)**	67.77
Add : Balance of Profit/(Loss) brought forward	**(428.65)**	(496.42)
Surplus available for Appropriations:	**(823.00)**	(428.65)
a) Proposed Dividend	-	-
b) Tax on Dividend	-	-
Surplus / (Deficit) carried to Balance Sheet	**(823.00)**	(428.65)

2. DIVIDEND:

The Directors do not recommend any Dividend on Equity Shares for the year ended 31st March, 2010.

3. OPERATIONS:

During the year, Company has achieved a Production of 3,947 MT of Paper and Paper Board against Production of 8,008 MT achieved during the previous year. The production of Engineering Division during the year was 10 Units against production of 38 Units achieved during the previous year. The Gross turnover(excluding other income) during the year was Rs.6.90 Crores against Rs.15.62 Crores in the previous year.

The Manufacturing operations of the company have been suspended with effect from 7th November, 2009 due to uneconomical scale of operations resulting into continuous losses

during past few years. The Paper Pant at Vapi have been disposed off and your Directors are now exploring the possibilities to diversify its activities into area which are profitable in the long run.

4. FIXED DEPOSITS:

At the end of the financial year, there was no overdue Deposits.

5. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Smt. Laxmiben J.Patel retires by rotation at the ensuring Annual General Meeting and being eligible, offer herself for re-appointment.

6. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Sub Section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

i. In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii. The Directors have 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 year;

iii. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. The Directors have prepared the annual accounts on a going concern basis.

7. INSURANCE:

The Insurable interest in all the properties of the company including Building have been adequately insured.

8. DISCLOSURE OF PARTICULARS:

Information required under the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed hereto and forms a part of this report.

9. PARTICULARS OF EMPLOYEES:

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of Employees) Rules, 1975 as amended is not attached as the company did not have any such employee employed during the year under review.

10. CORPORATE GOVERNANCE:

The provisions of clause 49 of Listing Agreement with Mumbai Stock Exchange relating to Corporate Governance are not yet applicable to your company as paid-up capital of the company is below prescribed limit.

11. AUDITORS:

M/S Manubhai & Company, Charteted Accountants retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. You are requested to appoint Auditors to hold office until the next Annual General Meeting and fix their remuneration.

12. PERSONNEL:

The Industrial Relations remained cordial at all levels during the year under review.

13. ACKNOWLEDGEMENT:

Your Directors sincerely record their appreciation with gratitude for the continued support and assistance extended to the Company by the Bank and various Government Departments and Agencies.

For and on behalf of the Board

Place : Mumbai
DATED : 31st August, 2010

Manoj R. Patel
Managing Director

Rajeev R. Patel
Director

ANNEXURE TO DIRECTORS' REPORT

Additional informations in terms of Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 dealing with conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo:

A) CONSERVATION OF ENERGY :

	Current Year ended 31st March, 2010	Previous Year ended 31st March, 2009
1. POWER AND FUEL CONSUMPTION		
a) Electricity		
1) Purchased units (KWH in thousands)	**1636.27**	3645.22
Total amount (Rs. in Lacs)	**104.67**	215.81
Rate / Unit (Rs.)	**6.40**	5.92
2) Own Generation : Through Diesel Generation	**Nil**	Nil
(KWH in thousands)		
Total amount (Rs.in Lacs)	**Nil**	Nil
Rate/ Unit (Rs.)	**Nil**	Nil
Through Steam Turbine/Generator	**Nil**	Nil
b) Coal & Lignite ('B' Grade)		
Quantity (M.T.)	**1622.00**	4270.00
Total Cost (Rs. in Lacs)	**59.62**	142.31
Average rate (Rs.)	**3675.00**	3333.00
c) Furnace Oil		
Quantity (Ltrs.)	**Nil**	Nil
Total amount (Rs.in Lacs)	**Nil**	Nil
Average rate (Rs.)	**Nil**	Nil
d) Other / Internal Generation	**Nil**	Nil

2. CONSUMPTION PER UNIT OF PRODUCTION :

	Current Year ended 31st March, 2010			Previous Year ended 31st March, 2009		
	Electricity (KWH)	**Coal & Lignite (Kgs)**	**Furnance Oil (Ltr.)**	Electricity (KWH)	Coal & Lignite (Kgs)	Furnance Oil (Ltr.)
Paper, Paper Board And Paper Pulp (Per tone)	**415**	**411**	---	455	533	---

B) TECHNOLOGY ABSORPTION :

Efforts made in Technology Absorption as per Form-B :

1. **RESEARCH AND DEVELOPMENT (R & D) :**
   As already mentioned in the Previous Reports while there is no separate R & D Department, work in this area is being continuously done through joint endeavors of the Technical and Production Staff at the Plant. As a result, the quality has further improved, absorbing the vagaries of the quality of process material with the result that the rejection levels have come down.

Expenditure on R & D	**Rs.**
i) Capital	Nil
ii) Recurring	Nil
iii) Total	Nil
iv) Total R & D expenditure as percentage of total turnover	Nil

2. **TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**
   Some innovative measures were taken during the year under consideration resulting in improved productivity thereby reducing the cost per tonne of production. Throughout the Company, there is a disciplined production efficiency programme. This is being monitored seriously and continuously. The Company did not import any technology since its inception.

3. **FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Total Foreign Exchange used and earned (Rs. in Lacs)

Foreign Exchange used	Rs. 7.33 Lacs
Foreign Exchange used earning	Rs. Nil

For and on behalf of the Board

PLACE: **Mumbai**
DATED : **31st August, 2010**

Manoj R.Patel
Managing Director

Rajeev R. Patel
Director

Manubhai & Co.
Chartered Accountants

AUDITORS' REPORT

To,
The Shareholders of
VAPI PAPER MILLS LIMITED.

1. We have audited the attached Balance Sheet of **VAPI PAPER MILLS LIMITED.** as at 31st March 2010, and also Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statements for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books. The Company has no branches.

   (iii) The Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report are in agreement with books of account;

   (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ***except Accounting Standard (AS-15) on "Employee Benefits"; Accounting Standard (AS-17) on "Accounting for Segment Reporting" ; AS -11 on "Effects of changes in foreign exchange rates – revised 2003" and Accounting Standard (AS-24) on "Discontinuing Operations" notified under company Accounting Standard Rules, 2006 the effect of the same on loss, assets and liabilities is not ascertainable.***

MANUBHAI & CO. AHMEDABAD CHARTERED ACCOUNTANTS

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Website : www.manubhaico.com

(v) On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31st March 2010 from being appointed as a director in terms of Clause (g) of sub Section (1) of Section 274 of the Companies Act, 1956.

(vi) ***We are unable to form an opinion about realisability or otherwise of loans and advances of Rs. 9,250 thousand as no payment was received since long time and the confirmation of balances have not been obtained from the said party. The effect of the same on loss, reserves and assets could not be quantified.***

(vii) Subject to our comments in Para (vi) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2010

b) in the case of Profit & Loss Account of the Loss for the year ended on that date; and

c) in case of cash flow statement, of the cash flows for the year ended on that date.

For Manubhai & Co.
Chartered Accountants
Firm Reg. No. : 106041W

MANUBHAI & CO. AHMEDABAD CHARTERED ACCOUNTANTS

Place : Ahmedabad

Dated : September 2, 2010

(K. M. Patel)
Partner
Membership No. 45740