

29th Annual Report 2001 - 2002

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ASHOK ORGANIC INDUSTRIES LIMITED

**BOARD OF DIRECTORS**

Mr. Ashok M. Kadakia	Executive Chairman
Mr. Pankaj M. Kadakia	Managing Director
Mr. Harish N. Motiwalla	
Mr. D. C. Gami	
Mr. D. M. Popat	
Mr. Harish Pandya	
Dr. Anil M. Kadakia	

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. : 22002236/56

Fax No. : 22009456

Email : akadakia@vsnl.com

Internet : http://www.kadakiagroup.com

PLANTS**1. Acetic Anhydride,****Monochloro Acetic Acid, Ethyl Acetate, etc.**

41/A, GIDC Industrial Area,

Nandesari, Dist: Vadodara

2. Glacial Acetic Acid Unit

316/319, GIDC Industrial

Estate, Ankleshwar,

Dist: Bharuch

3. Distillery

Near Boridara,

Hansot Road, Ankleshwar,

Dist: Bharuch

REGISTRAR & SHARE TRANSFER AGENTS :**INTIME SPECTRUM REGISTRY LTD.**

203, Daver House, 2nd Floor,

197/199, Dr. D.N. Road,

Mumbai - 400 001

Phones: 2265 6929 / 27

Shree Ganesh Industrial House,

1st Floor, 'B' Wing, W.T. Patil Marg,

Chembur, Mumbai - 400 071.

Phones: 2558 1215, Fax : 2558 1214

Email: isrl@vsnl.com

260, Shanti Industrial Estate,

Sarojini Naidu Road, Mulund (W),

Mumbai - 400 080

Phones: 2564 77 31, 2592 3837, Fax: 2567 26 93

Email: isrl@vsnl.com

NOTICE

Notice is hereby given that the Twenty-Ninth 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 Monday, the 30th June, 2003 at 10.30 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, 2002 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 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,
23rd October, 2002

ASHOK M. KADAKIA
EXECUTIVE CHAIRMAN

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 June 23, 2003 to June 30, 2003 (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.
6. Shareholders who have not encashed their Dividends after the Financial ended 31st March, 1994 are requested to immediately approach the company. According to the amendment in Section 205 A of the Companies Act, 1956, all unclaimed dividends, if any, are required to be transferred to the newly established Investor Education & Protection Fund.

By Order of the Board

ASHOK M. KADAKIA
EXECUTIVE CHAIRMAN

Mumbai,
23rd October, 2002

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-ninth Annual Report together with the Audited Statement of Account of the Company for the year ended 30th September, 2002.

1. FINANCIAL RESULTS

(Rupees in Lacs)

	2001-02	2000-01
Sales and Other Income	549	980
Profit/(Loss) - before Interest & Depreciation (55)	(766)	
Less: Interest	269	231
Depreciation	54	64
Profit/(Loss) before Tax (378)	(1061)	
Provision for taxation for Previous Years	—	19
Provision for Doubtful Advances & decline in value of investments	—	5227
Net Profit / (Loss) for the year (378)	(6307)	

2. DIVIDEND

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

3. CORPORATE GOVERNANCE

Your company has always strived to incorporate appropriate standards for good Corporate Governance. It has complied with all the mandatory provisions of Corporate Governance as prescribed under the amended Listing Agreements of the stock exchange with which the company's shares are listed.

A separate report on Corporate Governance is produced as a part of the Annual Report, alongwith the Auditor's Certificate on the compliance.

4. LISTING OF EQUITY SHARES

The company's equity shares are listed with Mumbai Stock Exchange. The company is regular in paying listing fees of Mumbai Stock Exchange.

5. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management discussion and analysis report as required under the listing agreement with Mumbai Stock Exchange is enclosed as Annexure 'A'.

6. OPERATIONS

Your Company achieved total turnover of Rs. 549 lacs for the year as compared to Rs 980 lacs for the previous accounting year. The division wise operations stood as under.

Industrial Alcohol

Distillery produced 31 lac litres of industrial alcohol during the year under review as compared to 53 lac litres produced during the previous year.

Acetic Acid

The Ankleshwar unit was closed because of paucity of working capital.

Organic Chemicals

Downstream units of acetic acid and organic chemicals were temporarily shut down because of paucity of working capital and adverse market conditions for most of the year. However, the organic chemicals unit produced 23 M.T. of chemicals during the year as against 346 M.T. in the previous year.

ADVERSE FACTORS

As stated above, because of constraints resulting from paucity of working capital, the plants were out of operation. Skeleton activity was undertaken in Distillery Plant on job work/ conversion basis. However such operations could hardly meet fixed overheads, resulting in loss.

Continuous dialogue is going on with the Financial Institutions / Banks for finalizing Revival Package and Restructuring of Debt including working capital. The Institutions are impressed that ours being Chemical Industry, the plants are corrosive and if the Industry remains inoperative for long time, conditions of the plants deteriorate to insignificant value in spite of the fact that Management strives hard to maintain the plants in best possible way.

7. REFERENCE UNDER SECTION 15 OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

As required under sec.15 of the Sick Industrial Companies (Special Provisions) Act, 1985 reference has been made by the company to the Board for Industrial and Financial Reconstruction (BIFR) which has been registered under case No.195/2002.

8. FIXED DEPOSIT

Your Company has not accepted deposits from the public.

9. SUBSIDIARY COMPANY

The audited statement of accounts alongwith the Directors' Report for the year ended 30th September, 2002 of Kadakia Alkalies & Chemicals Ltd. are annexed to this report.

10. ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

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 enclosed as Annexure 'B' to this Report.

11. PARTICULARS OF EMPLOYEES

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

12. CASH FLOW STATEMENT

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

13. DIRECTORS

Mr. D. C. Gami retired by rotation and being eligible, offers himself for re-appointment.

Mr. G. Narayana, Maj. Gen. R. K. Gupte (Retd.), PVSM and Mr. M. K. Vadagama, Directors of the Company resigned for personal reasons as Directors of the Company. Board wishes to place on record its deep appreciation for the contributions made by these Directors during the tenure of their Directorship.

14. AUDIT COMMITTEE

The Audit Committee consisting of Dr. Anil M. Kadakia, Shri Hariksh C. Pandya and Shri H. N. Motiwalla, reviewed the internal control system, scope of internal audit and compliance of related regulations. The committee reviewed at length and approved the annual financial statements before the same were considered by Board of Directors.

15. AUDITORS

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

16. ACCOUNTS & FINANCE

With reference to point No.5 in the Auditors' Report relating to disqualification of Director, your Directors wish to inform you that due to the continuous financial losses incurred by M/s. Ashok Alco-chem Limited in which the said Directors are Directors, certain dues to Dena Bank could not be paid.

Proposal for restructuring of debt is under active consideration of Dena Bank.

17. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) that the Directors have selected such accounting policies as are mentioned in Schedule 18 to the accounts and applied them consistently and made judgements 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 ended 30th September 2002 and of the loss of the Company for that year.
- (iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors have prepared the annual accounts on a going concern basis.

18. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the 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 their trust and confidence.

For and on behalf of the Board

Mumbai,
23rd October, 2002

ASHOK M. KADAKIA
EXECUTIVE CHAIRMAN

ANNEXURE A TO DIRECTORS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

(a) Industry Structure and Development

The Financial Year 2001-02 has been a challenging one for most economies globally. The Indian Economy was also affected with the estimates of GDP growth for F.Y. 2001-02 being revised downwards from the initial target of 6.5 % to around 5.4 %. A major contributor to the slowdown was the lower growth in the Industrial Sector. The tough macro economic environment during the year had its impact on overall growth.

The Indian Organic Chemical Industry has faced competition within itself from Petro Route vis-a-vis the alcohol route. Again the pricing of petro route had direct relation with the movements in crude prices internationally, whereas the pricing of alcohol rate had effects of government policies of using alcohol in automobile fuel, molasses controls and so on.

(b) Segment-wise Performance

The Company has one segment of "Organic Chemicals". The Year saw the Company out of activity for most part of the year. The Company faced a variety of problems including paucity of Working Capital which had cumulative effects making it more difficult for the Company to restart activities in any of its plants.

(c) Opportunities, Threats, Risks and concern :

The Indian Organic Chemical Industry look forward with optimism on account of tremendous potential of using Alcohol in automobile fuel - petrol. When implemented fully, this will give tremendous boost to the overall demand in this sector.

The uncertainties faced by the Indian economy through movements in crude prices in international market as well as changes in government policies with respect to controls on molasses prices & movements represent threats and risks to be reckoned in the industry. The Company being a part of the industry is affected by these threats, risks and uncertainties.

(d) Financial Performance :

Since during most part of the year the plants of the Company remained out of operation, the company suffered heavy losses. So much so that based on last years' results, the company has made reference seeking registration with the Board for Industrial and Financial Reconstruction (BIFR) under Sick Industrial Companies (Special Provisions) Act, 1985 for granting reliefs and concessions enabling it to revive. The same has been registered with BIFR under Case No. 195/2002.

(e) Internal Control Systems and Adequacy :

As stated above, during most part of the year the plants of the Company remained out of operation and the transactions that took place during the year were minimal. The Internal control Systems, which were very effective earlier when the plants were working, were no longer essential. However, whatever transactions that took place were closely monitored with proper checks and controls.



Annexure B to Directors' Report

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDING 30.09. 2002 :

(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 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 :

I. POWER & FUEL CONSUMPTION

	2001 - 02	2000-01
1. Electricity		
(a) Purchased :		
Units (in lacs)	8.12	15.14
Total amount (Rs.in lacs)	43.94	89.15
Rate / Unit (Rs.)	5.40	5.88
(b) Own Generation -		
Through diesel generator :		
Units (in lacs)	—	0.23
Total Amount (Rs. in Lacs)	—	1.40
Units per liter of diesel oil	—	2.58
Cost / Unit (Rs.)	—	6.13
2. Coal	—	—
Quantity (MT)	—	—
Total Cost (Rs. in lacs)	—	—
Average Rate (Rs.)	—	—
3. Furnace Oil		
Quantity (K. Litres)	193.33	735.74
Total amount (Rs.in lacs)	20.30	74.53
Average Rate (Rs.)	10.50	10.13
4. Gas		
Quantity (1000 M3)	—	164.65
Total Cost (Rs.in lacs)	—	211.90
Rate / Unit per 1000 M3 (Rs.)	—	128.70

II. CONSUMPTION PER UNIT OF PRODUCTION

Name of the Product	2001-02	2000-01
(i) Industrial Alcohol :		
Electricity Kwh/Lac Ltr.	22504	20524
(ii) Acetic Acid :		
Electricity Kwh/MT	—	—
(iii) Organic Chemicals :		
Electricity Kwh/MT	—	1131

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. Nil

(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. Nil

- (ii) Total foreign exchange used and earned :

- (a) Total foreign exchange earned Rs. Nil

- (b) Total foreign exchange used Rs. Nil

Annexure C to Directors' Report

Report on Corporate Governance

1. **Company's Philosophy**

The Company believes in good corporate Governance in tune with the guidelines recommended by SEBI and in terms of the Listing Agreements.

Given below is the report of the Board of directors of the company on Corporate Governance practices being followed by the Company.

2. **Board of Directors**

The Board of Directors presently comprises of seven Directors, including one Managing Director, one Executive Chairman, One Promoter Director and four independent Non-executive Directors. During the year five Board Meetings were held on 30.11.2001, 08.1.2002, 30.3.2002, 29.6.2002 and 30.9.2002.

The composition of the Board of Directors and their attendance at the Board meetings during the year and the last Annual General Meeting are as follows :

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at Last AGM
Shri Ashok M. Kadakia	Executive Chairman	5	Yes
Shri Pankaj M. Kadakia	Managing Director	5	Yes
Dr. Anil M. Kadakia	Promoter Director	5	Yes
Shri D.C. Gami	Non-Executive Director	1	No
Shri D. M. Popat	Non-Executive Director	1	No
Shri H. N. Motiwalla	Non-Executive Director	3	Yes
Shri Harish Pandya	Non-Executive Director	3	No

3. **Audit Committee**

The Board has constituted the Audit Committee pursuant to Sec 292A of The Companies Act, 1956 read with Clause 49 of The Listing Agreement with The Stock Exchange, Mumbai at its meeting held on 28.9.2001 with the required terms of reference as per the above referred statutory requirements.

The Audit Committee comprises of 3 Non-executive Directors. The Committee met on 30.11.2001, 8.1.2002, 29.6.2002 and during the year the attendance of the members at the meetings was as follows :

Name of the Member	Status	No. of Meetings attended
Shri Harish N. Motiwalla	Chairman	3
Shri Harish C. Pandya	Member	2
Dr. Anil M. Kadakia	Member	3

4. **Remuneration Committee :**

The Company has not formed Remuneration Committee of Directors at it is Non-mandatory requirement. the remuneration of Executive Chairman and the Managing Director is approved by the board within the overall limit fixed under the law.

5. **Shareholders' / Investors' Committee**

The Board constituted shareholders' / Investors' Committee on 27.01.2001 comprising of Shri Ashok M. Kadakia, Dr. Anil M. Kadakia which looks into shareholders and Investors grievances. The Board has appointed Shri Pankaj M. Kadakia as Compliance Officer.

The Committee met on 15.10.2001, 31.10.2001, 15.2.2002, 28.2.2002, 30.4.2002, 15.5.2002, 30.5.2002, 15.6.2002, 29.6.2002, 15.7.2002, 30.7.2002, 14.8.2002, 30.8.2002 and 16.9.2002 which was attended by all the above referred Committee members.

As on 30.9.2002 there were no investor Grievances remaining unattended / pending for more than 30 days.

6. **General Body Meetings :**

Details of the location of the last three Annual General Meetings are as under :

Annual General Meeting	Day, Date and Time	Location
26th AGM	Wednesday, 28.12.1999 at 11.30 a.m.	Walchand Hiranchand Hall, Indian Merchants Chamber, Churchgate, Mumbai - 400 020
27th AGM	Friday, 29.12.2000 at 11.30 am	Committee Hall, S.N.D.T. Womens University, New Marine Lines, Mumbai - 400 020.
28th AGM	Saturday, 30.3.2002 at 10.30 a.m.	Committee Hall, S.N.D.T. Womens' University, New Marine Lines, Mumbai - 400 020

No Special Resolutions were put at any of the above meetings.

6A **Notes on Directors seeking appointment / re-appointment as required under Clause 49 VI (A) of The Listing Agreement with Stock Exchange.**

Shri D.C. Gami will retire by rotation at the ensuing Annual General Meeting who is eligible for re-appointment.

Shri D.C. Gami is a reputed industrialist carrying wealth of long experience in the fields of Industry and Technology. He had held coveted position of MD of GSFC for long time and his presence on our Board has helped us in our business endeavours.

7. **Disclosures :**

- (a) There were no significant related party transactions which had the potential conflict with the interest of the Company at large.
- (b) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any Statutory Authority on any matter related to capital markets.

**8. Means of Communication :**

The quarterly half-yearly and yearly financial results of the company are sent to the Stock Exchange, Mumbai immediately after the same are approved by the Board and the said results are published in financial and non-financial newspaper.

9. General Shareholder Information :

- a. Annual General Meeting
Date and Time : 30th June, 2003, 10.30 a.m.
Venue : Committee Hall , S.N.D.T. Womens' University New Marine Lines, Mumbai - 400 020.
- b. Financial Calendar :
Quarter ending Dec 31, 2002 End of Jan, 2003
Quarter ending March 31, 2003 End of April, 2003
Quarter ending June 30, 2003 End of July, 2003
Quarter ending Sept., 30, 2003 End of Oct, 2003
Annual General Meeting End of March, 2004.
for year ending 30.9.2003
- c. Date of Book Closure : 23rd June, 2003 to 30th June, 2003 (both days inclusive)
- d. Dividend payment date : Not Applicable
- e. Listing on Stock Exchange : The Stock Exchange, Mumbai
- f. Company Code. : 26923
- g. Market Price Data :

	Months' Low Price	Months' High Price
October, 2001	1.00	4.00
November, 2001	—	—
December 2001	1.00	2.00
January 2002	—	—
February, 2002	1.00	2.00
March, 2002	—	—
April, 2002	—	—
May, 2002	1.00	2.00
June, 2002	2.00	8.00
July, 2002	4.00	5.00
August, 2002	4.00	5.00
September, 2002	2.00	6.00

- h. Registrar & Share : **INTIME SPECTRUM REGISTRY LTD.**
Transfer Agents 203, Daver House, 2nd Floor,
197/199, Dr. D.N. Road,
Mumbai - 400 001
Phones: 2265 6929 / 27
Shree Ganesh Industrial House,
1st floor, 'B' Wing, W.T. Patil Marg,
Chembur, Mumbai - 400 071.
Phones: 2558 1215, Fax : 2558 1214
Email: isrl@vsnl.com
260, Shanti Industrial Estate,
Sarojini Naidu Road, Mulund (W),
Mumbai - 400 080.
Phones: 2564 77 31, 2592 38 37
Fax: 2567 26 93
Email: isrl@vsnl.com

i. Share Transfer System :

Shares lodged for transfer in physical form and processed and duly transferred share Certificates are sent within 30 days of receipt of the valid documents. The shares are transferred at an interval of 15 days time.

j. Distribution of Shareholding :

- (i) The Distribution of Shareholding as on 30th September, 2002 :

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Total Shares
Upto 500	9681	97.58	1032550	8.54
501 to 1000	136	1.37	105075	0.87
1001 to 2000	45	0.45	65475	0.54
2001 to 3000	19	0.19	48125	0.40
3001 to 4000	5	0.05	18700	0.15
4001 to 5000	7	0.07	31900	0.26
5001 to 10,000	5	0.05	40700	0.34
10,001 and above	23	0.23	10743100	88.90
Total	9921		12085625	100.00

- (ii) Shareholding Pattern as on 30th September, 2002 :

Associates	No. of Shares Held	% of Shareholding
1. Directors & Relatives (Promoters)	10584850	87.58
2. Mutual Funds	10,200	0.08
3. Banks Financial Institutions	200	0.01
4. Other Corporate Bodies	66,325	0.55
5. Indian Public	1424050	11.78
Total	12085625	100.00

k. Outstanding GDRs/

ADRs / Warranty : Not Applicable

- l. Plants Location :
1. Distillery Plant : Near Boridara, Hansot Road, Ankleshwar Dist. Bharuch
 2. Glacial Acetic Acid Plant 316/319, G.I.D.C. Industrial Estate Ankleshwar , Dist. Bharuch
 3. Organic Chemical Plant : 41 A G.I.D.C. Industrial Area, Nandesari, Dist. Vadodara

- m. Address for : 406, Sharda Chambers,
Correspondence 33, New Marine Lines,
Mumbai - 400 020.

As per our Certificate annexed For and on behalf of the Board,

for **N. P. PATWA & CO.**
Chartered Accountants

ASHOK M. KADAKIA
Executive Chairman

N. P. PATWA
Proprietor
Mumbai,
23rd October, 2002

AUDITOR'S REPORT

To,

The Members of

ASHOK ORGANIC INDUSTRIES LTD.

We have audited the attached Balance Sheet of **ASHOK ORGANIC INDUSTRIES LIMITED** as at 30th September, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that, we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provided a reasonable basis for our opinion.

As required by the Manufacturing and other Companies (Auditors Report) Order, 1988 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of The Companies Act, 1956, we enclose in annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further, to our comments in the Annexure referred to above, we report that:

- 1) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 2) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
- 3) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
- 4) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act.
- 5) On the basis of written representations received from the Directors, as on 30th September, 2002, and taken on record by the Board of Directors, we report that following directors are disqualified from being appointed as directors: Mr. Ashok M. Kadakia, Dr. Anil M. Kadakia and Shri Pankaj M. Kadakia in terms of Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
- 6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to note no. 9 and 10 in schedule 19, being note forming part of accounts, regarding non provision of liabilities towards employees remuneration and benefit amounting to Rs.32.99 lacs and not providing information in respect of overdues in respect of Small Scale Industrial Undertakings which has effect on loss for the year being lower by Rs.32.99 lacs and current liability is lower by equivalent amount and other notes forming parts of accounts give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March, 2002, and
 - ii) in the case of Profit and Loss Account, of the loss for the year ended on that date.

For **N. P. PATWA & CO.**
Chartered Accountants

Place : Mumbai

Date : 23rd October, 2002

N. P. PATWA
Proprietor

ANNEXURE TO THE AUDITOR'S REPORT

(Annexure referred to in paragraph (1) of the Auditor's Report of even date on the accounts of Ashok Organic Industries Limited for the year ended on 30th September, 2002).

1. Company is in process of updating records maintained for fixed assets including quantitative details of fixed assets. The fixed assets have been physically verified by the Management during the year. The discrepancies, noticed by the Management on such verification as compared with the records of fixed assets maintained by the Company will be adjusted on the ascertaining of the same.
2. The Fixed Assets have not been revalued during the year.
3. a. The stocks of finished Goods, Stores Spare parts and raw materials have been physically verified by the management at reasonable intervals during the year.
- b. The procedure of physical verification of the above referred stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. According to the records produced before us for our verification, there were no material discrepancies noticed on physical verification of

stocks referred to in 3 (a) above, as compared to book records and the same have been properly dealt with in the books of accounts.

- d. We have examined and verified the stock verification records of the Company and on the basis of such verification, we are satisfied that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the immediately preceding year.
4. The Company has not taken any loans, secured or unsecured from Companies, firms or other parties listed in register maintained under Section 301 of the Companies Act, 1956 and / or Companies under the same management as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956.
5. In our opinion, terms and conditions of the loans to companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and / or Companies under the same management as defined under Sub-section (1B) of Section 370 of the Companies Act, 1956 are not prejudicial to the interest of the Company. In respect of the loans and advances in the nature of loans given by the Company, where stipulations are made, the employees are generally repaying the principals and interest as stipulated or rescheduled.
6. In our opinion and in accordance with the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business, with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
7. In our opinion and in accordance with the information and explanations given to us, the transactions of purchase and sale of goods and materials maintained under Section 301 of the Companies Act, 1956 aggregating during the period to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or prices at which transaction for similar goods and material have been made with other parties.
8. As explained to us, the company has a regular procedure for determination of unserviceable stores, raw materials and / or finished goods and adequate provisions for the loss, if any, has been made in the accounts.
9. Company has not invited fixed deposits from the public and accordingly, provisions of Section 58 A of the Companies Act, 1956 and the Companies (acceptance of deposits) rules, 1975 are not applicable.
10. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap. However, the records are not updated at regular interval.
11. The Company has no internal audit system. However, considering the Company's operation, it has adequate internal control system.
12. The Central Government has prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for Industrial Alcohol and we have broadly reviewed the records maintained for this purpose. However, we have not made a detailed examination of the records.
13. According to the records of the Company, the provident fund dues and employees state insurance dues have not been regularly deposited during the year with the appropriate authorities.
Provident fund/Employees' State Insurance dues aggregating to Rs. 25,75,633/- for the previous year ended 30.9.2001 and Rs. 47,380/- for the current year which have been fallen due for deposit with the appropriate authorities have not been so deposited as at 30.9.2002.
14. According to the records of the Company, the undisputed amounts payable in respect of Income Tax of Rs. 6,25,131/- and sales tax Rs. 7,07,432/- were outstanding as at the last day of the financial year for a period of more than six months from the date they become payable.
15. On the basis of i) the examination of Books of Account, ii) the vouchers produced to us for our verification, iii) the explanations given and representations made to us in our inquiries and iv) the check and control relating to authorising the expenditure on the basis of contractual obligation and accepted business Practices having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue which, in our opinion and judgement and to the best of our knowledge and belief could be regarded as personal expenses.
16. The Company is sick industrial company within the Clause (O) of Section 3 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985. An application is moved to Board for Industrial and Financial Reconstruction on 4.2.2002 to declare the Company as sick under the provisions of said Act.
17. In respect of Company's Trading activity, we are informed that there are no damaged stocks.
18. The Company's activities are such that the question of recording receipts, issues and consumption of materials and stores and the allocation of materials, stores and man hours utilised to the relative jobs does not arise. Consequently, the authorisation and adequacy of internal control on the issue of stores and allocation of stores and labour to jobs does not arise.

For **N. P. PATWA & CO.**
Chartered Accountants

Place : Mumbai

Date : 23rd October, 2002

N. P. PATWA
Proprietor