

For ASHOK ORGANIC INDUSTRIES LTD.

M. H. L.

COMPANY SECRETARY

**27TH ANNUAL REPORT
1999-2000**

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ASHOK ORGANIC INDUSTRIES LIMITED

**BOARD OF DIRECTORS**

Mr. Ashok M. Kadakia	Executive Chairman
Mr. D.C. Gami	
Mr. G. Narayana	
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.
Mr. Harish N. Motiwalla	
Dr. Anil M. Kadakia	
Mr. Pankaj M. Kadakia	Managing Director
Mr. Kartik H. Shukla	

COMPANY SECRETARY**SOLICITORS**

Mulla & Mulla & Craige 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@glasmbm01.vsnl.net.in
Internet: http://www.indialog.com/ashok

Office :

Ramkrishna Chambers,
Productivity Road, Alkapuri,
Vadodara - 390 019
Tel.Nos. 330019/334766
Fax No. 333884
Email: Kadakia.brd@smn.sprintpg.ams.vsnl.net.in

PLANTS :**Acetic Anhydride,**

Monochloro Acetic Acid, Ethyl Acetate, etc.
41/A, GIDC Industrial Area,
Nandesari, Dist: Vadodara
Tel Nos.840616/840413,
Fax No. 840615

Glacial Acetic Acid Unit

316/319, GIDC Industrial
Estate, Ankleshwar,
Dist: Bharuch
Tel Nos.: 25022 Fax No: 50462

Distillery

Near Boridara, Hansot Road,
Ankleshwar, Dist: Bharuch
Tel.Nos.47676, Fax No.: 56012

**REGISTRAR & SHARE TRANSFER AGENTS
(w.e.f. 1st December, 2000) :****INTIME SPECTRUM REGISTRY PVT. LTD.**

203, Daver House, 2nd Floor,
197/199, Dr. D.N. Road,
Mumbai - 400 001
Phones : 265 6929 / 27

SHREE GANESH INDUSTRIAL HOUSE,
1st floor, 'B' Wing, W.T. Patil Marg,
Chembur, Mumbai - 400 071.
Phones: 558 1215, Fax : 558 1214
Email: isrl@vsnl.com

260, SHANTI INDUSTRIAL ESTATE,
Sarajini Naidu Road, Mulund (W),
Mumbai - 400 080
Phones: 564 7731, 568 4590,
Fax: 567 2693. Email: isrl@vsnl.com

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NOTICE

Notice is hereby given that the Twenty-seventh Annual General Meeting of the Members of **ASHOK ORGANIC INDUSTRIES LIMITED** will be held at Committee Hall, SNDT Women's University, New Marine Lines, Mumbai - 400 020 on Friday, the 29th December, 2000 at 11.30 a.m. to transact the following business:

1. To receive, consider and adopt the audited Profit & Loss Account for the financial year ended 30th September, 2000 and the Balance Sheet as at that date.
2. To appoint a Director in place of Mr. G. Narayana who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. D.C. Gami who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Maj. Gen. R. K. Gupte (Retd.) who retires by rotation and being eligible, offers himself 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 to fix their remuneration.

By Order of the Board,

Mumbai,
20th November, 2000

(K. H. SHUKLA)
COMPANY SECRETARY

NOTES :

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll vote instead of 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 Saturday, the 16th December, 2000 to Friday, the 29th December, 2000 (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.

By Order of the Board,

Mumbai,
20th November, 2000

(K. H. SHUKLA)
COMPANY SECRETARY

Registered Office :

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

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**DIRECTORS' REPORT**

To,

The Members,

Your Directors present the Twenty-seventh Annual Report together with the Audited Accounts of the Company for the financial year ended 30th September, 2000.

FINANCIAL RESULTS

(Rupees in Lacs)

	1999-00	1998-99 (18 - months)
Sales and Other Income	2734	8322
Profit/(Loss) -		
before Interest & Depreciation	(402)	212
Less : Interest	301	511
Depreciation	67	106
Profit/(Loss) before Tax	(770)	(405)
Provision for Taxation	-	-
Net Profit / (Loss)	(770)	(405)
Balance carried to Balance Sheet	(770)	(405)

Dividend is not recommended in view of the loss for the year.

OPERATIONS

Your Company achieved sales of Rs.26.73 crores for the year as compared to Rs.70.75 crores for the previous accounting period. The division-wise operations stood as under :

Industrial Alcohol

Distillery produced 66 lac litres of industrial alcohol during the year under review as compared to 124 lac litres produced during the previous period.

Acetic Acid

Production of glacial acetic acid stood at 2923 MT as compared to 7730 MT during the previous period.

Organic Chemicals

Down-stream Units of acetic acid and alcohol produced 1778 MT of chemicals vis-a-vis 5754 MT produced during the previous period.

PERFORMANCE

Molasses scenario in Gujarat continued to remain inconsistent and unfavourable. This adversely affected the operations of the units. Prices of molasses, the basic raw material, had been disproportionate to the prices prevailing in other states. The prices of Company's goods accordingly have not been competitive vis-a-vis the prices being offered by the units in other states.

Due to burden of fixed overheads, the operations of Acetic Acid Unit and Organic Chemical Units became unviable.

The operations of Organic Chemical Units, in view of the aforesaid reasons, had to be closed for more than 3 months during the year under review.

The aforesaid factors resulted in liquidity crunch and inability to augment the level of production.

Realisations from low level of operations were inadequate to bear the burden of high cost of materials and fixed costs.

PROSPECTS

Management of the Company has been examining and seeking advice in respect of the alternatives available for reverting back to the profitable operations.

Firstly, the burden of interest on working capital borrowings, under the prevailing circumstances, cannot be borne by Company. This presupposes reduction in the Cost of borrowings.

Secondly, the profitability can be enhanced by focus on selective products.

Thirdly, the operations of Organic Chemical Units can be made

viable by reducing the burden of fixed overheads including the labour cost.

Fourthly, there is necessity of infusing additional funds for catering to the working capital requirements and augmenting the level of operations, in case necessary, by disposal of any unit.

Your company has hired services of a reputed firm of consultants to finalise the strategy for achieving turnaround.

EXPORTS

Exports for the year stood at Rs.136 lacs as compared to Rs.244 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.

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. G. Narayana, Mr. D.C. Gami and Maj. Gen. R.K. Gupte (Retd.) retire by rotation and being eligible, offer themselves for re-appointment.

Mr. Ashwin C. Shroff relinquished his directorship during the year. Board wishes to place on record its deep appreciation for the valuable contributions made by Mr. Shroff during the tenure of his directorship. Mr. Harish N. Motiwala has been appointed as director in the vacancy arising from the resignation of Mr. Shroff.

Dr. Anil M. Kadakia, on having been appointed as whole-time director of associate company, relinquished the position of Managing Director on 31st July, 2000 and continues to be Director.

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.

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.

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 2000-01. Company had, in pursuance of the special resolution passed by the members at the annual general meeting held on 28th August, 1998, informed the Stock Exchanges at Ahmedabad and New Delhi to de-list the shares.

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SUBSIDIARY

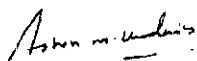
The audited statement of accounts alongwith the Directors' Report for the year ended 30th September, 2000 of Kadakia Alkalies & Chemicals Ltd., are annexed to the Balance Sheet and Profit and Loss Account.

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.

for and on behalf of the Board



EXECUTIVE CHAIRMAN

Mumbai,

20th November, 2000

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 30.09. 2000:

(A) Conservation of Energy :**(a) Energy Conservation measures taken**

- (i) Generation of power from gas for captive requirement,
- (ii) Pressure and flow of gas improved by on-going cleaning of gas pipelines.

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

- (i) Installation of a new Burner with additional facilities to facilitate capacity utilisation of Boiler.
- (ii) Devices being planned for installation to monitor supply of power and steam to various equipments and introduction of strict supervision and controls.
- (iii) Identified a new vacuum pump for acetic anhydride plant which can operate on lower energy requirement.

(c) Impact of the above measures

Saving of in energy. This has been achieved by use of non-conventional source of energy namely Methane Gas, in generation of energy and use of natural gas in the boiler.

(d) Total energy consumption and energy consumption per unit of production.**POWER & FUEL CONSUMPTION**

	1999-00	1998-99
1. Electricity		
(a) Purchased :		
Units (in lacs)	50.82	242.77
Total amount (Rs.in lacs)	249.87	1167.67
Rate / Unit (Rs.)	4.92	4.81
(b) Own Generation -		
Through diesel generator :		
Units (in lacs)	0.40	2.44
Total Amount (Rs. in Lacs)	1.93	2.78
Units per liter of diesel oil	3.56	2.92
Cost / Unit (Rs.)	4.83	3.63
2. Coal		
Quantity (MT)	-	877.48
Total Cost (Rs. in lacs)	-	23.15
Average Rate (Rs.)	-	2638.24

3. Furnace Oil		
Quantity (K. Liters)	1112.00	4009.33
Total amount (Rs.in lacs)	94.78	277.64
Average Rate (Rs.)	8.52	6.98
4. Gas		
Quantity (1000 M3)	2838.67	5426
Total Cost (Rs.in lacs)	170.83	241.76
Rate / Unit per 1000 M3 (Rs.)	60.18	5595.03

II. CONSUMPTION PER UNIT OF PRODUCTION

Name of the Product	1999-00	1998-99
(i) Industrial Alcohol :		
Electricity Kwh/Lac Ltr.	22641	19241
(ii) Acetic Acid :		
Electricity Kwh/MT	676	672
(iii) Organic Chemicals :		
Electricity Kwh/MT	903	827

Notes:

1. Product-wise consumption per unit for each organic chemical cannot be meaningfully determined in view of the products being interlinked.
2. Coal, Furnace Oil and Gas, being alternative sources of energy, it is not possible to determine their respective consumption per unit of production.

(B) Technology absorption**(a) Efforts made in Technology Absorption**

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

Improvement in yield of alcohol.

(c) Future plan of Action

(i) Exploring possibility of setting up power plant operating on captive generated methane gas.

(ii) To work on alternative feedstock and technology for Distillery

(iii) Improvement in various catalysts used in process

(d) Expenditure on R & D

(i) Capital : Rs. Nil

(ii) Recurring : Rs.3.40 lacs

(e) Technology absorption, adaptation & innovation

(i) Efforts, in brief, made towards technology absorption & Innovation Distillery generates methane gas from its effluent

(ii) Benefit derived as a result of the above efforts.

The efforts made by the Company have resulted in saving in energy, preservation of environment and better yield.

(iii) Particulars of technologies imported during the last 5 years Membrane Cell Technology for Caustic/chlorine Plant from Chlorine Engineers Corporation Ltd., Japan.

(C) Foreign Exchange Earnings and Outgo :

(i) Activities relating to exports initiatives taken to increase exports, development of new export markets for products and services. During the year, the Company achieved exports of Rs.136 lacs .

(ii) Total foreign exchange used and earned :

(a) Total foreign exchange earned Rs. 135.34 lacs

(b) Total foreign exchange used Rs. 20.86 lacs