



ASHOK ALCO-CHEM LIMITED

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ANNUAL REPORT

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11TH ANNUAL REPORT 2002 - 03

BOARD OF DIRECTORS

ASHOK M. KADAKIA

Chairman

PANKAJ M. KADAKIA

Vice Chairman

DR. ANIL M. KADAKIA

Managing Director

MASASHIGE KATSU TAMBE

HARISH C. PANDYA

VIPIN P. SHAH

Alternate to M. K. Tambe

MAJ.GEN.S.V. SHRIKHANDE (Retd.) AVSM

RAJ R. NANGRANI

DR. UMESH S. KULKARNI

DY.GEN.MANAGER-
FINANCE

N. SRINIVASAGOPALAN

BANKERS

DENA BANK

AUDITORS

N. P. PATWA & CO.,
Chartered Accountants, Mumbai.

SOLICITORS

MULLA & MULLA & CRAIGIE BLUNT & CAROE, MUMBAI

REGISTERED OFFICE

406, Sharda Chambers,
33, New Marine Lines, Mumbai - 400 020
Tel. Nos. : 22002236/56, Fax No. : 22009456
E-mail: akadakia@vsnl.com
Internet:http://www.kadakiagroup.com

PLANTS

ACETIC ACID & ETHYL ACETATE UNITS

Plot No.A-22/2/1, Mahad Industrial Area,
Village Kamble, Mahad - 402 301,
Dist: Raigad, Maharashtra

DISTILLERY & BIO-GAS UNITS

Walchandnagar - 413 114
Dist: Pune, MaharashtraSHARE TRANSFER
AGENT

INTIME SPECTRUM REGISTRY LTD.

203, Daver House, 2nd floor,
197/199, Dr. D. N. Road, Next to Central Camera.
Mumbai - 400 001Shree Ganesh Industrial House,
1st floor, 'B' Wing,
W.T. Patil Marg,
Chembur,
Mumbai - 400 071.
E-mail: isrl@vsnl.comC-13, Pannalal Silk Mills Compound,
LBS Marg,
Bhandup (W)
Mumbai - 400 078.
Phones: 2592 3837
Fax: 2567 2693
E-mail: isrl@vsnl.com

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ASHOK ALCO-CHEM LIMITED

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) they have, in the selection of the accounting policies, consulted the Statutory auditors and have 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 viz., March 31, 2003 and of the profit of the company for the year ended on that date;
- iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

AUDITORS REPORT

- 1) Point (5) in the Auditor's Report relating to disqualification of promoter Directors.

The same is due to non payment of NCD instalment in view of the losses incurred by the company. On implementation of Dena Bank's package, the disqualification will be Nil.

- 2) Point 1 in Annexure to Auditor's Report relating to fixed assets
The records showing particulars and situation of fixed assets are being updated.

- 3) Point 12 in Annexure to Auditor's Report relating to cost records.

The company is regularly maintaining its accounts divisionwise and steps have been taken to update the various cost records as per the statutory requirements.

- 4) Point 14 in Annexure to Auditor's Report relating to dues payable.

In view of the current financial position of the company, the said dues are yet to be deposited.

- 5) Note 5 in schedule 19 - Notes on Accounts relating to sales-tax deferment liability.

The amount of sales tax,deferment is falling due in future on various dates and efforts will be made to make payments on the due dates.

CORPORATE GOVERNANCE

As per the amended Listing Agreement with the Stock Exchange, your Company is required to comply with the requirements of Corporate Governance by 31.3.2003. The report on corporate Governance is forming part of this Report and enclosed.

OTHER INFORMATION

Information as per section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of this Report, is annexed.

During the year, there is no employee whose information is required to be given as per Section 217 (2A) read with Companies (Particulars of Employees) Rules, 1975, as amended.

Pursuant to Clause 32 of the Listing Agreement with the Stock Exchanges, Cash Flow Statement, together with the Auditors' Certificate thereto, is annexed to this Report.

In pursuance of SEBI's Directive No.SMDRP/CIR-14/98 dated April, 29, 1998, it is confirmed that Equity Shares of the Company are listed on the Stock Exchange at Mumbai. Annual Listing Fee, as prescribed, has been paid for the year 2002-03. Company had, in pursuance of the special resolution passed by the members at the annual general meeting held on 21st August, 1998, informed the Stock Exchanges at Ahmedabad and New Delhi to de-list the shares.

EMPLOYEES

An atmosphere of understanding prevails at all the locations between the employees and the management.

ACKNOWLEDGMENT

The Board acknowledges with thanks the assistance and support received from the Government, Local Authorities, Financial Institutions and Banks, Collaborators, Suppliers, Valued Customers and, of course, the Shareholders.

For and on behalf of the Board

Mumbai,
30th June, 2003

Ashok M. Kadakia
CHAIRMAN

INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003.

A. CONSERVATION OF ENERGY**(a) Measures taken**

The company undertook various energy conservation measures at its manufacturing units which, inter alia, include :

- (i) Boiler at Distillery is compatible for use of alternative fuels viz. bio-gas, bagasse and coal.
- (ii) Energy-saving trickling filter process of Secondary ETP has been operational at Distillery.
- (iii) Cooling tower shows improved performance by use of non-conventional parts and accessories.
- (iv) Power factor improved by Installation of capacitors.

(b) Additional Investments & Proposals

- (i) Painting and insulation of pipelines and equipments periodically.
- (ii) Replacement of out-dated / old parts and accessories on regular basis.

(c) Impact of the measures :

The measures bring down the energy consumption per unit of production under continuous operation.

(d) Total energy consumption and energy consumption per unit of production.

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POWER & FUEL CONSUMPTION

	2002-03	2001-02
1) ELECTRICITY		
(a) Purchased -		
Unit (kwh in lacs)	47.40	54.54
Total Amount (Rs. in Lacs)	186.93	226.23
Cost Per Unit	Rs.3.94	Rs.4.15
(b) Own Generation -		
Through Diesel Generator		
Units (kwh in lacs)	1.33	1.31
Units per Ltr. of Diesel Oil	3.49	3.37
Cost per Unit	Rs.6.30	5.48
2) FURNACE OIL		
Quantity (K. Ltrs.)	2056.18	2009.69
Total Amount (Rs. in Lacs)	212.41	188.49
Average Rate (per K. ltrs.)	Rs. 10330.21	Rs.9379.06
3) DIESEL OIL		
Quantity (K. Ltrs.)	37.99	1.17
Total Amount (Rs. in lacs)	8.59	0.23
Average Rate (per K. Ltrs.)	Rs.22606	Rs. 19370
4) COAL		
(Steam Coal of Grade A/B used as fuel for Boiler)		
Quantity (MT)	841.25	13.58
Total Cost (Rs. in Lacs)	24.03	0.35
Average Rate	Rs.2774	Rs.2586
5) BAGASSE / WOOD		
Quantity (MT)	7556.18	7262
Total Amount (Rs. in lacs.)	56.81	39.79
Average Rate (Per MT)	Rs.669.96	Rs.547.92
6) BIO-GAS		
Total Amount (Rs. in lacs)	114.19	129.46

II. CONSUMPTION PER UNIT OF PRODUCTION

(Please refer Notes given hereinbelow)

Name of Product		
(i) Industrial Alcohol :		
Electricity Kwh / Lac. Ltr.	17990	19041
(ii) Acetic Acid :		
Electricity Kwh / MT	512	523
Furnace Oil K. Ltrs. / MT	0.30	0.28
(iii) Ethyl Acetate :		
Electricity Kwh / MT	146	147
Furnace Oil K. Ltr. / MT	0.30	0.28

Notes:

- The consumption per unit of production gives only broad indication as it is arrived at without taking into consideration the variations in grade, quality and purity of the products.
- The consumption of power per unit of production includes the consumption for ETP.

- Coal, Bagasse and Bio-gas being alternative sources of energy, it is not possible to determine their respective consumption per unit of production.

B. I TECHNOLOGY ABSORPTION :

Efforts made in technology absorption :

RESEARCH & DEVELOPMENT :

- Specific area in which R&D carried out by the Company.
 - Processes are modified on on-going basis for enhancing the efficiency and energy conservation.
 - Trials are being taken in respect of the composting project which has potential to generate revenue from the treated effluents of Distillery.
- Benefits derived as a result of above R & D.
 - Higher production and productivity
 - Better product quality
 - Pollution-free environment
- Future plan of action :
Continuous efforts are made to save energy and to improve the quality.
- Company has incurred expenditure of Rs.Nil on R & D.

II. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

- Efforts, in brief, made towards technology absorption, adaptation & innovation.
Effluent Treatment-cum-Bio-gas Plant and Secondary ETP are set up in technical collaboration from Aqua Technos Co. Ltd., Thailand. Under the agreement, the collaborators have supplied technical documentation and equipment list alongwith the specifications.
- Benefits derived as a result of the above efforts.
Methane gas generated from Effluent Treatment-cum-Bio-gas Plant is available as fuel. Secondary ETP further processes the effluent for better environment and farming.
- Particulars of Imported technology in last 5 years.
Technical Collaboration Agreement has been entered into with Aqua Technos Co. Ltd., Thailand, for setting up Effluent Treatment-cum-Bio-gas Plant and Secondary ETP.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- Activities relating to exports, initiative taken to increase exports, development of new export markets for products and services, and export plans.
Efforts are being made for enhancing exports performance
- Total Foreign Exchange used and earned.

(Amount in Lacs)

Total Foreign Exchange used	Rs.1.46	Rs.6.72
Total Foreign Exchange earned	Rs.44.86	Rs.161.80

For and on behalf of the Board,

Mumbai
30th June, 2003

Ashok M. Kadakia
Chairman

ASHOK ALCO-CHEM LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure

The organic chemicals industry consists of various products out of which your company is engaged in the manufacture of industrial alcohol, acetic acid and ethyl acetate.

The total capacity of acetic acid in the country is 2,75,000 MTs consisting of more than 10 players with many of them having capacity less than 10,000 MT per annum.

Strengths :

The Company has an integrated product line with the Industrial Alcohol from Distillery, the major raw material for Acetic Acid and Acetic Acid and Industrial Alcohol, the major raw materials for Ethyl Acetate.

Weaknesses :

The Company needs financial support to become viable and profitable at the production levels of installed capacity.

Opportunities :

The opening up of the global market provides a good opportunity for export.

Threats :

The Company is suffering due to liberalised imports.

Segment wise performance :

The products of the Company are organic chemicals and form a single segment only.

Outlook :

Dena Bank has sanctioned rehabilitation package in April, 2003. The Company is making efforts to implement the rehabilitation package. On sanction of the package by all the secured creditors and implementation

of the same, the Company will be able to make a turnaround. The Company is exploring the possibility of broadbasing its product line through value added products.

Internal control systems :

The existing internal control system is monitored continuously. The management is in constant discussion with the divisional heads for reviewing and updating the internal control systems. The statutory auditors also apprise the management about the Internal Control Systems during preaudit and postaudit meetings.

Human Relations :

There has been cordial relations in all the locations of the Company during the year.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply, price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes.

CORPORATE GOVERNANCE AND THE CODE

1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE

The Company follows the corporate practice of deploying optimum utilisation of resources for maximising the return on the capital employed while consistently taking social responsibly in safety, security, environment and quality standards in the interest of the investors in particular and the society in general.

2. BOARD OF DIRECTORS

The Board of Directors comprises, apart from the promoters, professionals who are experts in their respective fields.

The Board of Directors generally meet, at least four times in year. The Company's Financial Year is from April to March and as per mandatory listing requirement, Board of Directors release the performance statement for every quarter

Directors' attendance at Board Meetings :

		Attendance			As On Date	
Name of Directors	Category of Director	Board Meetings	Last AGM	Other Directorships@	Committee Positions	
					Members*	Chairman
Mr. Ashok M. Kadakia	Non-executive, Chairman Promoter	6	Yes	8	1	-
Dr. Anil M. Kadakia	Executive, Promoter	6	Yes	5	-	-
Mr. Pankaj M. Kadakia	Non-executive, Promoter	6	Yes	7	1	2
Mr. Masashige Katsu Tambe	Non-executive, Independent	1	No	-	-	-
Mr. Harish C. Pandya	Non-executive, Independent	2	Yes	1	-	-
Mr. Vipin P. Shah- (Alternate to Mr. Tambe)	Non-executive, Independent	3	Yes	-	-	-
Maj. Gen. S.V. Shrikhande(Retd.) AVSM	Executive Independent	2	Yes	-	-	-
Mr. Raj R. Nangrani	Non-executive, Independent	2	Yes	-	-	-
Dr. Umesh S. Kulkarni	Non-executive, Independent	2	No	1	-	-

@ Directorships in Indian public limited companies

* Member does not include chairman and vice versa

Number of Board Meetings held during the Financial Year 2002-03 : Six (6) on May 25, 2002, June 17, 2002, July 30, 2002, September 30, 2002, November 27, 2002 and 30th January, 2003.

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DIRECTORS SEEKING APPOINTMENT / RE- APPOINTMENT

Mr. Masashige Katsu Tambe and Mr. Raj Nangrani, Directors of the Company, retire by rotation and, being eligible, offer themselves for re-appointment.

3. AUDIT COMMITTEE

The Board has constituted Audit Committee :

- To review the auditors' report on the Financial statements and to seek clarification thereon, if required, from the auditors.
- To review the weaknesses in internal controls, if any, reported by the statutory auditors and report to the Board the recommendations relating thereto.
- To act as a link between the statutory auditors and the Board of Directors.

The Audit Committee comprises of Directors Mr. Vipin P. Shah, Mr. Harish C. Pandya and Mr. Ashok M. Kadakia. During the period under review, the committee met 3 times, the details of which are as follows

Date	No. of Directors present	Purpose
17.06.2002	2	Audited accounts for 2001-02
27.11.2002	2	Unaudited with limited review for half year ended 30.09.2002
30.01.2003	3	Unaudited results for the quarter ended 31.12.2002

4. REMUNERATION TO DIRECTORS :

The remuneration committee consisted of 2 independent directors, Maj. Gen. S. V. Shrikhande (Retd.), AVSM and Dr. Umesh S. Kulkarni.

Remuneration to the Managing Director is as per contract upto 31.07.2005. This contract was approved by the shareholders at the AGM held on 29.09.2000. No other remuneration is paid to other Directors except sitting fees for attending the Board Meetings.

Sitting Fees paid during the year

Mr. Harish C. Pandya	Rs. 1000/-
Mr. Vipin P. Shah	Rs. 1500/-
Maj. Gen. S. V. Shrikhande (Retd.), AVSM	Rs. 1000/-
Mr. Raj R. Nangrani	Rs. 1000/-
Dr. Umesh S. Kulkarni	Rs. 1000/-

Salient features of agreement executed by company with Managing Director :

Period of Appointment	5 yrs with effect from 1st August, 2000
Salary	Rs. 30,000/- p. m.
Commission	As fixed by Board Subject to limits under the act.
Perquisites & allowances	Equivalent to annual salary or as decided by the Board from time to time
Retirement Benefits	a) Company's contribution to PF, superannuation fund or Annuity Fund to the extent non taxable under IT Act, 1961. b) Gratuity as per rules of company and leave encashment at the end of tenure.
Accommodation	Furnished or House rent allowance or expenditure on maintenance of self occupied house
Medical expenses	For self and family

Club Membership fees	Maximum of 2 clubs excluding admission and life membership fees
Leave travel concession	For self and family
Car and Telephone	At residence for official use
Long Service benefits	As per policy of the Company

Above remuneration subject to the limits stipulated under the act.

Minimum remuneration in accordance with the provisions of the act.

The remuneration committee met once during the year on 17.06.02 and reviewed and recommended to continue the above remuneration to the Managing Director.

5. SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE

The Board has constituted Shareholders' / Investors' Grievances Committee which also attends to Share Transfer and Registration. The committee consists of 2 directors, Mr. Ashok M. Kadakia and Dr. Anil M. Kadakia. The Meeting is held periodically to take note of registration and other share transfer and Investors' grievances. The head of finance is a Compliance Officer and reports to the Board on complete status of each aspect of shareholders' / investors' grievances and complaints and its redressal. The issues generally considered are Transfer and Transmission of Shares, Issue of Duplicate Share Certificate, etc.

The Meeting of the Committee was held on the following dates during the year 2002-2003 :

15.04.2002	30.04.2002	30.05.2002	15.06.2002	29.06.2002	15.07.2002
30.07.2002	16.08.2002	30.08.2002	16.09.2002	28.09.2002	16.10.2002
15.11.2002	16.12.2002	30.12.2002	15.01.2003	30.01.2003	28.02.2003
15.03.2003					

Total number of shares transferred in physical form during the year April 1, 2002 to March 31, 2003 were 12600

6. GENERAL BODY MEETINGS

Location and Time of previous Annual General Meetings :

Year	Date	Time	Venue
2001-2002	28.09.2002	10.30 a.m.	S.N.D.T. Women's University, New Marine Lines, Mumbai - 400 020
2000-2001	28.09.2001	11.30 a.m.	— do —
1999-2000	29.09.2000	11.00 a.m.	Indian Merchants' Chamber, Churchgate, Mumbai - 400 020

No special resolutions were passed in the above Annual General Meetings. No postal ballots.

7. DISCLOSURES

During the year there has been no instance of non-compliance inviting penalties, strictures imposed by the Stock Exchange or SEBI or such statutory regulatory body on any matter related to the capital markets.

8. MEANS OF COMMUNICATION:

Quarterly / half yearly results	Published in The Free Press Journal and Navashakthi
Whether MD & A is a part of Annual Report	Yes

ASHOK ALCO-CHEM LIMITED

9. GENERAL SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING

The Eleventh Annual General Meeting of the Members of the Company will be held on Tuesday, the 26th August, 2003 at 11.00 a.m.

Venue : H. T. Parekh Hall, S.N.D.T. Women's University, New Marine Lines, Mumbai - 400 020

Financial Calendar:

Financial Reporting

For the quarter ended 30.06.2003 Last week of July 2003

For the quarter ended 30.09.2003 Last week of November 2003

For the quarter ended 31.12.2003 Last week of January 2004

For the quarter ended 31.03.2004 Last week of May 2004

AGM for the year ended 31.03.2004 Last week of August 2004

BOOK CLOSURE : Saturday, the 16th August, 2003 to Tuesday, the 26th August, 2003.

DIVIDEND

The Board of Directors of the Company has not recommended dividend for the year 2002-03

LISTING ON STOCK EXCHANGE: The Stock Exchange Mumbai.

STOCK CODE: 24594.

HIGH AND LOW OF STOCK PRICES

* Monthly High & Low of Share Prices

Sr. No.	Month	High	Low
1.	April'02	15.00	1.50
2.	May'02	4.00	2.00
3.	June'02	5.00	2.00
4.	July'02	10.00	1.50
5.	August'02	10.00	1.35
6.	September'02	20.00	1.50
7.	October'02	10.00	2.00
8.	November'02	20.00	2.00
9.	December'02	3.00	1.50
10.	January'03	10.00	1.50
11.	February'03	20.00	20.00
12.	March'03	2.00	1.50

* Source : Share Transfer Register

REGISTERED OFFICE & SHARE TRANSFER AGENT

Investor can send their queries / complaint to the Registered Office of the Company at 406, Sharda Chambers, 33, New Marine Lines, Mumbai - 400 020, Fax 2200 9456, Ph. 2200 2236, 2200 2256.

For the convenience of our investors, transfer requests investor's complaints / grievances etc. may be directly sent to:

Intime Specturm Registry Pvt. Ltd.

C-13, Pannaal Silk Mills Compound,

L.B.S. Marg,

Bhandup (West),

Mumbai - 400 078.

Phone 2592 3837

Fax : 2567 2693

E-mail : isrl@vsnl.com

SHARE TRANSFER SYSTEM

Shares lodged for transfer at the Registered office are sent to Registrars and normally processed within 15 days and approved in the share transfer committee meeting and are transferred in the name of the transferee and sent by the Registrar.

Compliances have been fulfilled upto March 2003 for Secretarial Audit and the same have been submitted to the Stock Exchanges.

DISTRIBUTION OF SHAREHOLDING

The shareholding pattern of the Equity shares of the Company as on March 31, 2003:

Sr. No.	Particulars	No. of Shares of Rs.10/- each Held	Value of Shares (Rs.)	Percent
1	Bodies Corporate	20,03,688	2,00,36,880	61.17
2	Directors & Relatives	4,75,155	47,51,550	14.51
3	Mutual Fund	64,100	6,41,000	1.96
4	Non Resident	6,100	61,000	0.19
5	Public	7,25,600	72,56,000	22.15
6	HUF	700	7,000	0.02
	TOTAL	32,75,343	3,27,53,430	100.00

DEMATERIALISATION OF SHARES :

Electronic holding by members constitutes 7.57% of the total equity capital of the company.

PLANT LOCATIONS:

ACETIC ACID AND ETHYL ACETATE UNITS:

Plot no A-22/2/1, Mahad Industrial Area,

Village Kamble,

Mahad- 402 301

Dist. Raigad,

Maharashtra

DISTILLERY AND BIO-GAS UNITS

Walchandnagar - 413 114

Dist. Pune,

Maharashtra

ADDRESS FOR CORRESPONDENCE :

Registered office of the company :

406, Sharda Chambers,

33, New Marine Lines,

Mumbai - 400 020.

For and on behalf of the Board,

Mumbai
30th June, 2003

Ashok M. Kadakia
Chairman