

# Vapi Paper Mills Limited



For VAPI PAPER MILLS LTD.

*W. Patel*  
Managing Director

## 33rd ANNUAL REPORT 2006-2007



## **VAPI BOARDS**

**Multilayer - Multipurpose - Multi Value**

CoreBoards

Cone Board

Fiber Drum Board

Carton Board

Test Liner

Corrugation Board

File Board

## **QUALITY POLICY**

*At Vapi Paper Mills Ltd., customer satisfaction is always the guiding principle. We also believe in product innovation, client customization and high productivity to enhance value.*

*We achieve this by supplying paper and paper board meeting expectations with regards to product specification and timeliness of delivery.*

*To ensure this we implement and continually improve the quality management system throughout organisation and by successful coordinated interaction between management, employees, supply chain and customer base.*

**DIRECTORS**

Shri Manoj R. Patel - Managing Director  
Shri Rajeev R. Patel - Wholetime Director  
Smt. Laxmiben J. Patel - Director

**COMPANY SECRETARY** Shri Prakash V. Kotak

**BANKERS** The Zoroastrian Co-op. Bank Ltd.

**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

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

**REGISTRARS AND  
TRANSFER AGENTS** **M/s. BIG SHARE SERVICES PVT. LTD.**  
E-2/3, Ansa Industrial Estate,  
Saki Vihar Road, Andheri (E),  
Mumbai - 400 072.

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**CONTENTS**


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|   |    |
|---|----|
| Notice.....                             | 1  |
| Directors' Report.....                  | 2  |
| Auditors' Report.....                   | 7  |
| Balance Sheet.....                      | 12 |
| Profit & Loss Account.....              | 13 |
| Schedules Forming Part of Accounts..... | 14 |
| Cash Flow Statement.....                | 28 |

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**NOTICE**

NOTICE is hereby given that the 33<sup>rd</sup> ANNUAL GENERAL MEETING of the Shareholders of **VAPI PAPER MILLS LIMITED** will be held on Friday, the 28<sup>th</sup> September, 2007 at 3:00 P. M. at the Registered Office of the Company at 213, Udyog Mandir No. 1, 2<sup>nd</sup> Floor, 7/C Pitamber Lane, Mahim (West), Mumbai – 400 016 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, 2007.
2. To appoint a Director in place of Shri Rajeev R. Patel, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

By Order of the Board

**PLACE : Mumbai**

**DATED : 20<sup>th</sup> August, 2007**

**Prakash Kotak**  
Company Secretary

**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 Friday, the 21<sup>st</sup> September, 2007 to Friday, the 28<sup>th</sup> September, 2007 (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 dematerialisation of equity shares of the Company.

**DIRECTORS' REPORT**

To,  
The Members of  
**VAPI PAPER MILLS LIMITED,**

Your Directors have pleasure in presenting the 33<sup>rd</sup> Annual Report of the Company together with Audited statement of Accounts for the year ended 31<sup>st</sup> March, 2007.

**1. FINANCIAL RESULTS :**

|   | (Rs. in Lacs)   |           |
|---|-----------------|-----------|
|   | 2006-2007       | 2005-2006 |
| Net Sales and Other Income                        | <b>1492.13</b>  | 1461.22   |
| Gross Profit / (Loss)                             | <b>65.39</b>    | 23.96     |
| Less: Depreciation                                | <b>70.73</b>    | 72.79     |
| Profit / (Loss) before Tax                        | <b>(5.34)</b>   | (48.83)   |
| Add : Provision for Fringe Benefit Tax            | <b>1.12</b>     | 1.17      |
| Net Profit / (Loss) After Tax                     | <b>(6.46)</b>   | (50.00)   |
| Add : Extra Ordinary Items                        | <b>73.36</b>    | 80.86     |
| Net Profit/(Loss)After Tax & Extra Ordinary Items | <b>(79.82)</b>  | (130.86)  |
| Add : Balance of Profit/(Loss) brought forward    | <b>(364.45)</b> | (233.59)  |
| Surplus available for Appropriations:             | <b>(444.27)</b> | (364.45)  |
| a) Proposed Dividend                              | ---             | ---       |
| b) Tax on Dividend                                | ---             | ---       |
| Surplus / (Deficit) carried to Balance Sheet      | <b>(444.27)</b> | (364.45)  |

**2. DIVIDEND:**

The Directors do not recommend any Dividend on Equity Shares for the year ended 31<sup>st</sup> March, 2007.

**3. OPERATIONS:**

During the year, Company achieved a Production of 11,080 MT as compared to Production of 11,097 MT in the previous year. The Gross turnover during the year was Rs. 16.57 Crores as compared to Rs.15.98 Crores in the previous year.

**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, Shri Rajeev R. Patel retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself 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, Plant and Machineries, Stocks have been adequately insured.

**8. DISCLOSURE OF PARTICULARS :**

Informations 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:**

Informations pursuant to Section 217 (2A) of the Companies Act, 1956 read with The 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 share capital of the company is below prescribed limit.

**11. AUDITORS :**

M/S. MANUBHAI G. PATEL & CO., the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offers themselves for reappointment. The Company has received a certificate from them certifying that their p2, 3 appointment, if made, would be within the limits specified under Section 224(1-B) of the Companies Act, 1956.

**12. PERSONNEL:**

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

**13. ACKNOWLEDGMENT:**

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

**ADDENDUM****Auditors' Report**

In respect of Auditors' comments reported in clause 4(vi) (b), the matter have been explained in the Notes on Account (Note No. 3(b) of Schedule 13) and the same is self explanatory. In respect of Auditors' comments reported in clause 4 (vi) (a), your Directors are still confident of realising the said loans advanced to various parties through litigation on company and / or its Directors / Partners / Proprietor.

In respect of Auditors' comments reported in clause (ix) (a) of Annexure to Auditors' Report, your Directors wish to state that irregularity was committed due to shortage of working capital finance faced by the company.

For and on behalf of the Board

**PLACE : Mumbai**  
**DATED : 1<sup>st</sup> August, 2007**

**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<br>31 <sup>st</sup> March, 2007 | Previous Year ended<br>31 <sup>st</sup> March, 2006 |
|--|--|---|
| <b>1. POWER AND FUEL CONSUMPTION</b>     |  |   |
| <b>a) Electricity</b>                    |  |   |
| 1) Purchased units                       | <b>4752.91</b>                                     | 4198.73   |
| (KWH in thousands)                       |  |   |
| Total amount (Rs. in Lacs)               | <b>211.27</b>                                      | 179.37  |
| Rate / Unit (Rs.)                        | <b>4.45</b>  | 4.27  |
| 2) Own Generation :                      |  |   |
| Through Diesel Generation                | <b>Nil</b>   | 146.07  |
| (KWH in thousands)                       |  |   |
| Total amount (Rs. in Lacs)               | <b>Nil</b>   | 3.73  |
| Rate / Unit (Rs.)                        | <b>Nil</b>   | 2.55  |
| Through Steam Turbine/Generator          | <b>Nil</b>   | Nil   |
| <b>b) Coal &amp; Lignite ('B' Grade)</b> |  |   |
| Quantity (M.T.)                          | <b>4188.00</b>                                     | 4556.00   |
| Total Cost (Rs. in Lacs)                 | <b>121.92</b>                                      | 114.89  |
| Average rate (Rs.)                       | <b>2911.00</b>                                     | 2522.00   |
| <b>c) Furnace Oil</b>                    |  |   |
| Quantity (Ltrs.)                         | <b>Nil</b>   | 43290   |
| Total amount (Rs. in Lacs)               | <b>Nil</b>   | 5.29  |
| Average rate (Rs. )                      | <b>Nil</b>   | 12.22   |
| <b>d) Other / Internal Generation</b>    | <b>Nil</b>   | Nil   |

**2. CONSUMPTION PER UNIT OF PRODUCTION :**

|   | Current Year ended<br>31 <sup>st</sup> March, 2007 |                         |                       | Previous Year ended<br>31 <sup>st</sup> March, 2006 |                         |                       |
|---|--|-------------------------|-----------------------|---|-------------------------|-----------------------|
|   | Electricity<br>(KWH)                               | Coal &<br>Lignite (Kgs) | Furnace<br>Oil (Ltr.) | Electricity<br>(KWH)                                | Coal &<br>Lignite (Kgs) | Furnace<br>Oil (Ltr.) |
| Paper, Paper Board<br>And Paper Pulp<br>(per tonne) | <b>429</b>   | <b>378</b>              | <b>--</b>             | <b>378</b>  | <b>410</b>              | <b>3</b>              |

**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                  | 107.40        |
| Foreign Exchange Used earning          | Nil           |

For and on behalf of the Board

**PLACE :** Mumbai  
**DATED :** 1<sup>st</sup> August, 2007

**Manoj R. Patel**  
 Managing Director

**Rajeev R. Patel**  
 Director

AUDITORS' REPORT

To,  
The Shareholders of  
**VAPI PAPER MILLS LTD.**

1. We have audited the attached Balance Sheet of **VAPI PAPER MILLS LTD.** as at 31st March 2007, 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 the 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 "Accounting for Retirement Benefits in the financial statement of employers" in respect of provision for Gratuity Liability as mentioned in Note No. 5 of schedule -14, the effect of the same on loss and liabilities is not ascertainable.**

- (v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31st March 2007 from being appointed as a director in terms of Clause (g) of sub Section (1) of Section 274 of the Companies Act, 1956.
- (vi) a) ***We are unable to form an opinion about realisability or otherwise of Loans and Advances of Rs. 10691 thousands as no payments have been received since long time and confirmation of balances are not obtained from the said parties. The effect of the same on loss, reserves and assets could not be quantified.***
- b) ***The Company has not made disclosure of certain information relating to Small Scale Undertaking as required by part-1 of Schedule VI to the Companies Act, 1956 (see Note No. 3(b) of Schedule-14)***
- (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, 2007
- (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.

**M.G. Patel**

Proprietor

Membership No. 4705

For and on behalf of

**MANUBHAI G. PATEL & CO.**

Chartered Accountants

**PLACE : Ahmedabad**  
**DATED : 1<sup>st</sup> August, 2007**

## ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph (3) of our report of even date]

- (i) (a) **The Company has not maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.**
  - (b) We are informed by the management that all fixed assets were physically verified during the year. As informed to us, no material discrepancies have been noticed on such verification as compared to records maintained by the company.
  - (c) During the year, the Company has not disposed off substantial part of its assets, hence, the question of effect on going concern does not arise.
- (ii) (a) The inventory has been physically verified at regular intervals during the year by the management.
  - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - (c) The company is maintaining proper records of inventory. As informed to us, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has not granted any loan to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and therefore, the provisions of clause 4(iii) (a) to (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
  - (b) The company has taken loan from a company and an individual covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 484.80 lacs and the year-end balance of loans taken from such parties was Rs. 483.41 lacs.
  - (c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, *prima facie*, prejudicial to the interest of the company.
  - (d) In respect of loans taken by the company the principal amount is repayable on demand.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there were no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year.
- (vi) Subject to the remark that return of deposit is not filed within the prescribed time limit, in our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The company is required to maintain cost records under section 209(1)(d) of the Companies Act, 1956 in respect of paper manufactured by it. As informed to us, the necessary records as required by the rules are under preparation.
- (ix) (a) **The company is not regular in depositing statutory dues with appropriate authorities viz. Sales Tax, Excise Duty, Service Tax, Family Pension Fund, Provident Fund and Employees' state Insurance.** However, no undisputed amounts payable in respect of such dues were in arrears, as at 31<sup>st</sup> March, 2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
- (x) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. **The company has incurred cash losses during the financial year and the immediately preceding financial year.**
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a bank.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- (xiii) In our opinion, the company is not a chit fund or a *nidhi* mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company. -
- (xv) We are informed that, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that short term funds of Rs. 25369 thousands have been used for long term purpose.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the company has not issued debentures during the year.
- (xx) According to the information and explanations given to us, the company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

**PLACE : Ahmedabad**  
**DATED : 1<sup>st</sup> August, 2007**

**M.G. Patel**  
Proprietor  
Membership No. 4705  
For and on behalf of  
**MANUBHAI G. PATEL & CO.**  
Chartered Accountants

**BALANCE SHEET AS AT 31ST MARCH, 2007**
**(Rupees in Thousands)**

|  | SCHE-<br>DULE | 2 0 0 6 - 2 0 0 7 |                | 2 0 0 5 - 2 0 0 6 |                |
|--|---------------|-------------------|----------------|-------------------|----------------|
|  |               | Rs.               | Rs.            | Rs.               | Rs.            |
| <b>A) SOURCES OF FUNDS</b>               |               |                   |                |                   |                |
| 1) SHAREHOLDERS' FUNDS:                  |               |                   |                |                   |                |
| a) Share Capital                         | 1             | 22,815            |                | 22,815            |                |
| b) Reserves & Surplus                    | 2             | 43,406            |                | 43,406            |                |
|  |               |                   | 66,221         |                   | 66,221         |
| 2) LOAN FUNDS:                           |               |                   |                |                   |                |
| a) Secured Loans                         | 3             | 28,305            |                | 29,458            |                |
| b) Unsecured Loans                       | 4             | 50,536            |                | 45,366            |                |
| c) Deferred Loans                        |               | -                 |                | 81                |                |
|  |               |                   | 78,841         |                   | 74,905         |
| 3) DEFERRED TAX LIABILITIES (NET)        |               |                   | -              |                   | -              |
| <b>TOTAL</b>                             |               |                   | <b>145,062</b> |                   | <b>141,126</b> |
| <b>B) APPLICATION OF FUNDS</b>           |               |                   |                |                   |                |
| 1) FIXED ASSETS:                         | 5             |                   |                |                   |                |
| a) Gross Block                           |               | 172,629           |                | 171,144           |                |
| Less: Depreciation                       |               | 90,876            |                | 84,471            |                |
| Net Block                                |               |                   | 81,754         |                   | 86,673         |
| 2) INVESTMENTS:                          | 6             |                   | 200            |                   | 200            |
| 3) CURRENT ASSETS,<br>LOANS & ADVANCES   | 7             |                   |                |                   |                |
| a) Inventories                           |               | 11,954            |                | 11,151            |                |
| b) Sundry Debtors                        |               | 31,968            |                | 34,599            |                |
| c) Cash & Bank Balances                  |               | 366               |                | 851               |                |
| d) Loans & Advances                      |               | 16,529            |                | 15,677            |                |
|  |               | 60,817            |                | 62,278            |                |
| Less: CURRENT LIABILITIES AND PROVISIONS | 8             |                   |                |                   |                |
| a) Current Liabilities                   |               | 16,181            |                | 19,115            |                |
| b) Provisions                            |               | 1,968             |                | 1,367             |                |
|  |               |                   | 42,668         |                   | 41,796         |
| 4) Profit & Loss Account                 | 9             |                   | 20,440         |                   | 12,457         |
| <b>TOTAL</b>                             |               |                   | <b>145,062</b> |                   | <b>141,126</b> |
| SIGNIFICANT ACCOUNTING POLICIES          | 13            |                   |                |                   |                |
| NOTES TO ACCOUNTS                        | 14            |                   |                |                   |                |

This is the Balance Sheet referred to in our report of even date

For **VAPI PAPER MILLS LTD.**

**M. G. Patel**  
Proprietor  
For and on behalf of  
**MANUBHAI G. PATEL & CO.,**  
Chartered Accountants

**Prakash Kotak**  
Company Secretary

**Manoj R. Patel**  
Managing Director

**Rajeev R. Patel**  
Director

Ahmedabad  
Dated : 1<sup>st</sup> August, 2007

Mumbai  
Dated: 31<sup>st</sup> July, 2007



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**
**(Rupees in Thousands)**

|  | SCHE-<br>DULE | 2 0 0 6 - 2 0 0 7 |         | 2 0 0 5 - 2 0 0 6 |         |
|--|---------------|-------------------|---------|-------------------|---------|
|  |               | Rs.               | Rs.     | Rs.               | Rs.     |
| <b>A) INCOME</b>   |               |                   |         |                   |         |
| 1) Sales   |               | 165,695           |         | 159,754           |         |
| Less : Excise Duty   |               | 17,087            |         | 16,480            |         |
| Net Sales  |               | 148,608           |         | 143,274           |         |
| 2) Other Income  | 10            | 605               |         | 2,847             |         |
| 3) Accretion/(Decretion) to Stock                                  | 11            | (946)             |         | 2,363             |         |
| <b>TOTAL</b>   |               |                   | 148,267 |                   | 148,484 |
| <b>B) EXPENDITURE</b>  |               |                   |         |                   |         |
| 1) Manufacturing and Other Expenses                                | 12            | 137,507           |         | 142,372           |         |
| 2) Interest  |               | 4,220             |         | 3,717             |         |
| 3) Depreciation  |               | 7,073             |         | 7,278             |         |
| <b>TOTAL</b>   |               |                   | 148,801 |                   | 153,367 |
| Loss for the year before tax & prior period adjustment.            |               |                   | 534     |                   | 4,883   |
| Add : Provision for fringe benefit tax                             |               |                   | 112     |                   | 117     |
| Loss after taxation & before prior period adjust.                  |               |                   | 646     |                   | 5,000   |
| Add : Prior Period Adjustments                                     |               | 7,336             |         | 3,683             |         |
| Prior Period Depreciation  |               | -                 |         | 4,031             |         |
| Sundry Balance Written Off   |               | -                 |         | 372               |         |
|  |               |                   | 7,336   |                   | 8,086   |
| Loss for the year after tax & prior period adjustment.             |               |                   | 7,982   |                   | 13,086  |
| Add : Balance of Loss Brought Forward                              |               |                   | 36,445  |                   | 23,359  |
| Balance of Loss carried to Balance Sheet                           |               |                   | 44,427  |                   | 36,445  |
| Basic and diluted Loss Per Share<br>(Refer Note 13 in Schedule 14) |               |                   | 3.50    |                   | 5.74    |
| <b>SIGNIFICANT ACCOUNTING POLICIES</b>                             | 13            |                   |         |                   |         |
| <b>NOTES TO ACCOUNTS</b>   | 14            |                   |         |                   |         |

This is the Profit &amp; Loss account referred to in our report of even date

For **VAPI PAPER MILLS LTD.**
**M. G. Patel**

Proprietor

For and on behalf of

**MANUBHAI G. PATEL & CO.,**

Chartered Accountants

**Prakash Kotak**

Company Secretary

**Manoj R. Patel**

Managing Director

**Rajeev R. Patel**

Director

Ahmedabad

Dated : 1<sup>st</sup> August, 2007

Mumbai

Dated: 31<sup>st</sup> Jul, 2007

**Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date**
**(Rupees in Thousands)**

|  | 2006 - 2007   |               | 2005 - 2006 |               |
|--|---------------|---------------|-------------|---------------|
|  | Rs.           | Rs.           | Rs.         | Rs.           |
| <b>SCHEDULE 1:</b>   |               |               |             |               |
| <b>SHARE CAPITAL</b>   |               |               |             |               |
| <b>Authorised:</b>   |               |               |             |               |
| 3000000 Equity Shares of Rs. 10/- each   |               | <b>30,000</b> |             | 30,000        |
| 20000 12 % Tax Free Redeemable Cumulative Preference Shares of Rs. 100/- each redeemable at par at any time  |               | <b>2,000</b>  |             | 2,000         |
|  |               | <b>32,000</b> |             | <b>32,000</b> |
| <b>Issued, Subscribed &amp; Paid up:</b>   |               |               |             |               |
| 22,81,450 (Previous year - 22,81,450 shares) Equity Shares of Rs. 10/- each Fully Paid up Out of the above shares  |               | <b>22,815</b> |             | 22,815        |
| i) 4,96,050 Equity shares have been issued as fully paid up Bonus shares by way of capitalisation of General Reserve of Rs.3,648 thousands and Capital Redemption Reserve of Rs.1,313 thousands, and |               |               |             |               |
| ii) 2,00,000 Equity Shares of Rs. 10/- each fully paid-up have been issued pursuant to scheme of amalgamation without payment being received in cash in the year 1997-98.                            |               |               |             |               |
| <b>TOTAL</b>   |               | <b>22,815</b> |             | <b>22,815</b> |
| <b>SCHEDULE 2:</b>   |               |               |             |               |
| <b>RESERVES &amp; SURPLUS</b>  |               |               |             |               |
| Securities Premium Account (As per last Balance Sheet)   |               | <b>43,406</b> |             | 43,406        |
| <b>General Reserve:</b>  |               |               |             |               |
| As per last Balance Sheet  | <b>23,988</b> |               | 23,988      |               |
| Less: Deducted from Debit Balance in Profit and Loss Account (As per Contra)   | <b>23,988</b> |               | 23,988      |               |
| <b>TOTAL</b>   |               | <b>43,406</b> |             | <b>43,406</b> |

**Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date (Contd.)**
**(Rupees in Thousands)**

|  | <b>2006 - 2007</b> |               | <b>2005 - 2006</b> |               |
|--|--------------------|---------------|--------------------|---------------|
|  | <b>Rs.</b>         | <b>Rs.</b>    | <b>Rs.</b>         | <b>Rs.</b>    |
| <b>SCHEDULE 3:</b>   |                    |               |                    |               |
| <b>SECURED LOANS</b>   |                    |               |                    |               |
| From The Zoroastrian Co-Op bank Ltd.   |                    |               |                    |               |
| Working Capital term loan  |                    | <b>9,894</b>  |                    | 12,291        |
| Cash Credits   |                    | <b>17,502</b> |                    | 17,167        |
| Term Loan  |                    | <b>909</b>    |                    | -             |
| (Secured by Hypothecation of<br>Electro Static Precipitator)<br>(Working Capital Term Loan and Cash Credits from<br>The Zoroastrian Co-Op Bank Ltd. are secured by   |                    |               |                    |               |
| i) Mortgage executed in favour of said bank<br>by deposit of title deeds of immovable<br>property of the company situated at<br>298-301, GIDC Industrial area,<br>vapi -396195, Gujarat, both present<br>and future. |                    |               |                    |               |
| ii) First charge by way of hypothecation of<br>current asstes, such as stores spares,<br>raw materials, stock-in- process,<br>finished goods, book debts etc. both<br>present and future.                            |                    |               |                    |               |
| iii) Personal Guarantees of the<br>Managing Director and Wholetime Director.)  |                    |               |                    |               |
| <b>TOTAL</b>   |                    | <b>28,305</b> |                    | <b>29,458</b> |
| <b>SCHEDULE 4:</b>   |                    |               |                    |               |
| <b>UNSECURED LOANS</b>   |                    |               |                    |               |
| Fixed Deposits   |                    | <b>50,335</b> |                    | 45,147        |
| (Including Rs. 43734 thousands from Directors<br>Previous year Rs. 38351 thousands)  |                    |               |                    |               |
| Interest accrued and due on Fixed Deposits   |                    | <b>200</b>    |                    | 219           |
| <b>TOTAL</b>   |                    | <b>50,536</b> |                    | <b>45,366</b> |

Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date (contd.)

SCHEDULE 5:

FIXED ASSETS

(Rupees in Thousands)

| Sr. No. | Description of Assets            | GROSS BLOCK      |                           |                                 |                  | DEPRECIATION              |                          |                                 |                       | NET BLOCK        |                  |
|---------|----------------------------------|------------------|---------------------------|---------------------------------|------------------|---------------------------|--------------------------|---------------------------------|-----------------------|------------------|------------------|
|         |                                  | As at 01.04.2006 | Additions During the year | Sales/ Transfer During the year | As at 31.03.2007 | Provided up to 01.04.2006 | Provided During the year | Sales/ Transfer During the year | Total upto 31.03.2007 | As at 31.03.2007 | As at 01.04.2006 |
|         |                                  | 1                | 2                         | 3                               | 4                | 5                         | 6                        | 7                               | 8                     | 9                | 10               |
| 1       | Leasehold Land                   | 506              | 0                         | 0                               | 506              | 0                         | 0                        | 0                               | 0                     | 506              | 506              |
| 2       | Factory Office & Godown Building | 11,739           | 107                       | 0                               | 11,846           | 7,680                     | 391                      | 0                               | 8,071                 | 3,774            | 4,059            |
| 3       | Plant & Machinery                | 151,494          | 3,370                     | 2,059                           | 152,805          | 70,168                    | 6,477                    | 658                             | 75,987                | 76,819           | 81,326           |
| 4       | Office Equipments                | 4,837            | 31                        | 0                               | 4,868            | 4,533                     | 75                       | 0                               | 4,608                 | 260              | 304              |
| 5       | Fixtures                         | 708              | 0                         | 0                               | 708              | 625                       | 15                       | 0                               | 640                   | 68               | 83               |
| 6       | Vehicles                         | 1,860            | 46                        | 100                             | 1,806            | 1,465                     | 114                      | 100                             | 1,479                 | 327              | 395              |
|         | TOTAL                            | 171,144          | 3,554                     | 2,159                           | 172,857          | 84,471                    | 7,072                    | 758                             | 90,785                | 81,754           | 86,673           |
|         | PREVIOUS YEAR                    | 164,678          | 7,075                     | 609                             | 171,144          | 73,512                    | 11,308                   | 350                             | 84,471                | 86,674           | -                |

**Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date (Contd.)**
**(Rupees in Thousands)**

|  | 2006 - 2007 |               | 2005 - 2006 |               |
|--|-------------|---------------|-------------|---------------|
|  | Rs.         | Rs.           | Rs.         | Rs.           |
| <b>SCHEDULE 6:</b>   |             |               |             |               |
| <b>INVESTMENTS ( at cost)</b>  |             |               |             |               |
| A) IN TRUST SECURITIES (Quoted at cost)  | 100         |               | 100         |               |
| 10000 Units of Rs. 10/- each fully<br>paid up of Unit Trust of India Scheme<br>Master Gain - 92 (Prev. year 10000 Units) |             | 100           |             | 100           |
| B) IN FULLY PAID UP SHARES, OTHER THAN TRADE   | 100         |               | 100         |               |
| The Zoroasterian Co-op Bank Ltd.<br>4000 Shares @ Rs.25.00 ( Unquoted)   |             | 100           |             | 100           |
| <b>TOTAL</b>   |             | <b>200</b>    |             | <b>200</b>    |
| <b>SCHEDULE 7:</b>   |             |               |             |               |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>  |             |               |             |               |
| 1) Inventories<br>(As valued & certified by Managing Director)   |             |               |             |               |
| Stores, Spares Parts, etc.   | 4,147       |               | 3,068       |               |
| Stock-in-Trade :-  |             |               |             |               |
| Raw Materials  | 1,918       |               | 1,248       |               |
| Finished goods   | 2,304       |               | 3,663       |               |
| Stock in process   | 3,585       |               | 3,172       |               |
|  |             | 11,954        |             | 11,151        |
| 2) Sundry Debtors<br>(Unsecured considered Good)   |             |               |             |               |
| Due for more than six months   | 10,871      |               | 11,695      |               |
| Others   | 21,097      |               | 22,904      |               |
|  |             | 31,968        |             | 34,599        |
| 3) Cash & Bank Balance   |             |               |             |               |
| Cash on hand   | 130         |               | 39          |               |
| With Scheduled Banks   |             |               |             |               |
| In Current Accounts  | 220         |               | 695         |               |
| In Margin Accounts   | 16          |               | 117         |               |
|  |             | 366           |             | 851           |
| 4) Loans & Advances<br>(Unsecured, considered good)  |             |               |             |               |
| a) Loans   | 10,691      |               | 10,691      |               |
| b) Advances recoverable in cash or in<br>kind or for value to be received  | 1,764       |               | 1,251       |               |
| c) Advance to Staff  | 374         |               | 481         |               |
| d) Sundry Deposits<br>(Deposits with Govt. Dept.,<br>Public Authorities and others )                                     | 1,707       |               | 1,484       |               |
| e) Advance Income Tax  | 993         |               | 770         |               |
| f) Share Application Money   | 1,000       |               | 1,000       |               |
|  |             | 16,529        |             | 15,677        |
| <b>TOTAL</b>   |             | <b>60,817</b> |             | <b>62,278</b> |

**Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date (Contd.)**
**(Rupees in Thousands)**

|   | <b>2006 - 2007</b> |               | <b>2005 - 2006</b> |               |
|---|--------------------|---------------|--------------------|---------------|
|   | <b>Rs.</b>         | <b>Rs.</b>    | <b>Rs.</b>         | <b>Rs.</b>    |
| <b>SCHEDULE 8 :</b>   |                    |               |                    |               |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>   |                    |               |                    |               |
| <b>A) CURRENT LIABILITIES</b>   |                    |               |                    |               |
| Sundry Creditors  | 7,577              |               | 14,787             |               |
| Trade Deposits  | 2,823              |               | 2,769              |               |
| Other Current Liabilities   | 5,781              |               | 1,559              |               |
|   |                    | 16,181        |                    | 19,115        |
| <b>B) PROVISIONS</b>  |                    |               |                    |               |
| Taxation  | 230                |               | 117                |               |
| Excise Duty   | 329                |               | 280                |               |
| Gratuity  | 1,410              |               | 970                |               |
|   |                    | 1,968         |                    | 1,367         |
| <b>TOTAL</b>  |                    | <b>18,148</b> |                    | <b>20,482</b> |
| <b>Note: No amount is due and outstanding as on March 31st, 2007 to be transferred to Investor Education Protection Fund.</b> |                    |               |                    |               |
| <b>SCHEDULE 9 :</b>   |                    |               |                    |               |
| <b>PROFIT &amp; LOSS ACCOUNT</b>  |                    |               |                    |               |
| Debit balance of Profit & Loss Account  |                    | 44,427        |                    | 36,445        |
| Less: Deducted from Debit Balance in Profit and Loss Account (As per Contra)  |                    | 23,988        |                    | 23,988        |
|   |                    | <b>20,440</b> |                    | <b>12,457</b> |
| <b>SCHEDULE 10 :</b>  |                    |               |                    |               |
| <b>OTHER INCOME</b>   |                    |               |                    |               |
| Transit Insurance   |                    | 205           |                    | 203           |
| Other Income  |                    | 12            |                    | 22            |
| Rent Received   |                    | -             |                    | 515           |
| Interest & Finance charges received   |                    | 368           |                    | 146           |
| Dividend received (Gross)   |                    | 16            |                    | 20            |
| Interest on refund of Income Tax  |                    | 3             |                    | -             |
| Profit on sale of Plant & Machinery   |                    | -             |                    | 1,941         |
| <b>TOTAL</b>  |                    | <b>605</b>    |                    | <b>2,847</b>  |

**Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date (Contd.)**
**(Rupees in Thousands)**

|   | 2006 - 2007 |                | 2005 - 2006 |                |
|---|-------------|----------------|-------------|----------------|
|   | Rs.         | Rs.            | Rs.         | Rs.            |
| <b>SCHEDULE 11:</b>   |             |                |             |                |
| <b>ACCRETION / (DECRETION) TO STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS.</b>                           |             |                |             |                |
| Opening Stock   |             |                |             |                |
| Finished Goods  | 3,663       |                | 1,929       |                |
| Stock-in-process  | 3,172       |                | 2,543       |                |
|   |             | 6,835          |             | 4,472          |
| Closing Stock   |             |                |             |                |
| Finished Goods  | 2,304       |                | 3,663       |                |
| Stock-in-process  | 3,585       |                | 3,172       |                |
|   |             | 5,889          |             | 6,865          |
| <b>ACCRETION / (DECRETION) TO STOCK</b>   |             | (946)          |             | 2,363          |
| <b>SCHEDULE 12:</b>   |             |                |             |                |
| <b>MANUFACTURING AND OTHER EXPENSES</b>   |             |                |             |                |
| Raw material consumed   |             | 76,584         |             | 84,174         |
| Consumption of Dyes and Chemicals   |             | 7,698          |             | 5,950          |
| Consumption of Stores and Spare Parts   |             | 1,680          |             | 1,276          |
| Consumption of Packing Material   |             | 556            |             | 735            |
| Power & Fuel  |             | 33,386         |             | 30,327         |
| Employees Remuneration & Benefits   |             |                |             |                |
| Wages, Salaries, Bonus etc.   | 7,466       |                | 7,800       |                |
| Contribution to Gratuity Fund   | 817         |                | 835         |                |
| Contribution to Provident & Other Funds   | 821         |                | 875         |                |
| Staff Welfare Expenses  | 315         |                | 344         |                |
|   |             | 9,420          |             | 9,854          |
| Water Charges   |             | 889            |             | 1,309          |
| Rent & Hire Charges   |             | 795            |             | 241            |
| Insurance Other   |             | 169            |             | 190            |
| Rates, Taxes & Fees   |             | 154            |             | 686            |
| Repairs & Maintenance to:   |             |                |             |                |
| Plant & Machinery   | 796         |                | 474         |                |
| Other Assets  | 131         |                | 145         |                |
|   |             | 927            |             | 619            |
| Commission on Sales   |             | 1,661          |             | 2,596          |
| Travelling & Conveyance   |             | 261            |             | 200            |
| Vehicle Expenses  |             | 576            |             | 606            |
| Legal Charges & Professional Fees   |             | 844            |             | 717            |
| Remuneration to Directors   |             | 360            |             | 360            |
| Loss on Sale of Assets  |             | 47             |             | -              |
| Sundry Exps (including Printing & Stationery, Purchase Tax, Telephone, Bank chgs, Security Expenses etc.) |             | 1,501          |             | 2,532          |
| <b>TOTAL</b>  |             | <b>137,507</b> |             | <b>142,372</b> |

**Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date (Contd.)**

**SCHEDULE – 13 :**

**SIGNIFICANT ACCOUNTING POLICIES**

1. **HISTORICAL COST BASIS :** The financial statements are prepared under the historical cost convention and in accordance with applicable mandatory accounting standards and relevant presentation requirements of the Companies Act, 1956.
2. **USE OF ESTIMATES :** The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialised.
3. **REVENUE RECOGNITION :** All income and expenses are recognised and accounted on accrual basis, except interest on Loan which is accounted on cash basis as there is no uncertainty of realisation.
4. **FIXED ASSETS AND DEPRECIATION:**
  - a) Fixed Assets include all expenditure of capital nature and are stated at cost less depreciation.
  - b) Depreciation on Fixed Assets has been provided at the rates prescribed in Schedule XIV to the Companies Act, 1956 as under :
    - i) As per Straight-line method on Plant and Machineries.
    - ii) As per written down value method on all other Assets.
  - c) Depreciation on additions/sale of assets during the year has been provided on pro-rata basis.
5. **IMPAIRMENT OF FIXED ASSETS:**
  - a) Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of Company's fixed assets. If any indication exists an assets recoverable amount is estimated, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.
  - b) Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased.
6. **INVESTMENTS :** Investments are of long-term nature and are valued at acquisition cost.



7. **INVENTORIES** : Inventories of stock in process, finished goods and raw materials have been valued at lower of cost or net realisable value. Cost is arrived at on the **First in First out** basis.
8. **FOREIGN CURRENCY TRANSACTIONS** : Foreign Currency Transactions in respect of import of Raw Materials are recorded by applying the exchange rate prevailing on the date of payment.
9. **SALES** : Sales comprise of sale of goods and is inclusive of Excise Duty but it excludes sales tax and other charges received.
10. **EMPLOYEES RETIREMENT BENEFITS** : Company's contributions to Provident Fund and Family Pension Scheme are charged to Profit & Loss Account on accrual basis.
11. **BORROWING COST** : Borrowing costs that are attributable to the acquisition/construction of qualifying assets are capitalized as part of cost of such assets. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.
12. **TAXES ON INCOME** :
  - a) Tax expense comprise of current, deferred and fringe benefit taxes.
  - b) Current income tax and fringe benefit tax is measured at the amount expected to be paid to tax authorities in accordance with the Indian Income Tax Act.
  - c) Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized.
13. **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS** : Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.
14. **GENERAL** : Accounting Policies not specifically referred to are consistent with generally accepted accounting practice.

**Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2007  
And Profit & Loss Account for the year ended on that date (Contd.)**

**SCHEDULE – 14**

**NOTES TO ACCOUNTS :**

**1. CONTINGENT LIABILITIES:**

|  | (Rs. in thousands) |           |
|--|--------------------|-----------|
|  | 2006-2007          | 2005-2006 |
| Guarantees issued by bank on behalf of Company | 16                 | Nil       |

2. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated, if realised in the ordinary course of business, provision for depreciation and all known liabilities is adequate and not in excess of the amount reasonably necessary.

3. a) Balance of Creditors, Debtors, Loans & Advances are subject to confirmation by the parties.  
b) In view of the multiplicity and difficulty in identification of accounts relating to Small Scale Industrial Undertaking, information for determining the particulars relating to current indebtedness to such undertakings as required under schedule VI, Part I of the Companies Act, 1956, are not readily available.

4. a) Managing Directors and Executive Directors Remuneration includes :

|                                    | (Rs. in thousands) |            |
|------------------------------------|--------------------|------------|
|                                    | 2006-2007          | 2005-2006  |
| i) Salaries                        | 360                | 360        |
| ii) Contribution to Provident Fund | 19                 | 19         |
| <b>TOTAL</b>                       | <b>379</b>         | <b>379</b> |

b) In view of the fact that there is a global contribution to Gratuity Fund, the amount applicable to individual employee is not ascertainable and accordingly, contribution to Gratuity Fund in case of Managing Director/ Whole time Director is not shown separately in the Profit and Loss Account.

c) As no Commission to Managing Director/ Whole time Director is payable for the year on account of loss, the computation of Net Profit in accordance with Section 198 of the Companies Act, 1956 has not been given.

5. The Company has setup Gratuity Fund for future payment of retirement gratuities of employees. The company has not ascertain the amount of accrued liability on the basis of actuarial valuation and has not made any contribution to gratuity fund. However provision for gratuity has been made in the accounts on the basis of estimates made by the Management

**6. Sundry Expenses includes Auditors' Remuneration as follows:**

|  | (Rs. in thousands) |           |
|--|--------------------|-----------|
|  | 2006-2007          | 2005-2006 |
| I) Audit Fees                          | 39                 | 38        |
| II) In other Capacity :                |                    |           |
| For Tax Audit                          | 10                 | 11        |
| Taxation Matters                       | 10                 | 8         |
| III) Reimbursement of Travelling Exps. | 31                 | 37        |
|  | 90                 | 94        |

7. Interest paid includes Rs.223 thousands (Previous year Rs. 244 thousands) paid to Directors.

8. No provision for Income Tax has been made in view of losses during the years.

9. Quantitative and Turnover information:

A) Particulars regarding capacities and production:

| (Rupees in Thousands)                     |   |                |  |                |                |                |
|---|---|----------------|--|----------------|----------------|----------------|
| Class of Goods                            | Licenced Capacity   |                | Installed Capacity<br>(As Certified by<br>Managing Director) |                | Production     |                |
|   | 31.03.07<br>MT  | 31.03.06<br>MT | 31.03.07<br>MT   | 31.03.06<br>MT | 31.03.07<br>MT | 31.03.06<br>MT |
| Paper & Paper Board<br>(As per DGTD Reg.) | Licence is not required under<br>The Industries (Development<br>& Regulation) Act, 1951 |                | 15,000   | 15,000         | 11,080         | 11,097         |

B) Particulars regarding Opening Stock, Closing Stock, Sales of Finished Goods.

| (Rs. in thousands)                      |       |             |           |             |           |
|---|-------|-------------|-----------|-------------|-----------|
|   | Units | 2006 - 2007 |           | 2005 - 2006 |           |
|   |       | Qty         | Value Rs. | Qty.        | Value Rs. |
| 1) OPENING STOCK<br>Paper & Paper Board | MT    | 247         | 3,663     | 164         | 1,929     |
| 2) CLOSING STOCK<br>Paper & Paper Board | MT    | 138         | 2,304     | 247         | 3,663     |
| 3) SALES<br>Paper & Paper Board         | MT    | **11,315    | 1,65,695  | 11,091      | 159,754   |

\*\*Sales quantity includes 87.104 MT sent for Job Work.

**C) Particulars of Raw Material Consumed :**

(Rs. in thousands)

|                                 | Units | 2006 - 2007 |           | 2005 - 2006 |           |
|---------------------------------|-------|-------------|-----------|-------------|-----------|
|                                 |       | Qty         | Value Rs. | Qty         | Value Rs. |
| 1) CONSUMPTION OF RAW MATERIALS |       |             |           |             |           |
| Waste Paper                     | MT    | 12,344      | 76,584    | 12,871      | 84,174    |

**D) Particulars regarding value of imported and indigenous raw materials, stores and spare parts, dyes and chemicals consumed :-**

(Rupees in Thousands)

|                              | 2006 - 2007 |           | 2005 - 2006 |           |
|------------------------------|-------------|-----------|-------------|-----------|
|                              | %           | Value Rs. | %           | Value Rs. |
| i) RAW MATERIALS :           |             |           |             |           |
| Imported                     | 22.78       | 17,447    | 29.26       | 24,628    |
| Indigenous                   | 77.22       | 59,137    | 71.74       | 59,546    |
|                              | 100.00      | 76,584    | 100.00      | 84,174    |
| ii) STORES & SPARES PARTS :  |             |           |             |           |
| Imported                     | Nil         | Nil       | Nil         | Nil       |
| Indigenous                   | 100.00      | 1,680     | 100.00      | 1,276     |
|                              | 100.00      | 1,680     | 100.00      | 1,276     |
| iii) DYES & CHEMICALS ETC. : |             |           |             |           |
| Imported                     | Nil         | Nil       | Nil         | Nil       |
| Indigenous                   | 100.00      | 7,698     | 100.00      | 59,50     |
|                              | 100.00      | 7,698     | 100.00      | 59,50     |

10. Expenditure in foreign currency during the year on account of Travelling expenses Rs. NIL (Previous Year Rs. NIL)

11. CIF Value of imports of Raw materials Rs.107,40 thousands (Previous Year Rs. 157,93 thousands)

12. Remittance in Foreign Currency on account of Dividend Rs. NIL (Previous Year Rs. NIL)

13. Earnings in foreign exchange on account of Exports Rs. NIL (Previous Year Rs. NIL)

14. Related party disclosures:

**I. List of related parties:**
**A) Director:**

- |                           |                   |
|---------------------------|-------------------|
| a) Shri Manoj R. Patel    | Managing Director |
| b) Shri Rajeev R. Patel   | Wholtime Director |
| c) Smt. Laxmiben J. Patel | Director          |

**B) Other related parties:**

- |                                     |                                 |
|-------------------------------------|---------------------------------|
| a) M/S Polycone Paper Ltd.          | Common key management personnel |
| b) M/S Laj Investments Private Ltd. | Common key management personnel |

| II. Transaction with related parties: |  | Amount (Rs.)<br><u>2006-2007</u> | Amount (Rs.)<br><u>2005-2006</u> |
|---------------------------------------|--|----------------------------------|----------------------------------|
| 1                                     | Remuneration to Shri Manoj R. Patel                  | 1,80,000                         | 1,80,000                         |
| 2                                     | Additional Loan taken from Shri Manoj R. Patel       | 24,66,000                        | 50,60,001                        |
| 3                                     | Remuneration to Shri Rajeev R. Patel                 | 1,80,000                         | 1,80,000                         |
| 4                                     | Interest on Loan to Shri Rajeev R. Patel             | 80,351                           | 72,431                           |
| 5                                     | Additional Loan taken from Shri Rajeev R. Patel      | 5,90,000                         | 3,30,000                         |
| 6                                     | Interest on Loan to Smt. Laxmiben J. Patel           | 1,42,907                         | 1,71,731                         |
| 7                                     | Additional Loan taken from Smt. Laxmiben J. Patel    | 29,20,000                        | 12,43,000                        |
| 8                                     | Interest on Loan to Laj Investments Private Limited  | 90,817                           | 1,22,928                         |
| 9                                     | Additional Loan from Laj Investments Private Limited | 1,05,437                         | 5,21,251                         |
| 10                                    | Loan taken from M/S. Polycone Paper Limited.         | 20,00,000                        | 20,00,000                        |

| III. Outstanding Balances |                                      | Amount (Rs.)<br><u>2006-2007</u> | Amount (Rs.)<br><u>2005-2006</u> |
|---------------------------|--------------------------------------|----------------------------------|----------------------------------|
| 1                         | Shri Manoj R. Patel                  | 3,50,87,585                      | 3,32,52,483                      |
| 2                         | Shri Rajeev R. Patel                 | 24,40,308                        | 17,78,153                        |
| 3                         | Shri Laxmiben J. Patel               | 64,06,330                        | 35,39,189                        |
| 4                         | M/S. Laj Investments Private Limited | 23,76,688                        | 22,71,251                        |
| 5                         | M/S. Polycone Paper Limited.         | 20,00,000                        | 20,00,000                        |

15. In view of the uncertainty of availment of tax benefit on accumulated business losses and unabsorbed depreciation, the company has not considered any deferred tax assets as required to be disclosed under Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

16. Earnings Per Share :

|  | 2006-2007   | 2005-2006    |
|--|-------------|--------------|
| Profit / (Loss) (In Rupees)                              | (79,82,169) | (130,86,615) |
| Weighted average number of equity shares outstanding     | 22,81,450   | 22,81,450    |
| Basic and diluted Earning / (Loss) per share (In Rupees) | ( 3.50 )    | ( 5.74 )     |

17. The Company operates only in one business segment. In view of this, no separate disclosure is required under AS - 17.

18. Previous year's figures have been regrouped, rearranged and reclassified wherever necessary to make them comparable with those of current year.

**19. STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**  
**Balance Sheet abstract and Company's General Business Profile**

**1. Registration Details**

Registration No.

State Code

Balance Sheet Date     
 Date Month Year

**2. Capital raised during the year (Amount in Rs. Thousands)**

Public Issue

Rights Issue

Bonus Issue

Private Placement

**3. Position of Mobilisation and deployment of Funds (Amount in Rs. Thousands)**

Total Liabilities

Total Assets

**Sources of Funds**

Paid Up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans/Differed Loan

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Accumulated Losses

**4. Performance of the Company (Amount in Rs. Thousands)**

Total Income

□ \* 1 4 8 2 6 7

Total Expenditure

□ 1 4 8 8 0 1

Profit / (Loss) before Tax

□ □ □ □ (5 3 4)

Profit / (Loss) after Tax

□ □ □ (7 9 8 2)

Earnings/(Loss) per Share (Rs.)

(3.50)

Dividend Rate (%)

NIL

\*including Other Income

**5. Generic Names of Two Principal Products/Services of the Company (as per Monetary Terms)**

Item Code No. (ITC Code)

0 0 0 0 0 0 0 0 0 0 0 0 4 7 0 7 9 0 0 0

Product Description

P A P E R & P A P E R B O A R D

**SIGNATURE TO SCHEDULE 1 TO 14**

As per our Audit Report of even date attached

For **VAPI PAPER MILLS LTD.**

**M. G. Patel**

Proprietor

For and on behalf of

**MANUBHAI G. PATEL & CO.,**

Chartered Accountants

**Prakash Kotak**

Company Secretary

**Manoj R. Patel**

Managing Director

**Rajeev. R. Patel**

Director

Ahmedabad

Dated: 1<sup>st</sup> August, 2007

Mumbai

Dated: 31<sup>st</sup> July, 2007

**CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH, 2007**

|   | (Rupees in Thousands) |                 |
|---|-----------------------|-----------------|
|   | 2006-2007             | 2005-2006       |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>        |                       |                 |
| Net Loss before Tax & Extra Ordinary Items :          | (646)                 | (5,000)         |
| Adjustments for:                                      |                       |                 |
| Depreciation  | 7,073                 | 7,278           |
| Provision for Fringe Benefit Tax.                     | 112                   | 117             |
| (Profit) / Loss on sale of Assets.                    | 47                    | (1,941)         |
| Interest Charged to Profit and Loss Account.          | 4,220                 | 3,571           |
| Dividend Income                                       | (16)                  | (20)            |
| Sundry Balance written back                           | (12)                  | (372)           |
|   | <b>11,424</b>         | <b>8,633</b>    |
| Operating Profit before Working Capital Changes       | 10,778                | 3,633           |
| Adjustments for :-                                    |                       |                 |
| Trade and Other Receivables                           | 2,631                 | (2,488)         |
| Inventories   | (803)                 | (1,395)         |
| Loans & Advances                                      | (852)                 | 992             |
| Current Liabilities                                   | (2,922)               | (13,462)        |
| Provision for gratuity                                | 440                   | 441             |
| Provision for excise duty                             | 49                    | -               |
| (Increase) / Decrease in Net Current Assets           | (1,458)               | (15,912)        |
| Cash Generated from Operations                        | 9,320                 | (12,279)        |
| Cash Flow before Extraordinary Items                  | 9,320                 | (12,279)        |
| Prior period Adjustments                              | (7,336)               | (3,683)         |
| <b>Net Cash from / (used in) Operating Activities</b> | <b>1,984</b>          | <b>(19,533)</b> |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>         |                       |                 |
| Dividend Received                                     | 16                    | 20              |
| Purchase of Fixed Assets                              | (3,554)               | (7,075)         |
| Purchase of Investments                               | -                     | (100)           |
| Sale of Fixed Assets                                  | 1,354                 | 2,200           |
| <b>Net Cash used in Investing Activities</b>          | <b>(2,184)</b>        | <b>(4,955)</b>  |
|   |                       | (Contd....)     |



**CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH, 2007**

|   | (Rupees in Thousands) |               |
|---|-----------------------|---------------|
|   | 2006-2007             | 2005-2006     |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>         |                       |               |
| Loans Borrowed (Net of Repayment)                     | 3,936                 | 22,883        |
| Interest Paid   | (4,220)               | (3,571)       |
| <b>Net Cash from / (used in) Financing Activities</b> | <b>(284)</b>          | <b>22,883</b> |
| Net Increase in Cash and Cash Equivalents             | (485)                 | (1,605)       |
| Opening Cash and Cash Equivalents.                    | 851                   | 2,456         |
| Closing Cash & Cash Equivalents.                      | 366                   | 851           |

As per our Audit Report of even date attached

 For **VAPI PAPER MILLS LTD.**

**M. G. Patel**  
 Proprietor  
 For and on behalf of  
**MANUBHAI G. PATEL & CO.,**  
 Chartered Accountants

**Manoj R. Patel**  
 Managing Director

Ahmedabad  
 Dated : 1<sup>st</sup> August, 2007



## Vapi Paper Mills Limited

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

### ATTENDANCE SLIP

| Name/s of the Shareholder/s or Proxy<br>(IN BLOCK LETTERS) | Regd. Folio No. | No. of Shares held |
|--|-----------------|--------------------|
| <br><br><br><br><br>                                       |                 |                    |

I/We hereby record my/our presence at the 33<sup>rd</sup> ANNUAL GENERAL MEETING of the Company held at 213, Udyog Mandir No.1, 2nd Floor, 7/C, Pitamber Lane, Mahim (W), Mumbai - 400 016 on Friday, the 28th September 2007 at 3.00 p.m.

SIGNATURE(S) OF THE ATTENDING MEMBER(S) OR PROXY :

- Notes :**
1. Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand over at the entrance duly signed.
  2. Shareholder/Proxyholder desiring to attend the meeting should bring this copy of the Annual Report for reference at the meeting.



## Vapi Paper Mills Limited

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

### PROXY FORM

I/We \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_ being Member/Members of Vapi Paper Mills Limited.  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
or failing him \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to attend and vote for me/us on my/our behalf at the 33rd Annual General Meeting of the Company to be held on Friday, the 28th September 2007 at 3.00 p.m. at the Registered Office of the Company or at any adjournment thereof.

Regd. Folio No. \_\_\_\_\_ Shares held \_\_\_\_\_

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

Signature \_\_\_\_\_

Affix  
Rs. 1/-  
Revenue  
Stamp

**Note :** The form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.

**BOOK-POST**

If undelivered please return to:

**VAPI PAPER MILLS LIMITED**

Regd. Office :

213, Udyog Mandir No. 1, 2nd Floor,

7/C, Pitamber Lane, Mahim (West)

Mumbai 400 016.

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