

34<sup>th</sup> ANNUAL REPORT

2007-2008

VAPI PAPER MILLS LIMITED

## NOTICE

NOTICE is hereby given that the 34<sup>th</sup> 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, 2<sup>nd</sup> Floor, 7/C Pitamber Lane, Mahim (West), Mumbai – 400 016. on Monday, the 29<sup>th</sup> September, 2008 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, 2008.
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.

### AS SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to the provisions of Section 198,269,309,311,316, Schedule XIII and other application provisions, if any, of the Companies Act, 1956 and subject to limits laid down under aforesaid Sections/Schedules XIII, the consent of the members be and is hereby given for re-appointment of Shri Manoj R. Patel as 'Managing Director' of the Company for a further period of 5 years with effect from 14th August, 2008 upon the terms and conditions and payment of remuneration as set out in the Explanatory Statement attached to this Notice."

"RESOLVED FURTHER THAT Shri Manoj R. Patel, Managing Director be in charge of general management of the company within the provisions of Articles of Association but subject to superintendence, control and direction of the Board of Directors."

"RESOLVED FURTHER THAT the Shri Manoj R. Patel, Managing Director , will be a non-rotational Director and shall not be liable to retire by rotation during his term as a Managing Director."

"RESOLVED FURTHER THAT the Shri Manoj R. Patel, Managing Director shall be entitled to reimbursement of all expenses incurred for the purpose of business of the company and shall not be entitled to any sitting fees for attending meeting of the Board of Directors and Committee(s) thereof."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to alter and vary such terms of re-appointment and remuneration so as not to exceed the limits specified in Schedule XIII and other applicable Sections of the Companies Act, 1956 or any statutory modifications thereof as may be agreed to by the Board of Directors and Shri Manoj R. Patel."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to an Committee of Directors."

By order of the Board



Manoj R. Patel  
Managing Director

Place : Mumbai  
Dated : 3<sup>rd</sup> September, 2008

**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 Monday , the 22<sup>nd</sup> September, 2008 to Monday , the 29<sup>th</sup> September, 2008 (both days inclusive) for the purpose of Annual General Meeting.
3. The relative Explanatory Statement pursuant to Section 173 (2) of the companies Act, 1956 in respect of special business set out under item 4 is annexed hereto.
4. 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.
5. 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.
6. The Company has been allotted ISIN No. INE464D01014. Members are requested to approach their DPs for dematerialisation of equity shares of the Company.

**ANNEXURE TO THE NOTICE**

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

**ITEM NO.4**

Mr. Manoj R. Patel was appointed as Managing Director of the Company with effect from 14<sup>th</sup> August, 2003 for a period of 5 years and his term of office expired on 13<sup>th</sup> August, 2008. Having regard to his wide knowledge, experience and services rendered to the Company, the Board of Directors at its meeting held on 18<sup>th</sup> August, 2008 reappointed Mr. Manoj R. Patel as Managing Director of the Company for a further period of 5 years with effect from 14<sup>th</sup> August, 2008. The abstract of terms and conditions of the re-appointment of Mr. Manoj R. Patel as Managing Director with memorandum of interest is set out below:

**Period:**

Mr. Manoj R. Patel shall be the Managing Director of the Company for a period of 5 years from 14<sup>th</sup> August, 2008.

As Managing Director, Mr. Manoj R. Patel shall perform such duties and exercise such powers as may from time to time be entrusted to or conferred upon him by the Board, subject to the superintendence, control and direction of the Board.

**Remuneration:**

Period	- 14.08.2008 to 13.08.2013
Salary Scale	- Rs. 20,0000 /- per month. The annual increment shall be decided by the Board of Directors of the Company.
Commission	- As decided by the Board of Directors every year.
Other allowances	- Upto 50% of prevailing salary.
PF/Gratuity/Superannuation Personal Accident Insurance	- As per rules of the Company.
LTA	- As per rules of the Company subject to a maximum of one months's salary.
Medical for self & family	- At actuals
Car	- 1 Car with Driver.
Telephone at residence	- Two nos. including one cellular.
Leave	- As per rules of the Company.

In the event of loss or inadequacy of profits during the currency of tenure of the Managing Director, he shall be entitled to receive a total monthly remuneration including allowances, perquisites etc. not exceeding Rs.20000/- or such other limit as may be prescribed by the Central Government from time to time as minimum remuneration.

The re-appointment and the remuneration payable to Mr. Manoj R. Patel requires the approval of members of the Company in the General meeting. The above re-appointment of Mr. Manoj R. Patel on terms proposed also satisfy the conditions laid down in Schedule XIII of the Act and steps are being taken for necessary compliance under the Act. The Resolution set out under Item 4 of the convening notice has to be considered accordingly and the Board recommends the same.

Mr. Manoj R. Patel who is concerned or interested in the resolution concerning his re-appointment and remuneration, Mr. Rajeev R. Patel and Smt. Laxmiben J. Patel relatives of Mr. Manoj R. Patel are concerned or interested in the resolution. This may also be regarded as an abstract of the terms of re-appointment of Mr. Manoj R. Patel as Managing Director of the Company and Memorandum of Interest under Section 302 of the Act.

By Order of the Board



Manoj R. Patel  
Managing Director

PLACE: Mumbai  
DATED: 3<sup>rd</sup> September, 2008

## DIRECTORS' REPORT

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

Your Directors have pleasure in presenting the 34<sup>th</sup> Annual Report of the Company together with Audited statement of Accounts for the year ended 31<sup>st</sup> March, 2008.

### 1. FINANCIAL RESULTS :

	(Rupees in Lacs)	
	2007-08	2006-07
	=====	=====
Net Sales and Other Income	1427.46	1492.13
Gross Profit / (Loss)	(301.79)	(65.39)
Less: Depreciation	74.37	70.73
Profit / (Loss) before Tax	(227.42)	(5.34)
Add : Provision for Fringe Benefit Tax	1.05	1.12
Net Profit / (Loss) After Tax	(228.47)*	(6.46)
Add: Extra Ordinary Items	63.55	73.36
Net Profit / (Loss) After Tax & Extra Ordinary Items	(292.02)	(79.82)
Add : Balance of Profit/(Loss) brought forward	(204.40)	(124.58)
Surplus available for Appropriations:	(496.42)	(204.40)
a) Proposed Dividend	-	-
b) Tax on Dividend	-	-
Surplus / (Deficit) carried to Balance Sheet	(496.42)	(204.40)
	=====	=====

### 2. DIVIDEND:

The Directors do not recommend any Dividend on Equity Shares for the year ended 31<sup>st</sup> March, 2008.

### 3. OPERATIONS:

During the year, Company has achieved a Production of 9,534 MT against Production of 11,080 MT in previous year. The Gross-turnover during the year was Rs.15.72 Crores against Rs.16.57 Crores in the previous year.

### 4. FIXED DEPOSITS:

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

## **5. DIRECTORS:**

The term of the office of Mr. Manoj R. Patel as 'Managing Director' of the Company expired on 13<sup>th</sup> August 2008. At the meeting of the Board of Director held on 18<sup>th</sup> August, 2008, he has been re-appointed as 'Managing Director' for five years w.e.f. 14<sup>th</sup> August, 2008 subject to approval by membes at the ensuing Annual General Meeting.

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, Plant and Machineries, Stocks 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 G. PATEL & CO., the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from them certifying that their 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. 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.

## 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. 4 (b) of Schedule 15) 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 and your Directors are confident that such irregularity shall not happen during the current year.

For and on behalf of the Board



Manoj R. Patel  
Managing Director



Rajeev R. Patel  
Director

Place : Mumbai  
DATED : 18<sup>th</sup> August, 2008

**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 :**

	<b>Current Year ended 31<sup>st</sup> March, 2008</b>	<b>Previous Year ended 31<sup>st</sup> March, 2007</b>
<b>1. POWER AND FUEL CONSUMPTION</b>		
<b>a) Electricity</b>		
1) Purchased units (KWH in thousands)	4224.93	4752.91
Total amount (Rs. in Lacs)	197.36	211.27
Rate / Unit (Rs.)	4.67	4.45
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>b) Coal &amp; Lignite ('B' Grade)</b>		
Quantity (M.T.)	4115.00	4188.00
Total Cost (Rs. in Lacs)	132.30	121.92
Average rate (Rs.)	3215.00	2911.00
<b>c) Furnace Oil</b>		
Quantity (Ltrs.)	Nil	Nil
Total amount (Rs.in Lacs )	Nil	Nil
Average rate (Rs. )	Nil	Nil
<b>d) Other / Internal Generation</b>		
	Nil	Nil

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

	<b>Current Year ended 31<sup>st</sup> March, 2008</b>			<b>Previous Year ended 31<sup>st</sup> March, 2007</b>		
	<b>Electricity</b>	<b>Coal &amp; Lignite</b>	<b>Furnance</b>	<b>Electricity</b>	<b>Coal &amp; Lignite</b>	<b>Furnance</b>
	<b>(KWH)</b>	<b>(Kgs)</b>	<b>Oil (Ltr.)</b>	<b>(KWH)</b>	<b>(Kgs)</b>	<b>Oil (Ltr.)</b>
Paper, Paper Board And Paper Pulp (Per tone)	443	432	---	429	378	---



## 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. 68.87
Foreign Exchange used earning	Rs. Nil

For and on behalf of the Board



Manoj R. Patel  
Managing Director



Rajeev R. Patel  
Director

PLACE: Mumbai  
DATED : 18<sup>th</sup> August, 2008

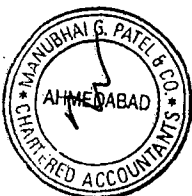
**M.G. PATEL**  
B.Com., LL.B., F.C.A.

2nd Floor, 'B' Wing, Premium House,  
Near Gandhigram Rly. Station, Navrangpura,  
Ahmedabad - 380 009, Gujarat, India  
Phone : 26580956, 26580966, 26582484, 26585064  
Fax : 91-79-26583573  
E-mail : info@manubhaico.com

## 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 2008, 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 "Accounting for Retirement Benefits in the financial statement of employers" in respect of provision for gratuity liability as mentioned in note no. 6 of schedule -15, the effect of the same on loss and liabilities is not ascertainable.*

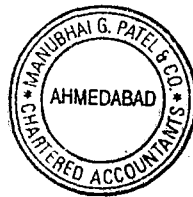


- (v) On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31st March 2008 from being appointed as a director in terms of Clause (g) of sub Section (1) of Section 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. 11,178 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.*
- b) *The Company has not made disclosure relating to (i) information about Micro, Small and Medium enterprises as required by part-1 of Schedule VI to the Companies Act, 1956 (see note no.- 4 (b) of Schedule-15) and (ii) value and quantity of purchase, turnover, opening and closing stock of trading items as required by para 3 (ii) (d) of part 2 of Schedule VI to the Companies Act, 1956.*
- (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, 2008
- (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 G.PATEL & CO.  
CHARTERED ACCOUNTANTS**

**PLACE : AHMEDABAD**

**DATED : 19<sup>th</sup> August,2008**



A handwritten signature in black ink, appearing to read "M. G. Patel".

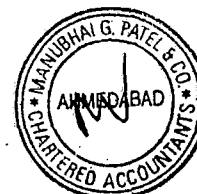
**(M. G. PATEL)  
Proprietor  
Membership No. 4705**

## VAPI PAPER MILLS LIMITED

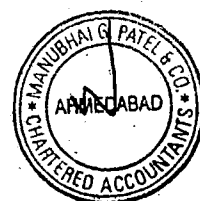
### ANNEXURE TO AUDITORS' REPORT

[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 had taken loan from two companies and six individuals listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 99.05 lacs and the year-end balance of loans taken from such parties was Rs. 578.38 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, The undisputed amounts payable in respect of such dues were in arrears, as at 31<sup>st</sup> March, 2008 for a period of more than six months from the date they became payable as under:
- (b) According to the information and explanation given to us, there are no dues of sale 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 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 *nidhy* 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. -

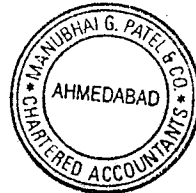



- (xv) We are informed that, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvi) In our opinion, the term loans have 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. 60,070 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.

**For MANUBHAI G.PATEL & CO.  
CHARTERED ACCOUNTANTS**

**PLACE : AHMEDABAD**

**DATED :19<sup>th</sup> August,2008**



  
**(M. G. PATEL)**  
**Proprietor**  
**Membership No. 4705**

**BALANCE SHEET AS AT 31ST MARCH, 2008**

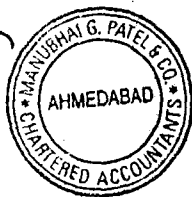
(Rupees in Thousands)

	Schedule	As At 31st March 2008		As At 31st March 2007	
		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	20,372		28,305	
b) Unsecured Loans	4	60,305		50,536	
			80,677		78,841
<b>TOTAL</b>			<b>146,898</b>		<b>145,062</b>
<b>B) APPLICATION OF FUNDS</b>					
1) FIXED ASSETS:					
a) Gross Block	5	176,282		171,689	
Less: Depreciation		96,925		89,935	
Net Block			79,357		81,754
2) INVESTMENTS:					
	6		200		200
3) CURRENT ASSETS, LOANS & ADVANCES					
a) Inventories	7	10,643		11,954	
b) Sundry Debtors		33,359		31,968	
c) Cash & Bank Balances		626		366	
d) Loans & Advances		16,697		16,529	
		61,325		60,817	
Less: CURRENT LIABILITIES AND PROVISIONS					
a) Current Liabilities	8	41,442		16,181	
a) Provisions		2,185		1,968	
		43,627	17,698	18,148	42,668
4) Profit & Loss Account					
	9		49,642		20,440
<b>TOTAL</b>			<b>146,898</b>		<b>145,062</b>
SIGNIFICANT ACCOUNTING POLICIES	14				
NOTES TO ACCOUNTS	15				

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

For VAPI PAPER MILLS LIMITED

*M. G. Patel*



**M. G. Patel**  
Proprietor  
For and on behalf of **MANUBHAI G. PATEL & CO.,**  
Chartered Accountants  
Ahmedabad  
Dated: 19th August, 2008

*Prakash Kotak*  
**Prakash Kotak**  
Company Secretary

*Manoj R. Patel*

**Manoj R. Patel**  
Managing Director

*Rajeev R. Patel*

**Rajeev R. Patel**  
Director  
Mumbai  
Dated: 18th August, 2008

VAPI PAPER MILLS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rupees in Thousands)

	Schedule	For the Year Ended		For the Year Ended 31st	
		31st March 2008.	31st March 2007.	Rs.	Rs.
<b>A) INCOME</b>					
1) Sales	10	157,181		165,695	
Less : Excise Duty		15,322		17,087	
Net Sales		141,859		148,608	
2) Other Income	11	887		605	
3) Accretion/(Decretion) to Stock	12	(1,074)		(946)	
<b>TOTAL</b>			<b>141,672</b>		<b>148,267</b>
<b>B) EXPENDITURE</b>					
1) Manufacturing and Other Expenses	13	152,506		137,507	
2) Interest		4,471		4,220	
3) Depreciation		7,437		7,073	
<b>TOTAL</b>			<b>164,414</b>		<b>148,801</b>
Loss for the year before tax & prior period adjustment.			22,742		534
Add : Provision for fringe benefit tax			105		112
Loss after taxation & before prior period adjust.			22847		646
Add : Prior Period Adjustments		5,989		7,336	
Prior Period Depreciation		366		-	
			6,355		7,336
Loss for the year after tax & prior period adjustments.			29,202		7,982
Add : Balance of Loss Brought Forward			20,440		12,458
Balance of Loss carried to Balance Sheet			49,642		20,440
Basic and diluted Loss Per Share (Refer Note 18 in Schedule 15)			12.80		3.50
SIGNIFICANT ACCOUNTING POLICIES	14				
NOTES TO ACCOUNTS	15				

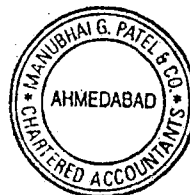
This is the Balance Sheet referred to in our report of even date

For VAPI PAPER MILLS LIMITED

*M. G. Patel*

M. G. Patel  
Proprietor  
For and on behalf of MANUBHAI G. PATEL & CO.,  
Chartered Accountants  
Ahmedabad  
Dated: 19th August, 2008

Prakash Kotak  
Company Secretary



*Manoj R. Patel*

Manoj R. Patel  
Managing Director

*Rajeev R. Patel*

Rajeev R. Patel  
Director  
Mumbai  
Dated: 18th August, 2008



VAPI PAPER MILLS LIMITED  
CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET  
FOR THE YEAR ENDED ON 31st MARCH, 2008

	PARTICULARS	(Rs. In Thousands)	
		2007-2008 Amount Rs.	2006-2007 Amount Rs.
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
	Net Loss before Tax & Extra Ordinary Items:	22,848	646
	Adjustments for:		
	Depreciation	7,437	7,073
	Provision for Fringe Benefit Tax.	105	112
	(Profit) / Loss on sale of Assets.	(246)	47
	Interest Charged to Profit and Loss Account.	4,471	4,220
	Dividend Income	(15)	(16)
	Sundry Balance written back	718	(12)
		<b>12,470</b>	<b>11,424</b>
	Operating Profit before Working Capital Changes	<b>(10,377)</b>	<b>10,778</b>
	Adjustments for :-		
	Trade and Other Receivables	(2,110)	2,631
	Inventories	1,312	(803)
	Loans & Advances	(171)	(852)
	Current Liabilities	25,264	(2,922)
	Provision for gratuity	440	440
	Provision for excise duty	(329)	49
	(Increase) / Decrease in Net Current Assets	<b>24,406</b>	<b>(1,458)</b>
	Cash Generated from Operations	<b>14,029</b>	<b>9,320</b>
	Cash Flow before Extraordinary Items	<b>14,029</b>	<b>9,320</b>
	Prior period Adjustments	(5,989)	(7,336)
	Net Cash from / (used in) Operating Activities	<b>8,040</b>	<b>1,984</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
	Dividend Received	15	16
	Purchase of Fixed Assets	(5,495)	(3,554)
	Purchase of Investments	-	-
	Sale of Fixed Assets	337	1,354
	Net Cash used in Investing Activities	<b>(5,143)</b>	<b>(2,184)</b>
<b>C.</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
	Loans Borrowed (Net of Repayment)	1,835	3,936
	Interest Paid	(4,471)	(4,220)
	Net Cash from / (used in) Financing Activities	<b>(2,636)</b>	<b>(284)</b>
	Net Increase in Cash and Cash Equivalents	260	(485)
	Opening Cash and Cash Equivalents.	366	851
	Closing Cash & Cash Equivalents.	626	366

- Notes:**
- (i) Cash and Cash Equivalents represent Cash and Bank balances only.
  - (ii) Bank Overdraft and other short term loans have been treated as part of financing activity.
  - (iii) Previous years figures have been recast / restated wherever necessary.

As per pur report of even date,

For VAPI PAPER MILLS LIMITED

*M.G. Patel*

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



*Prakash Kotak*  
**Prakash Kotak**  
Company Secretary

*M. R. Patel*

**Manoj R. Patel**  
Managing Director

*Rajeev R. Patel*

**Rajeev R. Patel**  
Director

Ahmedabad  
Dated: 19th August, 2008

Mumbai  
Dated: 18th August, 2008

Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2008  
And Profit & Loss Account for the year ended on that date

(Rupees in Thousands)

	2007 - 2008		2006 - 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 1:</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised:</b>				
3000000 Equity Shares of Rs. 10/- each		30,000		30,000
20000 12 % Tax Free Redeemable Cumulative Preference				
Shares of Rs. 100/- each redeemable at par at any time		2,000		2,000
		<u>32,000</u>		<u>32,000</u>
<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		22,815		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>		<u>22,815</u>		<u>22,815</u>
<b>SCHEDULE 2:</b>				
<b>RESERVES &amp; SURPLUS</b>				
Securities Premium Account		43,406		43,406
(As per last Balance Sheet)				
General Reserve:				
As per last Balance Sheet	23,988		23,988	
Less: Deducted from Debit Balance in Profit and Loss Account				
(As per Contra)	<u>23,988</u>		<u>23,988</u>	
<b>TOTAL</b>		<u>43,406</u>		<u>43,406</u>
<b>SCHEDULE 3:</b>				
<b>SECURED LOANS</b>				
From The Zoroastrian Co-Op bank Ltd.				
Working Capital term loan		2,908		9,894
Cash Credits		17,464		17,502
Term Loan				909
(Secured by Hypothecation of Electro Static Percipitator)				
( Working Capital Term Loan and Cash Credits from The				
Zoroastrian Co-Op Bank Ltd. are secured by				
i) Mortgage executed in favour of said bank by deposit of title deeds				
of immovable property of the company situated at 298-301, GIDC				
Industrial area, vapi -396195, Gujarat, both present and future.				
ii) First charge by way of Hypothecation of Current Asstes, such as				
stores spares, raw materials, stock-in- process, finished goods,				
book debts etc. both present and future.				
iii) Personal Guarantees of the Managing Director and Wholetime				
Director.)				
<b>TOTAL</b>		<u>20,372</u>		<u>28,305</u>
<b>SCHEDULE 4:</b>				
<b>UNSECURED LOANS</b>				
Fixed Deposits		59,672		50,335
(Including Rs. 52,991 thousands from Directors)				
(Previous year Rs. 43,734 thousands)				
Interest accrued and due on Fixed Deposits		632		200
<b>TOTAL</b>		<u>60,305</u>		<u>50,536</u>



**SCHEDULE 5 :  
FIXED ASSETS**

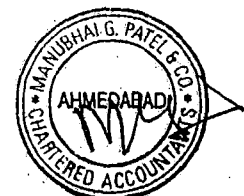
( Rupees In Thousands)

Sr. No.	Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2007	Additions During the year	Sales/ Transfer During the year	As at 31.03.2008	Provided up to 31.03.2007	Provided During the year	Sales/ Transfer During the year	Total upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
		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	11,846	0	0	11,846	8,071	358	0	8,429	3,416	3,775
3	Plant & Machinery	152,805	5,495	902	157,398	75,987	7,289	812	82,464	74,935	76,818
4	Office Equipments	4,868	0	0	4,868	4,608	58	0	4,666	202	260
5	Fixtures	708	0	0	708	640	12	0	652	56	68
6	Vehicles	956	0	0	956	629	85	0	714	242	327
	<b>TOTAL</b>	<b>171,689</b>	<b>5,495</b>	<b>902</b>	<b>176,282</b>	<b>89,935</b>	<b>7,802</b>	<b>812</b>	<b>96,925</b>	<b>79,357</b>	<b>81,754</b>
	<b>PREVIOUS YEAR</b>	<b>171,144</b>	<b>3,554</b>	<b>3,009</b>	<b>171,689</b>	<b>84,471</b>	<b>7,072</b>	<b>1,608</b>	<b>89,935</b>	<b>81,754</b>	<b>-</b>



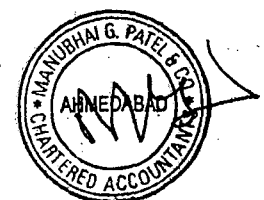
And Profit & Loss Account for the year ended on that date (contd.)

		(Rupees in Thousands)			
		2007 - 2008		2006 - 2007	
		Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 6:</b>					
<b>INVESTMENTS ( at cost)</b>					
<b>A) IN TRUST SECURITIES</b>					
(Quoted at cost)					
	100			100	
10000 Units of Rs. 10/- each fully paid up of Unit Trust of India Scheme Master Gain - 92 (Prev. year 10000 Units)		100			100
<b>B) IN FULLY PAID UP SHARES, OTHER THAN TRADE</b>					
	100			100	
The Zoroasterian Co-op Bank Ltd. 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>					
<b>1) Inventories</b>					
(As valued & certified by Managing Director)					
Stores, Spares Parts, etc.	3,806			4,147	
Stock-in-Trade :-					
Raw Materials	2,021			1,918	
Finished goods	1,360			2,304	
Stock in process	3,455			3,585	
			10,643		11,954
<b>2) Sundry Debtors</b>					
(Unsecured considered Good)					
Due for more than six months	11,342			10,871	
Others	22,017			21,097	
			33,359		31,968
<b>3) Cash &amp; Bank Balance</b>					
Cash on hand	399			130	
With Scheduled Banks					
In Current Accounts	211			220	
In Margin Accounts	16			16	
			626		366
<b>4) Loans &amp; Advances</b>					
(Unsecured, considered good)					
a) Loans	10,691			10,691	
b) Advances recoverable in cash or in kind or for value to be received	1,375			1,764	
c) Advance to Staff	309			374	
d) Sundry Deposits (Deposits with Govt. Dept., Public Authorities and others)	2,669			1,707	
e) Advance Income Tax	653			993	
f) Share Application Money	1,000			1,000	
			16,697		16,529
<b>TOTAL</b>		<b>61,325</b>		<b>60,817</b>	



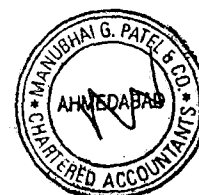
Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2008  
And Profit & Loss Account for the year ended on that date (contd.)

(Rupees in Thousands)				
	2007 - 2008		2006 - 2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 8:</b>				
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
<b>A) CURRENT LIABILITIES</b>				
Sundry Creditors				
Due to Micro, Small, Medium Enterprises				
Other Creditors	10,013		7,577	
Advance against Land Sale	20,000		-	
Trade Deposits	2,086		2,823	
Other Current Liabilities	9,343		5,781	
		41,442		16,181
<b>B) PROVISIONS</b>				
Taxation	335		230	
Excise Duty	-		329	
Gratuity	1,850		1,410	
		2,185		1,968
<b>TOTAL</b>		<b>43,627</b>		<b>18,148</b>
<b>Note: No amount is due and outstanding as on March 31st, 2008 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		20,440		12,458
Add : Loss for the year (As per Contra)		29,202		7,982
		<b>49,642</b>		<b>20,440</b>
<b>SCHEDULE 10 :</b>				
<b>SALES</b>				
<b>SALES : PAPER DIVISION</b>				
Sales		149,723		164,948
Less : Excise Duty (after deducting Excise on opening stock)		15,026		17,087
Net Sales		<b>134,697</b>		<b>147,861</b>
<b>SALES :ENGINEERING DIVISION</b>				
Sales Manufacturing		4,393		-
Less : Excise Duty		295		-
Net Sales		<b>4,098</b>		-
Sales Trading		2,341		747
<b>MISCELLANEOUS SALES</b>		<b>724</b>		-
<b>NET SALES TOTAL</b>		<b>141,859</b>		<b>148,608</b>
<b>SCHEDULE 11:</b>				
<b>OTHER INCOME</b>				
Transit Insurance on Sale of Goods		133		205
Other Miscellaneous Income		245		12
Interest & Finance charges received ( Gross ) ( Tds Deducted Rs.30 Thousand, P.Y. Rs.56 Thousand )		136		368
Dividend received (Gross)		15		16
Interest on refund of Income Tax		11		3
Excess Provision for Bonus earlier year write off		101		-
Profit on sale of Plant & Machinery		246		-
<b>TOTAL</b>		<b>887</b>		<b>605</b>



\* Schedules Annexed to and Forming Part of the Balance Sheet as at 31st March, 2008  
And Profit & Loss Account for the year ended on that date (contd.)

		(Rupees in Thousands)			
		2007 - 2008		2006 - 2007	
		Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 12:</b>					
<b>ACCRETION / (DECRETION) TO STOCK OF FINISHED GOODS AND STOCK-IN-PROCESS.</b>					
Opening Stock					
Finished Goods		2,304		3,663	
Stock-in-process		<u>3,585</u>		<u>3,172</u>	
			5,889		6,835
Closing Stock					
Finished Goods		1,360		2,304	
Stock-in-process		<u>3,455</u>		<u>3,585</u>	
			4,815		5,889
ACCRETION / (DECRETION) TO STOCK			<u>(1,074)</u>		<u>(946)</u>
<b>SCHEDULE 13:</b>					
<b>MANUFACTURING AND OTHER EXPENSES</b>					
Raw material consumed			84,947		76,584
Consumption of Dyes and Chemicals			7,903		7,698
Consumption of Stores and Spare Parts			5,867		1,680
Consumption of Packing Material			571		556
Power & Fuel			32,966		33,386
Employees Remuneration & Benefits					
Wages, Salaries, Bonus etc.		7,643		7,466	
Contribution to Gratuity Fund		915		817	
Contribution to Provident & Other Funds		884		821	
Staff Welfare Expenses		<u>267</u>		<u>315</u>	
			9,709		9,420
Water Charges			1,212		889
Rent & Hire Charges			891		795
Insurance Other			104		169
Rates, Taxes & Fees			492		154
Repairs & Maintenance to:					
Plant & Machinery		941		796	
Other Assets		<u>154</u>		<u>131</u>	
			1,095		927
Commission on Sales			1,227		1,661
Travelling & Conveyance			335		261
Vehicle Expenses			364		576
Legal Charges & Professional Fees			1,138		844
Remuneration to Directors			480		360
Loss on Sale of Assets			-		47
Sundry Exps (including Printing & Stationery, Purchase Tax, Telephone, Bank chgs, Security Expenses etc.)			3,203		1,501
TOTAL			<u>152,506</u>		<u>137,507</u>



## **SCHEDULE – 14:**

### **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 Elements :**

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 / materialized.

#### **3. Revenue Recognition :**

All income and expenses are recognised and accounted on accrual basis, except interest on loans which is accounted on cash basis as there is uncertainty of realization.

#### **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 realizable value. For this purpose 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.

- (a) Transactions in foreign currencies are recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.
- (b) Monetary items which are denominated in foreign currency are translated at the exchange rates prevailing at the Balance Sheet date and profit/ loss on translation thereon is credited or charged to the Profit and Loss account.

## 9. Sales:

Sales comprise of sales of goods and are inclusive of excise duty but it excludes sales tax and other charges received.

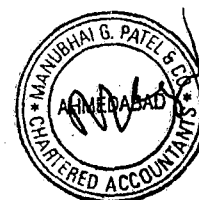
## 10. Employees Benefits:

Company's contributions to Provident Fund and Family Pension Scheme are charged to Profit & Loss Account on accrual basis.

- i. The company does not offer leave encashment benefits. Bonus is accounted on declaration.
- ii. The liability on account of Gratuity is accounted on the basis of actuary's certificate.
- iii. The company's contribution to Provident Fund and ESIC are charged to Profit & Loss account.

## 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.

A provision is recognized when there is present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

A disclosure for a contingent liability is made when there is a possible or present obligation that may but probably will not require an outflow of resources. When there is a possible obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 14. General:

Accounting Policies not specifically referred to are consistent with generally accepted accounting practice.

## 15. Earning per share

The basic earning per share is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the reporting period.

## 16. Leases:

Assets taken various residential premises for workers on leave and license basis, under which all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Operating leases payments are recognized as expense in the Profit and Loss Account on a straight- line basis over the lease term



**VAPI PAPER MILLS LIMITED**

**Schedules forming part of accounts**

**SCHEDULE – 15:**

**NOTES TO ACCOUNTS**

**1. Contingent Liabilities:**

(Rs. in thousands)

Particulars	2007-2008	2006-2007
Guarantees issued by bank on behalf of Company	16	16

**2. Capital Commitment:**

Estimated amount of contracts remaining to be executed on capital account and not provided for are Rs. Nil (Previous Year Rs. Nil)

3. 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.

4. a) Balance of Creditors, Debtors, Loans & Advances are subject to confirmation by the parties.

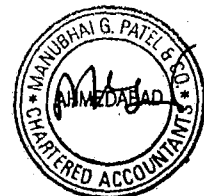
b) The management has initiated the process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of Micro and Small Enterprises, as defined under Micro, Small and Medium enterprises development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31.3.2008 has been not made in the financial statements based on information received and available with the company. Further, in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material.

**5. a) Managing Director & Executive Director Remuneration Includes :**

(Rs. in thousands)

Particulars	2007-2008	2006-2007
Salaries	480	360
Contribution to Provident Fund	19	19
<b>TOTAL</b>	<b>499</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.
6. The Company has setup Gratuity Fund for future payment of retirement gratuities of employees. The company has not ascertained 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 on the basis of estimate made by the management.
7. **Sundry Expenses include Auditors' Remuneration as follows:**

(Rs. in thousands)

Particulars	2007-2008	2006-2007
Audit Fees	39	39
<i>In other Capacity</i>		
For Tax Audit	11	10
Taxation Matters	11	10
Reimbursement of Traveling Expenditure	32	31
<b>TOTAL</b>	<b>93</b>	<b>90</b>

8. Interest paid includes Rs.346 thousands (Previous year Rs. 223 thousands) paid to Directors.
9. No provision for Income Tax has been made in view of losses during the year.
10. Quantitative and Turnover information:

**A) Particulars regarding capacities and production:**

(i) Licensed: License is not required under the Industries (Development & Regulation) Act.

**(ii) Installed Capacity (As Certified by Management):**

CLASS OF GOODS	2007-2008 M.T.	2006-2007 M.T.
Paper and Paper Board (As per DGTD Registration)	15,000	15,000

**(iii) Production:**

CLASS OF GOODS	2007-2008 M.T.	2006-2007 M.T.
Paper and Paper Board (As per DGTD Registration)	9,534	11,080



**B) Particulars regarding Opening Stock, Closing Stock, Sales of Finished goods**

(Rs. in thousands)

Sr. No.	Particulars	Unit	2007-2008		2006-2007	
			Quantity	Value Rs.	Quantity	Value Rs.
1	Opening Stock					
	Paper and Paper Board	MT	138	2,304	247	3,663
2	Closing Stock					
	Paper and Paper Board	MT	92	1,360	138	2,304
3	Sales					
	Paper and Paper Board	MT	9,647**	1,49,723	11,315	1,65,695

\*\* Sales quantity includes 67.27 MT of Re-Sale goods.

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

Sr. No.	Particulars	Unit	2007-2008		2006-2007	
			Quantity	Value Rs.	Quantity	Value Rs.
1.	Consumption of Raw Materials					
	Waste Paper	MT	11,033	84,948	12,344	76,584

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

(Rs. in thousands)

PARTICULARS	2007-2008		2006-2007	
	%	Value Rs	%	Value Rs
<b>RAW MATERIAL</b>				
Imported	12.35	10,491	22.78	17,447
Indigenous	87.65	74,456	77.22	59,137
<b>Total</b>	<b>100.00</b>	<b>84,947</b>	<b>100.00</b>	<b>76,584</b>
<b>STORES AND SPARES PARTS</b>				
Imported			Nil	Nil
Indigenous	100.00	5,867	100.00	1,680
<b>Total</b>	<b>100.00</b>	<b>5,867</b>	<b>100.00</b>	<b>1,680</b>
<b>DYES AND CHEMICALS ETC.</b>				
Imported	Nil	Nil	Nil	Nil
Indigenous	100.00	7,903	100.00	7,698
<b>Total</b>	<b>100.00</b>	<b>7,903</b>	<b>100.00</b>	<b>7,698</b>



11. Disclosure for operating leases under Accounting Standard 19 – “Leases”

- (i) The company has given / taken office premises for staff of the company under Lease and license agreements. These are generally not non cancelable and for the period ranging between 11 months of three years under lease and license.
- (ii) Lease income are recognized to Profit and Loss Account under “Rent received” for Rs. 80,803/- (P.Y. Rs. Nil). Lease payments are recognized to Profit and Loss Account under “Rent paid” for Rs. 1,98,600/- (P.Y. Rs. 75,000/-).

12. Expenditure in foreign currency during the year on account of Travelling expenses Rs. 50,880/- (Previous Year Rs. NIL)

13. CIF Value of imports of Raw materials Rs.68,87 thousands (Previous Year Rs. 107,40 thousands)

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

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

16. Related party disclosures:

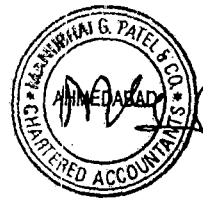
**I. LIST OF RELATED PARTIES:**

**A) Key Management Personnel:**

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

**B) Other Related Parties:**

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



## II. Transaction with related parties:

(Rs. in thousands)

Sr. No.	Particulars	2007-2008	2006-2007
1	Remuneration to Shri Manoj R. Patel	2,40,000	1,80,000
2	Additional Loan taken from Shri Manoj R. Patel	49,05,000	24,66,000
3	Remuneration to Shri Rajeev R. Patel	2,40,000	1,80,000
4	Interest on Loan to Shri Rajeev R. Patel	94,585	80,351
5	Additional Loan taken from Shri Rajeev R. Patel	17,62,000	5,90,000
6	Interest on Loan to Smt. Laxmiben J. Patel	2,51,534	1,42,907
7	Additional Loan taken from Smt. Laxmiben J. Patel	26,55,000	29,20,000
8	Interest on Loan to Laj Investments Private Limited	71,018	90,817
9	Additional loan from Laj Investments Private Limited	0	1,05,437
10	Loan taken from M/S. Polycone Paper Limited.	20,00,000	20,00,000

## III. Outstanding balances as at Balance Sheet date :

(Rs. in thousands)

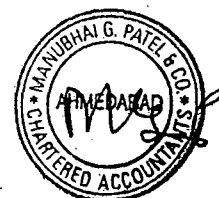
Sr. No.	Particulars	2007-2008	2006-2007
1	Shri Manoj R. Patel	3,99,92,585	3,50,87,585
2	Shri Rajeev R. Patel	40,65,110	23,03,110
3	Shri Laxmiben J. Patel	89,33,000	62,78,000
4	M/S. Laj Investments Private Limited	23,36,688	23,76,688
5	M/S. Polycone Paper Limited.	20,00,000	20,00,000

17. 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.

## 18. Earnings Per Share:

(Rs. in thousands)

Particulars	2007-2008	2006-2007
Loss in Rupees	2,92,02,396	79,82,169
Weighted average number of equity shares outstanding	22,81,450	22,81,450
Basic and diluted loss per share in Rupees	12.80	3.50



19. The Company operates only in one business segment. In view of this, no separate disclosure is required under AS – 17.
20. Previous year's figures have been regrouped, rearranged and reclassified wherever necessary to make them comparable with those of current year.
21. STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

Balance Sheet abstract and Company's General Business Profile

**I. REGISTRATION DETAILS:**

Registration No. 32457

State Code: 11

Balance Sheet Date: 31 - 03 - 2008  
Date Month Year

**II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS):**

Public Issue  
NIL

Bonus Issue  
NIL

Rights Issue  
NIL

Private Placement  
NIL

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS):**

Total Liabilities  
146,898

Total Assets  
146,898

**SOURCES OF FUNDS:**

Paid-up Capital  
22,815

Reserves and Surplus  
43,406

Secured Loan  
20,372

Unsecured Loans  
60,305

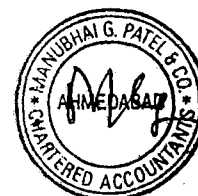
**APPLICATION OF FUNDS:**

Net Fixed Assets  
79,357

Investments  
200

Net Current Assets  
17,698

Accumulated Losses  
49,642



**IV. PERFORMANCE OF COMPANY (AMOUNT IN RS.THOUSANDS)**

Total Income * 141,672	Total Expenditure 164,414
Profit /(Loss) before Tax (22,742)	Profit /(Loss) after Tax (29,202)
Earnings Per Share (In Rs.) (12.80)	Dividend Rate (%) NIL

\* Including Other Income

**V. GENERIC NAMES OF TWO PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (AS PER MONETARY TERMS):**

Item Code No. (ITC Code) 47079000	Production Description Paper & Paper Board
--------------------------------------	---

**SIGNATURE TO SCHEDULES 1 TO 15**

As per our Audit Report of even date attached

For VAPI PAPER MILLS LIMITED



**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 : 19<sup>th</sup> August, 2008

Mumbai  
Dated : 18<sup>th</sup> August, 2008