

ASHOK
ORGANIC
INDUSTRIES
LIMITED



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ANNUAL REPORT: 1998-99



BOARD OF DIRECTORS

Mr. Ashok M. Kadakia	Executive Chairman
Mr. D.C. Gami	
Mr. G. Narayana	
Mr. Ashwin C. Shroff	
Mr. D.M. Popat	
Mrs. K. M. Kadakia	
Mr. V.V. Naidu	Alternate to Mrs. K.M. Kadakia
Maj. Gen. R.K. Gupte (Retd)PVSM	
Mr. M.K. Vadgama	
Mr. B. Surya Mahadev	Nominee - ICICI Ltd.
Dr. Anil M. Kadakia	Managing Director
Mr. Pankaj M. Kadakia	Managing Director

VICE PRESIDENT - FINANCE & COMPANY SECRETARY

Mr. Kartik H. Shukla

SOLICITORS

Mulla & Mulla & Craigie Blunt & Caroe

BANKERS

Dena Bank

AUDITORS

N.P. Patwa & Co.

OFFICES

Registered Office :

406, Sharda Chambers,

33, New Marine Lines, Mumbai - 400 020.

Tel. No. 2002236/56

Fax No. 2009456

Email : akadakia@giasmbm01.vsnl.net.in

Internet : <http://www.indialog.com/ashok>

Office :

Ramkrishna Chambers,

Productivity Road, Aklapuri,

Vadodara - 390 019

Tel .Nos. 330019/325769

Fax No. 333884

Email : kadakia.brd@smn.sprintrpg.ems.vsnl.net.in

PLANTS

1. Acetic Anhydride,

Monochloro Acetic Acid, Ethyl Acetate, etc.,

41/A, GIDC Industrial Area,

Nandesari, Dist. Vadodara

Tel Nos. : 840616/840413, Fax No. : 840615

2. Glacial Acetic Acid Unit

316/319, GIDC Industrial Estate,

Ankleshwar, Dist : Bharuch

Tel Nos. : 20661

Fax No. : 50462

3. Distillery

Near Boridara, Hansot Road

Ankleshwar, Dist: Bharuch

Tel. Nos. : 57676, Fax No. : 56012

REGISTRAR & SHARE TRANSFER AGENTS

PCS Industries Ltd., Hyfa Bldg. No. 2, Safed Pool,

Kurla-Andheri Road, Safed Pool, Mumbai - 400 072.

Tel.Nos. : 8511520 / 8510647 / 8520875

Annual Report 1998-99



NOTICE

Notice is hereby given that the Twenty-sixth Annual General Meeting of the Members of ASHOK ORGANIC INDUSTRIES LIMITED will be held at Kilachand Conference Room, Indian Merchants' Chamber, Churchgate, Mumbai - 400 020 on Wednesday, the 29th December, 1999 at 11.30 a.m. to transact the following business:

- To receive, consider and adopt the audited Profit & Loss Account for the financial year ended 30th September, 1999 and the Balance Sheet as at that date.
- To appoint a Director in place of Mr. Ashwin C. Shroff who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. D. M. Popat who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Mr. M. K. Vadgama who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

- To consider and, if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 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), the Company in General Meeting hereby approves the re-appointment of Mr. Ashok M. Kadakia now re-designated as Executive Chairman of the Company for a period of 4 (four) years from 1st January, 2000 to 31st December, 2004 on the terms of re-appointment including the remuneration as set out in the draft agreement to be entered into between the Company and Mr. Ashok M. Kadakia placed before the Meeting and initiated by the Chairman for the purpose of identification, which agreement is hereby specifically approved with liberty to the Board of Directors to alter and vary the said terms of re-appointment and remuneration in such manner as may be agreed to between Board of Directors and Mr. Ashok M. Kadakia within the limits specified in Schedule IX to the Companies Act, 1956, or any amendments thereto".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, expedient or desirable to give effect to this Resolution".

- To consider and, if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 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), the Company in General Meeting hereby approves the re-appointment of Dr. Anil M. Kadakia as Managing Director of the Company for a period of 3 (three) years from 1st January, 2000 to 31st December, 2003 on the terms of re-appointment including the remuneration as set out in the draft agreement to be entered into between the Company and Dr. Anil M. Kadakia placed before the Meeting and initiated by the Chairman for the purpose of identification, which agreement is hereby specifically approved with liberty to the Board of Directors to alter and vary the said terms of re-appointment and remuneration in such manner as may be agreed to between Board of Directors and Dr. Anil M. Kadakia within the limits specified in Schedule IX to the Companies Act, 1956, or any amendments thereto".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, expedient or desirable to give effect to this Resolution".

- To consider and, if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 311 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), the Company in General Meeting hereby approves the re-appointment of Mr. Pankaj M. Kadakia as Managing Director of the Company for a period of 5 (five) years from 1st January, 2000 to 31st December, 2005 on the terms of re-appointment including the remuneration as set out in the draft agreement to be entered into between the company and Mr. Pankaj M. Kadakia, placed before the Meeting and initiated by the Chairman for the purpose of identification, which agreement is hereby specifically approved with liberty to the Board of Directors to alter and vary the said terms of appointment and remuneration in such manner as may be agreed to between Board of Directors and Mr. Pankaj M. Kadakia within the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary, expedient or desirable to give effect to this Resolution".

- To consider and, if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 94 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, the existing Authorised Share Capital of the Company of Rs. 15,00,00,000/- (Rupees Fifteen Crores) divided into 1,50,00,000 (One crore and fifty lacs) Equity Shares of Rs. 10/- each be and is hereby reclassified as Rs. 12,50,00,000/- (Rupees Twelve crores and fifty lacs) Equity Shares of Rs. 10/- each and 25,00,000 (twenty-five lacs) 11% Cumulative Redeemable Preference Shares of Rs. 10/- each".

- To consider and, if thought fit, to pass, with or without modifications, the following as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the company be and it is hereby altered deleting the following words and figures:

"The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen crores) divided into 1,50,00,000 (One crore and fifty lacs) Equity Shares of Rs. 10/- (Rupees ten) each with the rights, privileges and conditions attached thereto by the Articles of Association of the company for the time being with power to increase and reduce the capital and to sub-divide for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, or Provided by the Articles of Association for the time being", and substituting therefor, the following:

"The Authorised Share Capital of the company is Rs. 15,00,00,000/- (Rupees Fifteen crores) divided into 1,25,00,000 (One crore twenty-five lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 25,00,000 (Twenty-five lacs) 11% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each with the rights, privileges and conditions attached thereto by the Articles of Association of the company for the time being with power to increase and reduce the capital and to sub-divide for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the company to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, or as Provided by the Articles of Association for the time being".

- To consider and, if thought fit, to pass with or without modifications, the following as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, Article 3 of the Articles of Association of the Company be and is hereby altered by deleting the following words and figures:

"The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen crores) divided into 1,50,00,000 (One crore and fifty lacs) Equity Shares of Rs. 10/- (Rupees ten) each with the rights, privileges and conditions attached thereto by the Articles of Association of the company for the time being with power to increase and reduce the capital and to sub-divide for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, or Provided by the Articles of Association for the time being", and substituting therefor, the following:

"The Authorised Share Capital of the company is Rs. 15,00,00,000/- (Rupees Fifteen crores) divided into 1,25,00,000 (One crore twenty-five lacs) Equity Shares of Rs. 10/- (Rupees Ten) each and 25,00,000 (Twenty-five lacs) 11% Cumulative Redeemable Preference Shares of Rs. 10/- (Rupees Ten) each with the rights, privileges and conditions attached thereto by the Articles of Association of the company for the time being with power to increase and reduce the capital and to sub-divide for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the company to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, or as Provided by the Articles of Association for the time being".

- To consider and, if thought fit, to pass, with or without modifications, the following as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended and/or altered by inserting the following:

- Heading and Article as Article 21 A after Article 21:

DEMATERIALIZATION OF SECURITIES

Definitions 21A.

- For the purpose of this Article:

"Beneficial Owner" means a person whose name is recorded as such with a Depository;

"Depository" means a company formed and registered under the under the Companies Act, 1956, and which has been granted certificate of registration under the Securities and Exchange Board of India Act, 1992;

"Depository Act" means the Depositories Act, 1996 or any statutory modification or re-enactment thereof;

"Registered Owner" means Depository whose name is entered as such in the records of the company;

"Security" means such security as may be specified by the Securities and Exchange Board of India from time to time

Dematerialisation/
Rematerialisation
of securities

- Notwithstanding anything in these Articles, contained the Company shall be entitled to dematerialise / rematerialise its securities and to offer securities in the dematerialised form pursuant to the Depositories Act.

Securities in

- All securities held by a Depository



ASHOK ORGANIC INDUSTRIES LIMITED

fungible form	shall be dematerialised and shall be in fungible form. No Certificate shall be issued for the securities held by the Depository.
Transfer of Securities	(4) Nothing contained in these Articles shall apply to transfer of securities held in Depository.
Allotment of Securities	(5) Where the securities are dealt with in a Depository, the Company shall intimate the details of allotment of relevant securities to the Depository on allotment of such securities.
Register and Index of Beneficial Owners	(6) The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be a Register and Index of Members and other Security-holders.
Rights of Depository and Beneficial Owners	(7) As a registered owner, Depository shall not have any voting rights or any other rights in respect of the securities held by it.
	Every person whose name is entered as the beneficial owner of shares in the records of the Depository shall be deemed to be a member of the company. Every beneficial owner of securities shall be entitled to the rights and benefits and be subject to all the liabilities in respect of the securities which are held by the Depository.

B. Heading and Article as Article 57A after existing Article 57 :

NOMINATION FACILITY :

- 57.A (i) Every holder of shares in, or debentures of the Company may, at any time nominate, in the prescribed manner, a person to whom his shares in or debentures of the Company shall vest in the event of his/her death
- (ii) Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of all the joint holders.
- (iii) Where a nomination is made in the prescribed manner to confer on any person the right to vest the shares in or debentures of the company, the nominee shall, on the death of the shareholders or holder of debentures of the company or, as the case may be, on the death of the joint holders become entitled to all the rights in the shares or debentures of the company or, as the case may be, all the joint holders, in relation to such shares in or debentures of the company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.
- (iv) Where the nominee is a minor, it shall be lawful for the holder of the shares, or holder of debentures, to make the nomination to appoint in the prescribed manner any person to become entitled to shares in or debentures of the company, in the event of his/her death, during the minority.

By Order of the Board

Kartik. H. SHUKLA
Company Secretary

Mumbai,
19th November, 1999

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 him/her. A proxy need not be a member. Proxies in order to be effective, must be received by the Company at its Registered Office not later than 48 hours before the commencement of the Meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 22nd December, 1999 to Wednesday, the 29th December, 1999 (both days inclusive).
3. Members are requested to notify changes, if any, in their address to the Registrars and Share Transfer Agents at the earliest.
4. Members are requested to hand-over the enclosed Attendance Slip, duly signed in accordance with their specimen signatures registered with the Company, for admission to the venue of the Meeting.
5. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least seven days in advance of the Meeting so that the information required can be readily available at the Meeting.

ANNEXURE TO THE NOTICE

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

ITEM NO.6

Mr. Ashok M. Kadakia was appointed as Whole-time Director designated as Managing Director of the Company for a period of five years with effect from 1st January, 1995 on the terms and conditions approved by the Members at the Extra-ordinary General Meeting held on 10th January, 1995. Board of Directors, at its meeting held on 19th November, 1999, has re-designated Mr. Ashok M. Kadakia as Executive Chairman and re-appointed him for a period of 4 (four) years with effect from 1st January, 2000.

The terms of appointment and remuneration payable to Mr. Ashok M. Kadakia are in accordance with Schedule XIII of the Companies Act, 1956 and are set out in the draft agreement placed before the Meeting. Mr. Ashok M. Kadakia as Executive Chairman will be responsible for the management and affairs of the Company, subject to the superintendence, control and directions of the Board of Directors.

The terms of salary and perquisites payable to Mr. Ashok M. Kadakia will be as under :

- (i) Salary of Rs.30,000/- per month
- (ii) Commission as may be fixed by the Board, subject to the limits of 5% and 10% of the net profits of the Company, as the case may be, as laid down in Section 309 of the Companies Act, 1956
- (iii) Perquisites and allowance equivalent to the annual salary or as may be decided by the Board from time to time. These perquisites and allowance will be in addition to those mentioned in item (v) below.
- (iv) Retirement Benefits in the form of Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund (to the extent, singly or put together, not taxable under the Income-tax Act, 1961), Gratuity payable as per the rules of the Company and Encashment of Leave at the end of the tenure.
- (v) a. Furnished accommodation, or in the absence thereof, entitlement to suitable house rent allowance expenditure on maintenance of self-occupied house.
b. Medical expenses for self and family
c. Club Membership Fees (excluding Admission and Life Membership Fees (subject to maximum of two clubs).
d. Leave benefits and leave travel concession for self and family
e. Personal accident insurance policy
f. Provision of car and telephone at residence, for official use
g. Long service benefits as per the policy of the Company

The aforesaid remuneration is subject to the limits of 5% and 10% of the net profits of the Company, as the case may be, as laid down in Section 309 of the Companies Act, 1956 and the overall limit of 11% of the net profits as laid down in Section 198 of the Companies Act, 1956.

Mr. Ashok M. Kadakia shall not be paid sitting fees for attending the meetings of the Board of Directors or Committee(s) thereof.

The Board of Directors is authorised to alter and vary the aforesaid terms and conditions in such manner as may be agreed to between the Board of Directors and Mr. Ashok M. Kadakia, as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956, as existing, or as amended, modified or re-enacted from time to time.

Where in any Financial Year during the currency of tenure of Mr. Ashok M. Kadakia, the Company has no profits or its profits are inadequate, the remuneration by way of salary, allowance, perquisites and retirement benefits shall be paid in accordance with the provisions of Section II of Part II of Schedule XIII of the Companies Act, 1956, in force from time to time, as minimum remuneration.

Mr. Ashok M. Kadakia shall not be liable to retire by rotation as long as he holds office as Executive Chairman.

The Board is of the opinion that the appointment of Mr. Ashok M. Kadakia as Executive Chairman would be in the interest of the Company.

In compliance of the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the terms of appointment of Mr. Ashok M. Kadakia, Executive Chairman of the Company, are placed before the Members in General Meeting for their approval.

The Draft of the Agreement to be entered into between the Company and Mr. Ashok M. Kadakia, is available for inspection by the Members at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day.

Except Mr. Ashok M. Kadakia himself, Mrs. Kusumlata M. Kadakia, Dr. Anil M. Kadakia and Mr. Pankaj M. Kadakia, being relatives, none of the Directors of the Company is, in any way, concerned or interested in the proposed resolution. This Explanation, together with the accompanying Notice is and be treated as an abstract under Section 302 of the Companies Act, 1956.

ITEM NO.7

Dr. Anil M. Kadakia was appointed as Whole-time Director designated as Managing Director of the Company for a period of five years with effect from 1st January, 1995 on the terms and conditions approved by the Members at the Extra-ordinary General Meeting held on 10th January, 1995.

Board of Directors, at its meeting held on 19th November, 1999, has re-appointed Dr. Anil M. Kadakia as Managing Director for a period of 3 (three) years with effect from 1st January, 2000.

The terms of appointment and remuneration payable to Dr. Anil M. Kadakia are in accordance with Schedule XIII of the Companies Act, 1956 and are set out in the draft agreement placed before the Meeting. Dr. Anil M. Kadakia as Managing Director will be responsible for the management and affairs of the Company, subject to the superintendence, control and directions of the Board of Directors.

The terms of salary and perquisites payable to Dr. Anil M. Kadakia will be as under :

- (i) Salary of Rs.30,000/- per month
- (ii) Commission as may be fixed by the Board, subject to the limits of 5% and 10% of the net profits of the Company, as the case may be, as laid down in Section 309 of the Companies Act, 1956
- (iii) Perquisites and allowance equivalent to the annual salary or as may be decided by the



Annual Report 1998-99

Board from time to time. These perquisites and allowance will be in addition to those mentioned in item (v) below.

- (iv) Retirement Benefits in the form of Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund (to the extent, singly or put together, not taxable under the Income-tax Act, 1961), Gratuity payable as per the rules of the Company and Encashment of Leave at the end of the tenure.
- (v)
 - a. Furnished accommodation, or in the absence thereof, entitlement to suitable house rent allowance expenditure on maintenance of self-occupied house.
 - b. Medical expenses for self and family
 - c. Club Membership Fees (excluding Admission and Life Membership Fees (subject to maximum of two clubs).
 - d. Leave benefits and leave travel concession for self and family
 - e. Personal accident insurance policy
 - f. Provision of car and telephone at residence, for official use
 - g. Long service benefits as per the policy of the Company

The aforesaid remuneration is subject to the limits of 5% and 10% of the net profits of the Company, as the case may be, as laid down in Section 309 of the Companies Act, 1956 and the overall limit of 11% of the net profits as laid down in Section 198 of the Companies Act, 1956.

Dr. Anil M. Kadakia shall not be paid sitting fees for attending the meetings of the Board of Directors or Committee(s) thereof.

The Board of Directors is authorised to alter and vary the aforesaid terms and conditions in such manner as may be agreed to between the Board of Directors and Dr. Anil M. Kadakia, as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956, as existing, or as amended, modified or re-enacted from time to time.

Where in any Financial Year during the currency of tenure of Dr. Anil M. Kadakia, the Company has no profits or its profits are inadequate, the remuneration by way of salary, allowance, perquisites and retirement benefits shall be paid in accordance with the provisions of Section II of Part II of Schedule XIII of the Companies act, 1956, in force from time to time, as minimum remuneration.

Dr. Anil M. Kadakia shall not be liable to retire by rotation as long as he holds office as Managing Director.

The Board is of the opinion that the appointment of Dr. Anil M. Kadakia as Managing Director would be in the interest of the Company.

In compliance of the provisions of Section 309 and other applicable provisions, if any, of the Companies act, 1956, the terms of appointment of Dr. Anil M. Kadakia, Vice Chairman of the Company, are placed before the Members in General Meeting for their approval.

The Draft of the Agreement to be entered into between the Company and Dr. Anil M. Kadakia, is available for inspection by the Members at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day.

Except Dr. Anil M. Kadakia himself, Mrs. Kusumlata M. Kadakia, Mr. Ashok M. Kadakia and Mr. Pankaj M. Kadakia, being relatives, none of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

This Explanation, together with the accompanying Notice is and be treated as an abstract under Section 302 of the Companies Act, 1956.

ITEM NO.8

Mr. Pankaj M. Kadakia was appointed as Whole-time Director designated as Managing Director of the Company for a period of five years with effect from 1st January, 1995 on the terms and conditions approved by the Members at the Extra-ordinary General Meeting held on 10th January, 1995.

Board of Directors, at its meeting held on 19th November, 1999 has re-appointed Mr. Pankaj M. Kadakia as Managing Director for a period of 5 (five) years with effect from 1st January, 2000.

The terms of appointment and remuneration payable to Mr. Pankaj M. Kadakia are in accordance with Schedule XIII of the Companies Act, 1956 and are set out in the draft agreement placed before the Meeting. Mr. Pankaj M. Kadakia as Managing Director will be responsible for the management and affairs of the Company, subject to the superintendence, control and directions of the Board of Directors. The terms of salary and perquisites payable to Mr. Pankaj M. Kadakia will be as under :

- (i) Salary of Rs.30,000/- per month
- (ii) Commission as may be fixed by the Board, subject to the limits of 5% and 10% of the net profits of the Company, as the case may be, as laid down in Section 309 of the Companies Act, 1956
- (iii) Perquisites and allowance equivalent to the annual salary or as may be decided by the Board from time to time. These perquisites and allowance will be in addition to those mentioned in item (v) below.
- (iv) Retirement Benefits in the form of Company's Contribution to Provident Fund, Superannuation Fund or Annuity Fund (to the extent, singly or put together, not taxable under the Income-tax Act, 1961), Gratuity payable as per the rules of the Company and Encashment of Leave at the end of the tenure.
- (v)
 - a. Furnished accommodation, or in the absence thereof, entitlement to suitable house rent allowance expenditure on maintenance of self-occupied house.
 - b. Medical expenses for self and family
 - c. Club Membership Fees (excluding Admission and Life Membership Fees (subject to maximum of two clubs).
 - d. Leave benefits and leave travel concession for self and family
 - e. Personal accident insurance policy
 - f. Provision of car and telephone at residence, for official use
 - g. Long service benefits as per the policy of the Company

The aforesaid remuneration is subject to the limits of 5% and 10% of the net profits of the company, as the case may be, as laid down in Section 309 of the Companies Act, 1956 and the overall limit of 11% of the net profits as laid down in Section 198 of the Companies Act, 1956.

Mr. Pankaj M. Kadakia shall not be paid sitting fees for attending the meetings of the Board of Directors or Committee(s) thereof. The Board of Directors is authorised to alter and vary the aforesaid terms and conditions in such manner as may be agreed to between the Board of Directors and Mr. Pankaj M. Kadakia, as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956, as existing, or as amended, modified or re-enacted from time to time.

Where in any Financial Year during the currency of tenure of Mr. Pankaj M. Kadakia, the Company has no profits or its profits are inadequate, the remuneration by way of salary, allowance, perquisites and retirement benefits shall be paid in accordance with the provisions of Section II of Part II of Schedule XIII of the Companies act, 1956, in force from time to time, as minimum remuneration.

Mr. Pankaj M. Kadakia shall not be liable to retire by rotation as long as he holds office as Managing Director.

The Board is of the opinion that the appointment of Mr. Pankaj M. Kadakia as Managing Director would be in the interest of the Company.

In compliance of the provisions of Section 309 and other applicable provisions, if any, of the Companies act, 1956, the terms of appointment of Mr. Pankaj M. Kadakia, Managing Director of the Company, are placed before the Members in General Meeting for their approval.

The Draft of the Agreement to be entered into between the Company and Mr. Pankaj M. Kadakia, is available for inspection by the Members at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day.

Except Mr. Pankaj M. Kadakia himself, Mrs. Kusumlata M. Kadakia, Mr. Ashok M. Kadakia and Dr. Anil M. Kadakia, being relatives, none of the Directors of the Company is, in any way, concerned or interested in the proposed resolution.

This Explanation, together with the accompanying Notice is and be treated as an abstract under Section 302 of the Companies Act, 1956.

ITEM NOS. 9, 10 & 11

To finance part of the long-term working capital requirements and/or the cost of capital expenditure of the Company, it may become necessary to raise funds by issue of Cumulative Redeemable Preference Shares upto an aggregate amount of Rs. Two hundred & Fifty lacs.

To enable the Company make such issue of Preference Shares, it is necessary to re-classify Company's existing authorised capital of Rs. 15.00 crores divided into 1,50,00,000 Equity Shares of Rs.10/- each into Rs.12,50,00,000/- (Rupees Twelve crores and fifty lacs) divided into 1,25,00,000 Equity Shares of Rs.10/- each and 25,00,000 Cumulative Redeemable Preference Shares of Rs.10/- each. Approval of the Members has been sought by means of an ordinary resolutions as set out at Item 9 for the proposed change in the authorised capital of the Company, Item 10 for the consequential amendment in the Capital Clause (Clause5) of the Memorandum of Association of the Company and by means of a Special Resolution as set out at Item 11 for the consequential amendment in Article 3 of the Articles of Association of the Company.

The resolutions are recommended for approval of the shareholders.

The nominee Directors of Lending Institution/Bank might be deemed to be concerned or interested in the resolution to the extent of the Preference Shares of the Company that the Institution/Bank might agree to take. Except as aforesaid, none of the Directors of the Company is, in any way, concerned or interested in the resolutions.

ITEM NO.12

There have been significant amendments in the provisions of the Companies act, 1956 vide the Companies (Amendment) Ordinance, 1996, in respect, inter alia, of :

- (i) issue, holding and transfer of securities in dematerialised form, consequent upon the setting up of the Depository System and the introduction of the Depositories Act, 1996, and
- (ii) facility of nomination for shares/debentures held in the company.

The equity shares of your Company can be dematerialised under the Depository System. The members can also avail the facility of nomination in respect of the shares held by them.

It is therefore proposed to suitably amend the Articles as set out in the resolution in order to bring the provisions of the Articles of Association in consonance with the provisions of the Companies Act, 1956.

In compliance of the provisions of Section 31 of the companies Act, 1956, the resolution is proposed as Special Resolution for approval by the members.

A copy of the Memorandum and Articles of Association of the Company, together with the proposed alterations, is available for inspection by the Members at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on any working day.

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

By Order of the Board

Mumbai,
19th November, 1999

Kartik . H. SHUKLA
Company Secretary



DIRECTORS' REPORT

To, The Members,

Your Directors present the Twenty-sixth Annual Report together with the Audited Accounts of the Company for the financial year ended 30th September, 1999.

FINANCIAL RESULTS

(Rupees in Lacs)

Sales and Other Income	8322
Profit/(Loss) - before Interest & Depreciation	212
Less : Interest	511
Depreciation	107
Profit/(Loss) before Tax	(406)
Provision for taxation	—
Net Profit / (Loss)	(406)
Taxation of earlier years	—
Balance in Profit & Loss Account	—
Balance for Appropriation	(406)

ACCOUNTING YEAR

Accounting Year of the Company has been changed so as to end on 30th September instead of 31st March, 1999. Current Accounting Year accordingly comprises of the period of 18-months. Permissions required under the Companies Act, 1956 have already been granted.

OPERATIONS

Your Company achieved sales of Rs.70.75 crores compared to Rs.86.08 crores for the previous year. The division-wise operations stood as under :

Industrial Alcohol

Distillery produced 124 lac litres of industrial alcohol during the period under review as compared to 95 lac litres produced during the previous year.

Acetic Acid

Production of glacial acetic acid stood at 7730 MT as compared to 8396 M.T during the previous year.

Organic Chemicals

Down-stream Units of acetic acid and alcohol produced 5754 MT of chemicals vis-a-vis 6480 MT produced during the previous year

Inorganic Chemicals

Production of caustic soda for the first nine months of the period under review and forming part of the operations of the Company stood at 3477 MT.

PERFORMANCE

Molasses scenario in Gujarat, especially for the first half of the period under review, remained unfavourable and adversely affected the operations of the units. Prices of molasses, the feed-stock for production of alcohol and alcohol-based chemicals, were unreasonably high as compared to the prices prevailing in other states. The situation rendered the cost production of the Company's goods uncompetitive vis-a-vis the production of the units in other states.

Prices of acetic acid and down-stream products remained under pressure. In fact, during the year, the prices of acetic acid touched the six-year low in domestic and international market.

When the prices of molasses showed the trend of reverting to the reasonable levels from January, 1999, the level of operations could be augmented.

Inorganic chemical unit, due to high cost of power and unremunerative prices, operated at low level.

PROSPECTS

Sugar season 1998-99 witnessed good sugar-cane crop and crushing. Coupled with the remedial steps taken by the state government, there has been positive impact on the prices and availability of molasses.

It is heartening that the sugar season 1999-2000 holds out still better prospects.

Prices of the finished products, having touched the bottom, have been looking up.

Company plans higher capacity utilisation of all its units during the year. Performance of the Company is also expected to improve with efficient and economic level of operations.

Inorganic chemical units, as part of the strategy approved by the members, have

been hived off into subsidiary company as going concern on slump sale price.

EXPORTS

Exports for the year stood at Rs.244 lacs as compared to Rs.453 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.

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

Y 2 K COMPLIANCE

Company has completed Y2K compliance of its computer based systems, both hardware and software. Contingency plans, in the event of some systems going wrong, have been drawn up.

FIXED DEPOSIT

Your Company has not accepted deposits from the public.

INSURANCE

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

DIRECTORS

Mr. Ashwin Shroff, Mr. D. M. Popat and Mr. M. K. Vadgama retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Jasu Shah relinquished his directorship on 19th November, 1999.

Mr. B. Surya Mahadev was nominated by ICICI in place of Mr. Sandeep Bhandarkar.

The Board of Directors has re-appointed Mr. Ashok M. Kadakia, Dr. Anil M. Kadakia and Mr. Pankaj M. Kadakia as whole-time directors at the meeting held on 19th November, 1999.

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.

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.

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.

Statement of Profitability-Projected V. Actual for the year 1998-99 as per listing requirement of the Stock Exchange, is annexed.

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.

SUBSIDIARY

The audited statement of accounts alongwith the Directors' Report for the year ended 30th September, 1999 of Kadakia Alkalies & Chemicals Ltd., are annexed to the Balance Sheet and Profit and Loss Account.

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 November, 1999

Ashok M. Kadakia
Executive Chairman