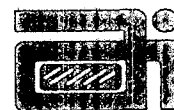




ASHOK ORGANIC INDUSTRIES LIMITED





BOARD OF DIRECTORS**ASHOK ORGANIC
INDUSTRIES LIMITED**

Shri Ashok M. Kadakia	Chairman and Managing Director
Shri D.C. Gami	
Shri G. Narayana	
Shri Ashwin C. Shroff	
Shri D.M. Papat	
Shri Jasu Shah	
Smt. K.M. Kadakia	
Shri V.V. Naidu	Alternate to Smt. K.M. Kadakia
Shri Sandeep Bhandarkar	Nominee ICICI Ltd.
Maj.Gen. R. K.Gupte (Retd)PVSM	
Shri M.K. Vadgama	
Dr. Anil M. Kadakia	Managing Director
Shri Pankaj M. Kadakia	Managing Director

COMPANY SECRETARY**Shri Kartik H. Shukla****SOLICITORS****Mulla & Mulla & Craigie Blunt & Caroe****BANKERS****Dena Bank****AUDITORS****N.P. Patwa & Co.****REGISTERED OFFICE :**

406, Sharda Chambers,
33, New Marine Lines, Mumbai - 400 020.
Tel.Nos. 2002236/56
Fax No. 2009456
Email : akadakia@giasbm01.vsnl.net.in
Internet : http://www.indialog.com/ashok

BRANCH OFFICE :

Ramkrishna Chambers,
Productivity Road, Alkapuri,
Vadodara - 390 019
Tel.Nos. 330019/325769
Fax No. 333884
Email : kadakia.brd@smn.sprintprg.ems.vsnl.net.in

PLANTS

- | | |
|---|---|
| <p>1. Acetic Anhydride,
Monochloro acetic Acid, Ethyl Acetate, etc.,
41/A, GIDC Industrial Area,
Nandesari, Dist: Vadodara
Tel Nos. : 840616/840413
Fax No. : 840615</p> <p>2. Glacial Acetic Acid Unit
316/319, GIDC Industrial Estate,
Ankleshwar, Dist: Bharuch
Tel Nos. : 20661
Fax No. : 50462</p> | <p>3. Distillery
Near Boridara, Hansot Road,
Ankleshwar, Dist: Bharuch
Tel.Nos. : 57676
Fax No. : 56012</p> <p>4. Kadakia Alkalies & Chemicals
(A Division of Ashok Organic Industries Ltd.)
Caustic/Chlorine Unit, Boridara, Survey
No.233, Behind AOIL Distillery,
Ankleshwar, Dist: Bharuch
Tel Nos. : 56438/58408/55684
Fax No. : 56308</p> |
|---|---|

Registrar & Share Transfer Agents

PCS Industries Ltd., Hyfa Bldg.No.2, 1st floor, Near
Johnson & Johnson, Kurla Andheri Road, Safed
Pool, Mumbai - 400 072.
Tel.Nos. : 8510446/4449
Fax No. : 8524091/8520193

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ASHOK ORGANIC
INDUSTRIES LIMITED

Members are requested to bring their copy of annual Report at the Annual General Meeting.

A REQUEST

You may desire to have some clarification or additional information on the accounts for the year ended 31st March, 1998 at the ensuing Annual General Meeting. We shall very much appreciate if you kindly write to us at least ten days in advance in order to enable us to keep the information ready for you at the meeting. We solicit your kind co-operation.

Our Registrars and Share Transfer Agents are attending to your queries promptly. However, in case of any difficulty, you may write to the Company Secretary.

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NOTICE

Notice is hereby given that the Twenty-fifth Annual General Meeting of the members of **ASHOK ORGANIC INDUSTRIES LIMITED** will be held at Walchand Hirachand Hall, Indian Merchants' Chamber, Churchgate, Mumbai - 400 020 on Friday, 28th August, 1998 at 10.00 a.m. to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 1998 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mr. D.C. Gami, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Jasu Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mrs. K. M. Kadakia who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 293(1) (a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to such other approvals including of financial institutions, banks, as may be and to the extent required, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall also mean and include any Committee(s) which the Board may constitute to exercise the powers of the Board including the powers conferred by this resolution) to transfer the Company's Chlor-alkali Division including the assets and liabilities together with the use of all the licences, permits, consents and approvals whatsoever and all the rights, benefits and

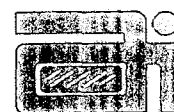
obligations attached thereto, as a going concern to a new company being incorporated under the name and style of "Kadakia Alkalies & Chemicals Ltd" or such other name as may be permitted by the Registrar of Companies, Mumbai / Ahmedabad effective from such date and for such consideration and on such terms and conditions as the Board may deem fit, with liberty to the Board to appoint its Committee(s) authorising to exercise the powers vested in the Board".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all or any of the matters pertaining to or arising out of and incidental to such transfer of the Chlor-alkali Division of the Company as aforesaid and to do and perform all such acts, deeds, matters and things as they may deem necessary, desirable or appropriate and to execute all such deeds, agreements, documents, undertakings, declarations, writing, etc. for completing such transfer of the said Division as aforesaid as it may consider necessary, expedient, usual, requisite, desirable or proper for giving effect to this resolution".

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

"RESOLVED THAT subject to the approval of the Central Government, if any, and to the extent required pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and such other approvals, including of Financial Institutions as may be required in that behalf, the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall also mean and include any Committee(s) which the Board may constitute to exercise the powers of the Board including the powers conferred by this resolution) be and is hereby authorised to invest in the share capital of the new company to be incorporated under the name and style of "Kadakia Alkalies & Chemicals Ltd." or such other name as may be permitted by the Registrar of Companies, Mumbai / Ahmedabad (hereinafter referred to as "the said new Company") to which the Chlor-alkali Division of the Company will be transferred

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in terms of the foregoing resolution notwithstanding that such investment together with the investments already made by the Company in all other bodies corporate whether under the same management or not may exceed any or all of the percentages prescribed by the Central Government under section 372 (2) of the Companies Act, 1956 and the rules framed there under, Company's proposed investment in the share capital of the said new Company shall not initially exceed the aggregate sum of Rs.50.00 crores".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to determine the actual sums to be so invested, to determine the time or times and manner of such investment, mode of payment either in cash and/or by acceptance of the equity shares or other securities of the said new company as complete or partial consideration for the transfer of the Company's Chlor-alkali Division and to settle all or any of the matters pertaining to or arising out of and incidental to the proposed investment and to agree to any modifications or conditions as may be suggested by the Central Government at the time of granting its approval to the proposed investment as they may deem fit and to do and perform all such acts, deeds, matters and things and to take all such steps as are necessary, expedient or desirable to give effect to this resolution".

8. To consider and , if thought fit , to pass, with or without modification(s), as an Ordinary Resolution, the following:

" RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company to continue with the listing of its equity shares at the stock exchange at Mumbai and to seek de-listing of the equity shares at the stock exchanges at Ahmedabad and New Delhi."

By Order of the Board

Mumbai,
19th June, 1998

KARTIK H. SHUKLA
Company Secretary

Registered Office
406, Sharda Chambers,
33, New Marine Lines,
Mumbai - 400 020.

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member of the Company. Proxies in order to be effective, must be received by the Company not less than 48 hours before the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 18th August, 1998 to 28th August, 1998 (both days inclusive).
3. The members whose Bank Account details are not informed, are requested in their own interest to inform the details to the Registrars and Share Transfer Agents.
4. The relevant explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of the items of Special Business is annexed hereto.

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956.

ITEM NOS. 6 & 7

Your Directors propose to re-align and focus the different fields of activities under separate business entities.

Discussions for strategic alliances and equity participation for chlor-alkali and related units will be greatly facilitated in case the activity is under one corporate entity.

It is, therefore, proposed to transfer the said Chlor-alkali Division, as a going concern to a new company to be promoted under the name "Kadania Alkalies & Chemicals Ltd." or such other name as may be permitted by the Registrar of Companies, Mumbai/Ahmedabad (hereinafter referred to as the "new company"). This would facilitate implementation of strategic alliances and/or equity participation as and when finalised.

It is proposed that the said new company would initially be a subsidiary of the Company.

Section 293 (1) (a) of the Companies Act, 1956,

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requires the consent of the Company in general meeting to enable the Board of Directors to sell, lease, or otherwise dispose off the whole or substantially the whole of the undertaking of the Company. Your consent is therefore being sought by the resolution at Item No.6 of the accompanying notice for transfer of the said Chlor-alkali Division including the assets and liabilities to such new company pursuant to the said resolution, as a going concern.

The transfer of Chlor-alkali Division with the assets and liabilities pertaining to the said Division alongwith the use of all the licences, permits, consents, approvals as also the rights, benefits and obligations attached thereto, it is proposed to authorise the Board of Directors to sign and execute on behalf of the Company all necessary documents and writings that may be required and also to settle all or any matter arising out of and incidental to the proposed transfer of the Chlor-alkali Division to such new company.

Since it is proposed that the said new company would initially be a subsidiary of the Company, your approval is also being sought by the resolution at Item No.7 of the accompanying notice to enable your Company to make investment in the said new company. The Company would be receiving the consideration for transfer of its Chlor-alkali Division to such new company and as such there would not be outflow of funds. The consideration for transfer at the Chlor-alkali Division to such new company could be met by payment in cash to the Company and/or issue of its shares/other securities, as may be decided at that time. Accordingly, authority is proposed to be given to the Board of Directors in that regard.

Approval of the Central Government as required under Section 372 (4) of the Companies Act, 1956 as also No Objection from the other concerned authorities like financial institutions, etc. would also be obtained.

Your Directors, therefore, recommend both the resolutions at Item Nos.6 and 7 for your approval.

The Directors of the Company who may become the Directors of such new company may be deemed to be concerned or interested in these two resolutions.

ITEM NO. 6

Equity Shares of the Company are listed on stock exchanges at Mumbai, Ahmedabad and New Delhi, in pursuance of the terms and conditions mentioned in Prospectus dated 12 th January, 1995.

The shares are regularly traded on stock exchange at Mumbai and on National Stock Exchange. However the continuity of listing on the stock exchanges at Ahmedabad and New Delhi is not considered necessary in the absence of any trading taking place on these stock exchanges.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Your Directors therefore recommend the resolution for your approval.

By Order of the Board,

Mumbai,
19th June, 1998

KARTIK H. SHUKLA
Company Secretary



**ASHOK ORGANIC
INDUSTRIES LIMITED**



DIRECTORS' REPORT

To
The Members,

Your Directors present the Twenty-fifth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

(Rupees in Lacs)

Sales and Other Income	8938
Profit / (Loss) - before Interest & Depreciation	(373)
Less : Interest	389
Depreciation	66
Profit/ (Loss) before Tax	(828)
Provision for taxation	
Balance in Profit & Loss Account	272
Taxation of earlier years	122
Balance for Appropriation	(678)

In view of the loss, your Directors do not recommend Dividend for the year.

OPERATIONS

Your Company achieved sales of Rs.86.08 crores compared to Rs.101.35 crores for the previous year. Sales during the year are lower in value compared to the preceding year due to depressed sales realisations, coupled with the adverse circumstances which affected the operations.

Industrial Alcohol

Distillery produced 94.55 lac litres of industrial alcohol during the year as compared to 164.20 lac litres produced during the previous year.

Acetic Acid

Production of glacial acetic acid during the year stood at 8396 M.T. as compared to 10804 M.T. during the previous year.

Organic Chemicals

Production of down-stream products of alcohol and acetic acid was also adversely affected due to low captive availability of the feedstock.

Caustic / Chlorine

Production of caustic soda during the year stood at 12065 M.T. on the enhanced capacity of 33,000 tpa as compared to 13,387 M.T. on the capacity of 16,500 tpa during the previous year.

PERFORMANCE

Organic Chemicals

Acetic acid and its down-stream products continued to have stable demand during the year.

The organic chemical units of your Company have, over the years, maintained the optimum utilisation of capacities.

However, during the year, prices of molasses in Gujarat remained unreasonably high.

Even after the de-control announced by the Centre in June, 1993, prices, supply and inter-state movement of molasses are still subject to diverse state-level controls. During first half of the year, the prices of molasses were controlled @ Rs.400/- per M.T. in U.P. but ruled several times higher in Gujarat. The prices, accordingly, still do not get determined by the market forces.

These factors affected the volume of operations at the Company's units and the margins remained under pressure.

Inorganic Chemicals

Chlor-alkali Industry has been facing the adverse conditions emanating from the supply far exceeding demand, especially in western region.

It is noteworthy that large capacities were sanctioned and assisted subsequent to the sanction granted to your Company. This has resulted in under-utilisation of capacities and unremunerative prices.

Captive consumption, mainly in chlorine-based products has been yielding marginal benefits.

Power generation for captive requirement can significantly reduce the cost and is under consideration.

Technology supply

Your Group has been in the chemical industry for nearly three decades. Having set up own production facilities and effluent treatment plants, your Company has now been supplying the technology and process know-how.

Company procured contracts during the year, in spite of slow-down in capital goods industry.

EXPORTS

Exports for the year stood at Rs.453 lacs as compared to Rs.699.99 lacs during the previous year.

ACCOUNTS AND FINANCE

In order to reflect the commercial value of operations of all the units and Company as a whole, sales are indicated inclusive of value of inter-unit transfers of finished goods at market price.

Investment in the Caustic/Chlorine Unit is comparatively modest, especially as compared to that in the contemporarily set up plants. Accounting policy of capitalisation of interest for contracted period of term loans, as adopted in the earlier years and continued during the year under review, is followed with this factor under consideration. Further, capacity of the Unit has remained grossly under-utilised during the year. The unit is of recent origin and its condition, including that of the crucial machineries and parts, has been excellent. The observations of the auditors in their report in respect of the accounting policies referred to in note no.2 to schedule 5 and note no. 3 of schedule 20 be read in this background.

The funds raised through the public issue have been utilised for the purpose mentioned in the prospectus.

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PROSPECTS

Acetic acid and its down-stream products are expected to have good demand. It is hoped that the anomalies in state-level policies will be removed so that there is parity in competitiveness of the finished goods produced in different states.

Your Company has devised a strategy to make the operations of chlor-alkali unit more viable, self-dependent and growth-oriented in the long-run. Firstly, there will be thrust on captive consumption for higher value-addition. In fact, foundation of the Company was laid with chlorine-based products viz. Monochloro-acetic Acid (MCA). Secondly, the unit is proposed to be hived-off to wholly-owned subsidiary. The necessity for separate corporate status arises from lack of synergy on technical, operational and administrative matters. The corporate status for the chlor-alkali unit is also expected to facilitate alliances and the consequent need to re-structure share-holding. Thirdly, the chlor-alkali industry is a growth centre by itself. There are several down-stream products with the the production facilities of which, the unit has potential to become a conglomerate by itself. Power plant for captive requirement is also proposed to be attached to the unit.

FIXED DEPOSIT

Your Company has not accepted deposits from the public.

INSURANCE

All the properties and and insurable assets of the Company including buildings, plant and machinery and inventories are adequately insured.

DIRECTORS

Mr.D.C. Gami, Mr. Jasu Shah and Mrs. K.M. Kadakia, Directors retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. N.P. Patwa & Co, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

SUBSIDIARIES

The audited statement of accounts alongwith the Directors' Report for the year ended 31st March, 1998 of Ashok Alco-chem Limited and Maruti Salt Farm Ltd., are annexed to the Balance Sheet and Profit and Loss Account.

OTHER INFORMATION

Information under 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.

Statement of Profitability- Projected V. Actual for the year 1997-98 as per listing requirement of Stock Exchanges, is annexed.

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.

Information in accordance with provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, form part of this Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the Shareholders of the Company, excluding the aforesaid information. Any Shareholder interested in obtaining such particulars may inspect the same at the registered office of the Company or obtain the same on request.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the whole-hearted co-operation received by the Company from the Banks, Financial Institutions and Government Authorities as well as the sincere and devoted efforts of the employees at all levels.

Your Directors are also grateful to the Shareholders for the trust and confidence reposed in the Company.

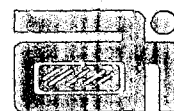
for and on behalf of the Board,

Mumbai,

19th June, 1998

Chairman

**ASHOK ALCO-
CHEM LIMITED**



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PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS.) RULES, 1988 AND FORMING PART OF DIRECTORS FOR THE YEAR ENDING 31.03.1998.

(A) Conservation of Energy :

(a) Energy Conservation measures taken

- (i) Cleaning of Gas pipeline to improve the pressure and flow of gas.
- (ii) Trials are being carried out for use of Gas in place of L.D.O. for cracking furnace.

(b) Additional investment or proposals, if any, being implemented, for reduction in consumption of energy.

- (i) Installation of energy efficient reactors to conserve power.
- (ii) Replacement of conventional heat exchanger by more efficient plate heat exchanger.
- (iii) Devices being installed to monitor supply of power and steam to various equipments and introduction of strict supervision and controls.
- (iv) New projects are being implemented keeping in mind the need for energy saving.
- (v) Installed Ammonia Vapour Absorption Refrigeration (AVAR), thereby reducing the power requirement.
- (vi) Identified a new vacuum pump for acetic anhydride plant which can operate on lower energy requirement.
- (vii) Installed a new Burner with additional facilities to facilitate capacity utilisation of Boiler.

(c) Impact of the above measures.

Efficiency and economy in energy consumption. This has been achieved by use of non-conventional source of energy namely Methane Gas, in power generation and use of natural gas in the boiler. This has resulted in reduction in coal and oil consumption.

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

POWER & FUEL CONSUMPTION

	1997-98	1996-97
1. Electricity		
(a) Purchased		
Units (in lacs)	431.61	552.09
Total amount		
(Rs. in lacs)	1720.69	1763.89
Rate / Unit (Rs.)	3.99	3.19
(b) Own Generation		
Through diesel generator		
Units (in lacs)	3.79	9.48
Units per liter of diesel oil	3.07	3.06
Cost / Unit (Rs.)	3.35	3.07

2. Coal		
Quantity (MT)	3220.72	3016
Total Cost		
(Rs. in Lacs)	90.02	82.63
Average Rate (Rs.)	2484.54	2243
3. Furnace Oil		
Quantity (K. Liters)	2334.01	3196
Total amount		
(Rs. in Lacs)	170.04	241.31
Average Rate (Rs.)	7.32	7.55
4. Gas		
Quantity (1000 M3)	4455	6404
Total Cost (Rs. in Lacs)	180.64	224.19
Rate / Unit		
per 1000 M3 (Rs.)	4444.59	3500

II) CONSUMPTION PER UNIT OF PRODUCTION

Name of Product	1997-98	1996-97
(i) Industrial Alcohol :		
Electricity Kwh/Lac Ltr.	16624	12570
Coal MT / Lac Ltr.	33.55	17.51
Furnace Oil K. Ltr/Lac Ltr.	8.41	11.97
(ii) Acetic Acid :		
Electricity Kwh / MT	675.63	665.58
Furnace Oil K. Ltrs / MT	0.18	0.11
Gas 1000 M 3 / MT	0.14	0.22
(iii) Organic Chemicals :		
Electricity Kwh / MT	561.65	464.14
Gas 1000 M 3 / MT	0.59	0.45
Coal MT	0.01	0.016
(iv) Caustic Soda :		
Electricity Kw / MT	2976.85	2700

Note :

Product-wise consumption per unit for each organic chemical cannot be meaningfully determined in view of the products being interlinked.

(B) Technology absorption

a) Efforts made in Technology Absorption

- (i) Setting up of Caustic/Chlorine Plant on energy-efficient and environment-friendly Membrane Cell Technology.

- (ii) Development of new generation yeast to improve molasses fermentation and to improve yield of alcohol.

b) Benefits derived as a result of the above R & D

- (i) Caustic/Chlorine Plant has been operating on captively generated methane and/or hydrogen gas.

c) Future plan of Action

- (i) Exploring possibility of setting up power plant operating on captively generated methane and/or hydrogen gas.