

30th Annual Report 2002 - 2004



ASHOK ORGANIC INDUSTRIES LIMITED

30th Annual Report 2002 - 2004

BOARD OF DIRECTORS

Mr. Ashok M. Kadakia Executive Chairman

Mr. D. C. Gami

Mr. D. M. Popat

Mr. Harish C. Pandya

Mr. K. S. Tandon

Dr. Anil M. Kadakia

Mr. Pankaj M. Kadakia Managing Director

COMPANY SECRETARY

Mr. Ashvin C. Desai

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@vsnl.com

Internet: <http://www.kadakiagroup.com>

Office :

5B, Ramkrishna Chambers,

Productivity Road, Alkapuri,

Vadodara - 390 019

Tel.Nos. : 2330019 / 2334766

Fax No. : 2333884

Email : ashokorganic@yahoo.com

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

41/A, GIDC Industrial Area,

Nandesari, Dist: Vadodara

Glacial Acetic Acid Unit

316/319, GIDC Industrial Estate,

Ankleshwar, Dist: Bharuch

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,

Next to Central Camera, Mumbai - 400 001.

Shree Ganesh Industrial House,

1st Floor, 'B' Wing,

W. T. Patil Marg, Chembur, Mumbai - 400 071.

C-13, Pannalal Silk Mills Compound,

LBS Marg, Bhandup (W), Mumbai - 400 078.

Phones : 5555 5454

Fax: 5555 5353 E-mail: isrl@vsnl.com

**NOTICE**

Notice to hereby given that the Thirtieth Annual General Meeting of the Members of **ASHOK ORGANIC INDUSTRIES LTD.** will be held at Committee Hall, SNDT Women's University, New Marine Lines, Mumbai-400020 on Saturday 21st August, 2004, at 10.30 am to transact the following business :

1. To receive, consider and adopt the audited Profit & Loss Account for the period ended on 31st March 2004 and the Balance Sheet as at that date,
2. To appoint a Director in place of Shri D. M. Popat 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.

SPECIAL BUSINESS :

To transact the following business as special business.

4. To appoint a Director in place of Shri K. S. Tandon, who vacates offices pursuant to section 260 of the Companies Act, 1956 and the Articles of Association of the Company as he was appointed as an Additional Director on the Board of Directors of the Company. The Company has received a notice under sections 257 and 190 of the Companies Act, 1956 from a member of the Company intimating his intention to propose Shri K. S. Tandon for the re-appointment as a Director of the Company and for that purpose to pass the following resolution as an Ordinary Resolution with or without modification(s):

"RESOLVED That Shri K. S. Tandon, who having been appointed as an Additional Director, vacates office at this Annual General meeting be and is hereby appointed as a Director of the Company liable to retire by rotation".

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

"RESOLVED that subject to the provisions of sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) approval of the Company be and is hereby accorded to the appointment of Shri K.S. Tandon as Director (Operations) of the Company for a period of three years from 1st January 2004 on the remuneration and on such terms and conditions including limits set out in explanatory statement attached hereto with liberty and authority to the Board of Directors to alter and vary the terms and conditions of the said appointment from time to time within the scope of the Schedule XIII of the Companies Act, 1956 or any amendment thereto or any re-enactment thereof and as may be agreed to between the Board of Directors and Shri. K.S. Tandon.

"Further RESOLVED that in the event of loss or inadequacy of profit in any financial year, the Company shall pay Shri. K.S. Tandon in respect of such financial year remuneration by way of Salary or Fees, Allowances, Perquisites and other benefits as the Board of Directors may deem fit, subject to the limits prescribed herein and in Schedule XIII of the Companies Act 1956.

"Further RESOLVED that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary desirable or expedient to give effect to this resolution".

By Order of the Board,

(ASHVIN C. DESAI)

COMPANY SECRETARY

Mumbai,
12th May, 2004

NOTES :

1. A members 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 13th August, 2004 to 21st August 2004 (both days inclusive)
3. Explanatory statement setting out all material facts concerning items 4 and 5 as required under sec. 173 of the Companies Act, 1956 is annexed hereto.
4. All documents referred to in the Notice and Explanatory statement are open for inspection at the Registered office of the Company between 11am and 1pm on any working day.
5. Members are requested to notify changes, if any, in their address to the Registrar and Share Transfer Agents at the earliest.
6. 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 Meetings.

7. 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.
8. Shareholders who have not encashed their Dividends after the financial year ended 31st March 1995 are requested to immediately approach the Company. According to the amendment in section 205A of the Companies Act, 1956 all unclaimed dividends if any, are required to be transferred to the newly established Education & Protection Fund.
9. Pursuant to SEBI circular No. D&CC/FITTC/CIR-15/2002 dtd. 27.12.2002 all the work related to share registry in terms of both physical and electronic are being done by the Company's R&T Agents M/s. Intime Spectrum Registry Ltd. Therefore, shareholders are requested to send their communication directly to them in future.

By Order of the Board,

(ASHVIN C. DESAI)

COMPANY SECRETARY

Mumbai,
12th May, 2004

Registered Office :
406, Sharda Chambers
33, New Marine Lines,
Mumbai - 400 021.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.**Item No. 4 :**

Shri K. S. Tandon is Chemical Engineer with professional experience spread over a long period of 35 years. He carries with him industrial experience at high level management in capacity of Vice president, President and M. D. He was associated with the Company during 1992 to 1998 as President of the Company's Chloro Alkali Plant at Ankleshwar. His services are therefore very useful in the Company's working.

The Board of Directors in their meeting held on 31st January 2004 considered his appointment and have appointed him as an Additional Director. He holds office as Director only till the date of this Annual General Meeting.

The Company has received a notice under sections 257 of the Companies Act 1956 along with deposit of Rs. 500/- from a member signifying his intention to propose the candidature of Shri K. S. Tandon as Director of the Company. Therefore the resolution is recommended for approval of the members.

None of the Directors except Shri K. S. Tandon, is deemed to be considered or interested in the resolution.

Item No. 5.

The Board of Directors of the Company have at its meeting held on 12th May, 2004 appointed, subject to the approval of the shareholders, Shri. K.S. Tandon as Director (Operations). The remuneration, terms and conditions of his appointment are set out hereunder.

1. Period of appointment as Director (Operations) : 3 years from 1st January 2004.

Remuneration :

Technical Professional Fees of Rs. 20,000/- per month.

Reimbursement of actual petrol and other expenses incurred for Company's work.

Minimum remuneration : The aforesaid remuneration will be paid as minimum remuneration in the event of loss or inadequacy of profits in any financial year and will be in accordance with the provisions of sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956.

With authority and power to Board of Directors to alter and vary the terms and conditions including limits.

Shri. K. S. Tandon's appointment, terms and conditions and remuneration are within the scope of Schedule XIII of the Companies Act, 1956 and requires the approval of the members in General Meeting and hence this ordinary resolution for your approval.

None of the Directors, except Shri. K.S. Tandon, is deemed to be concerned or interested in this resolution.

The aforesaid terms of appointment, remuneration, etc. may be treated as abstract under Sec. 302 of the Companies Act 1956.

By Order of the Board,

(ASHVIN C. DESAI)

COMPANY SECRETARY

Mumbai,
12th May, 2004

Registered Office :
406, Sharda Chambers
33, New Marine Lines,
Mumbai - 400 021.

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DIRECTORS' REPORT

To,
The Members

Your directors submit their 30th Report together with the Statement of Account for the period ended on 31st March 2004.

1. FINANCIAL RESULTS

(Rupees in Lacs)

	2002-2004 (18 months)	2001 -2002
Sales and Other Income	507	549
Profit / (Loss)		
before Interest & Depreciation	(130)	(55)
Less : Interest	398	269
Depreciation	80	54
Prior period adjustment	(4)	—
Profit / (Loss) before Tax	(604)	(378)
Provision for Taxation	—	—
Net Profit / (Loss)	(604)	(378)
Balance carried to Balance Sheet	(6576)	(5972)

2. ACCOUNTING YEAR

The Company's accounting year has been changed so as to end on 31st March, 2004. Current accounting year accordingly comprises of the period of 18 months. Permission required under the Companies Act, 1956 is received.

3. DIVIDEND

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

4. 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 along with Auditor's Certificate on the compliance.

5. LISTING OF EQUITY SHARES

The Company's equity shares are listed with Mumbai Stock Exchange. The scrip has been temporarily suspended for trading. The Company is seized of the matter and is endeavouring to recommence the trading at the earliest.

6. 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'.

7. OPERATIONS

Your Company achieved total turnover of Rs. 507 lacs for the period as compared to Rs. 549 lacs for the previous accounting year. The division wise operations stood as under :

Industrial Alcohol

Distillery produced 22 lac litres of alcohol during the period under review as compared to 31 lac litres produced during the previous year.

Acetic Acid

The Ankleshwar unit was closed because of paucity of working capital and non-viability of production of acetic acid through alcohol route.

Organic Chemicals

Downstream units of acetic acid and other organic chemicals were temporarily shut down because of paucity of working capital and adverse market conditions for most of the period.

ADVERSE FACTORS

As stated above, because of constraints resulting from paucity of working capital, the plants are out of operation. Skeleton activity was undertaken in Distillery Plant. However, such operations could hardly meet fixed overheads, resulting in loss. So much so that even bear minimum maintenance of plant & machinery could not be carried out.

Continuous dialogue is going on with Financial Institution/Banks for finalising Revival Packages 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 deteriorates to insignificant value in spite of the fact that Management strives hard to maintain the plants in best possible way.

8. 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.

9. FIXED DEPOSIT

Your Company has not accepted deposits from the public.

10. SUBSIDIARY COMPANY

The audited statement of accounts along with the Directors' Report for the period of six months ended 31st March 2004 of Kadakia Alkalies & Chemicals Ltd. are annexed to this report. Your Directors have reviewed the affairs of the Subsidiary Company also.

11. 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.

12. PARTICULARS OF EMPLOYEES

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

13. 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.

14. DIRECTORS

Shri D. M. Popat retires by rotation and being eligible offers him self for reappointment. A brief resume of Shri D. M. Popat is given in Corporate Governance Report.

Shri K. S. Tandon has been appointed as an Additional Director and he will hold office till the date of the forthcoming Annual General Meeting. A notice has been received from a member proposing the candidature of Shri K. S. Tandon for his appointment as Director of the Company. A brief resume of Shri K. S. Tandon is given in Corporate Governance Report.

Shri Harish N. Motiwala had resigned as a Director of the Company. The Board wishes to place on record its deep appreciation for the contributions made by him during the tenure on his Directorship.

15. AUDIT COMMITTEE

In view of changes in the Board the Audit Committee was reconstituted to consist of Shri D. C. Gami, Dr. Anil M. Kadakia and Shri Harish Pandya. The Committee 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.

**16. 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.

17. ACCOUNTS & FINANCE

- (i) With references to point No. V 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 Ltd. in which the said Directors are Directors, certain dues to Dena Bank could not be paid. Proposal for restructuring of debt is under consideration of Dena Bank. Meanwhile the said company has been referred to BIFR under section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. Consequently the aforesaid dues have been in abeyance.
- (ii) Though the networth of the company has been completely eroded, in view of the future plans, prospective profitability and the rehabilitation proposal submitted to the financial institutions which the management is confident of achieving, the accounts have been prepared on the principle applicable to a "Going Concern".
- (iii) With reference to point no 2 and 9 in Annexure to Auditors' Report your directors wish to state that the operations of the plants were totally suspended during the period except Distillery which worked intermittently and hence no trained employees were available to undertake the work relating to the records and verification referred therein.
- (iv) With reference to points no 9 and 10 in Annexure to Auditors' Report your directors wish to state that as stated in preceding para (iii) above the operations of the plants were totally suspended except Distillery which worked intermittently the cost records could not be maintained and the statutory dues referred therein could not be paid since because of heavy losses to the extent of total erosion of entire net worth, the company was starved of funds. However, the same will be paid no sooner funds position permits.

18. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Sec. 217 (2AA) of the Companies Act, 1956 your Directors confirm based on the representation received from the operating management that

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed
- (ii) the Directors have selected such accounting policies as are mentioned in Schedule 18 to the accounts and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial period ended 31st March 2004 and of the loss of the Company for that period.
- (iii) 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 safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities :
- (iv) the Directors have prepared the annual accounts on a going concern basis.

Your Directors further certify to the best of their knowledge and belief that ;

- (a) They have reviewed the balance sheet and profit and loss account and all its schedules and notes on accounts as well as the cash flow statements and the Directors Report;
- (b) These statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading ;

- (c) These statements present a true and fair view of the company and are in compliance with the existing accounting standards and / or applicable laws / regulations.
- (d) They are responsible for establishing and maintaining internal controls and have evaluated the effectiveness of internal control systems of the company and they have also disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and what they have done or propose to do to rectify these;
- (e) They have also disclosed to the Auditors as well as the Audit Committee, instances of significant fraud, which are none, that involves management or employees having a significant roll in the company's internal control systems ; and
- (f) They have indicated to Auditors, Audit Committee and in the notes on accounts, whether or not there were significant changes in internal control and / or of accounting policies during the period.

19. ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the co-operation received by the Company from the Banks 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

Ashok M. Kadakia

Executive Chairman

Mumbai

Dated : 12th May 2004

ANNEXURE "A" TO THE DIRECTORS'S REPORT**MANAGEMENT DISCUSSION AND ANALYSIS****(a) Industry Structure and Development**

The Indian economy in the period under review experienced smart recovery from a low GDP growth rate of 4.4% in 2002-03 to almost 8.5% in 2003-04. This revival is reflected in the overall recovery of Chemical Industry in the country.

The improvement at macro-level helped your Company to restart the industrial activity which was otherwise standstill.

The Organic chemical Industry in India continues to face competition within it self from petro-route vis-à-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 route 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 period saw the Company out of activity for most part thereof. The Company faced myriads 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. Inspite of this modest attempt was made and the Company's Distillery unit at Ankleshwar was started in November 2003. Sale from this unit for the period ended on 31st March 2004 amounted to Rs. 503.31 lacs.

(c) Opportunities, Threats, Risks and concern

The Organic Chemical Industry in India 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

During most part of the year the plants of the Company remained out of operations. As a result the Company suffered heavy

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losses. So much so that based on results of the year 2000-2001, the Company 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 years the plants of the Company remained out of operations 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.

(f) Human Relations

There has been cordial relations in the Company during the period.

(g) Cautionary Statement

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

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 PERIOD ENDED 31.03.2004****(A) Conservation of Energy :**

- (a) Energy Conservation measures taken
 - (i) Generation of Power from gas captive requirement.
 - (ii) Pressure and flow of gas improved by on-going cleaning of gas pipelines.
- (b) Additional Investment & 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.
- (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

	2002 - 04	2001-02
1. Electricity		
(a) Purchased		
Unit (in lacs)	4.59	8.12
Total amount (Rs. in lacs)	29.89	43.94
Rate/Unit (Rs.)	6.51	5.40
(b) Own Generator		
Through diesel generator :		
Unit (in lacs)	—	—
Total amount (Rs. in lacs)	—	—
Unit per liter of diesel oil	—	—
Cost /Unit (Rs.)	—	—

2. Coal		
Quantity (MT)	2152.12	—
Total Cost (Rs. in lacs)	42.36	—
Average Rate (Rs.)	1968.38	—
3. Furnace Oil		
Quantity (K. Litres)	83.41	193.33
Total amount (Rs. in lacs)	10.90	20.03
Average Rate (Rs.)/Litres	13.07	10.50
4. Gas		
Quantity (1000 M3)	—	—
Total Cost (Rs. in lacs)	—	—
Rate/Unit per 1000 M3 (Rs.)	—	—

II. CONSUMPTION PER UNIT OF PRODUCTION

Name of the Product	2002 - 04	2001-02
(i) Industrial Alcohol :		
Electricity Kwh/lac Ltrs.	20290	22504
(ii) Acetic Acid :		
Electricity Kwh/Ltrs.	—	—
(iii) Organic Chemicals :		
Electricity Kwh/Ltrs.	—	—

Notes :

- 1. Product-wise consumption per unit for each organic chemicals 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.****RESEARCH & DEVELOPMENT**

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 yields of alcohol.

(c) Future plan of Action

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

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

(iii) Improvement in various catalyst 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 yields.

(iii) Particulars of the technologies imported during the last 5 years.

(C) FOREIGN EXCHANGE EARNING 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 exchanged 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 Executive Chairman, One Managing Director, One Promoter Director and four independent non-executive directors. During the period of 18 months seven Board meetings were held on 31.12.2002, 30.1.2003, 10.4.2003, 10.7.2003, 10.10.2003 and 31.1.2004.

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

Name of Directors	Category of Directorship	No. Board Meetings Attended	Attended Last AGM	No. of other companies in which he is Director / Chairman	No. of Committees of other companies in which Member / Chairman
Ashok M. Kadakia	Executive Chairman	7	Yes	9	3
Pankaj M. Kadakia	Managing Director	7	Yes	7	4
Dr. Anil M. Kadakia	Promoter Director	7	Yes	4	1
Mr. D. C. Gami	Non-Executive Independent Director	7	Yes	5	6
Mr. D. M. Popat	Non-Executive Independent Director	3	No	9	—
Mr. Harish C. Pandya	Non-Executive Independent Director	7	No	1	1
Mr. K. S. Tandon	Non-Executive Independent Director	2	NA	—	—

Directors seeking appointment/re-appointment.

Shri K. S. Tandon was appointed as an Additional Director of the Company by the Board of Directors. Shri K. S. Tandon is Chemical Engineer with professional experience spread over a long period of 35 years. He carries with him Industrial experience at high level management in capacity of Vice-president, President and M. D. He was associated with the Company during 1992 to 1998 as President of the Company's Chloro Alkali Plant at Ankleshwar. His services are therefore very useful in the Company's working. He is not holding directorship in any other company. He is also not chairman or member of any of the committees of Directors of the company.

Shri D. M. Popat will retire by rotation at the ensuing Annual General meeting and is eligible for re-appointment.

Shri D. M. Popat is a partner in India's leading Solicitor's firm Mulla & Mulla & Craigie Blunt & Caroe, Mumbai. He is Advocate and among the country's legal luminaries. In his capacity as legal advisor he is director in six other public limited companies and three private limited companies besides committee member in business and professional associations like FICCI and others.

3. Audit Committee

The Board has constituted Audit Committee pursuant to Se. 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 Board, in view of changes in the Directors reconstituted the Audit Committee at its meeting held on 31.1.2004.

The Committee comprises of 3 Non Executive Directors. The Committee met on 30.11.2002, 08.1.2003, 29.6.2003, 30.11.2003,

31.01.2004, and 14.04.2004 and during the period the attendance of the members at the meetings was as follows :

Name of Members	Status	No. of Meetings attended
Mr. D. C. Gami (Since 31.1.2004)	Chairman	2
Shri Harish Motiwala (Till 31.01.2004)	Chairman	4
Mr. Harish Pandya	Member	6
Dr. Anil M. Kadakia	Member	6

The company has not denied any personnel, access to the Audit committee of the company and the situation has not arisen to provide protection to " whistle blowers" from unfair termination and other unfair or prejudicial employment practices.

4. Remunerations 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 27.1.2001 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 16.10.2002, 15.11.2002, 16.12.2002, 30.12.2002, 15.01.2003, 30.1.2003, 16.2.2003, 31.03.2003, 16.06.2003, 31.07.2003, 16.08.2003, 30.08.2003, 15.09.2003, 15.11.2003, 29.11.2003, 15.12.2003, 15.01.2004, 30.01.2004, 14.02.2004, 28.02.2004 and 31.03.2004 which was attended by all the above referred Committee members.

The Board reconstituted the Committee in view of changes in Board, at its meeting held on 31.1.2004 comprising of Shri Ashok M. Kadakia, Dr. Anil M. Kadakia and Shri Pankaj M. Kadakia. The Board has appointed Shri A. C. Desai Company Secretary as compliance officer.

The reconstituted Committee met on 16.04.2004, which was attended by all the above Committee Members.

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As on 31.03.2004 there were no Investor Grievances remaining unattended/pending to 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	Locations
30th AGM	Saturday 21.08.2004 at 10:30 am	Committee Hall S. N. D. T. Women's University, New Marin Lines, Mumbai - 400020.
29th AGM	Monday 30.06.2003 at 10:30 am	Committee Hall S. N. D. T. Women's University, New Marin Lines, Mumbai - 400020.
28th AGM	Saturday 30.3.2002 at 10:30am	Committee Hall S. N. D. T. Women's University, New Marin Lines, Mumbai - 400020.

Whether special resolutions were put through postal ballot last year? No.
Are polls proposed to be conducted through post ballot this year? No.

7. Disclosures

- There were no materially significant related party transactions that may have potential conflict with the interest of the Company at large.
- No penalties or strictures have been imposed on the Company by SEBI or any Statutory Authority on any matter related to capital markets. The Company's scrip has been temporarily suspended for trading for, inter alia, not having paid listing fees because of financial constraints.

8. Means of Communication

The quarterly half-yearly and yearly financial results of the company are normally 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. However, there were certain interruptions during the period in view of the Company's weak financial position and its consequential effects of non availability of qualified staff to look after this aspect etc. etc.

10. General Shareholder Information

- 30th Annual General Meeting

Date and Time	: 21st August 2004, 10:30 a.m.
Venue	: Committee Hall, S. N. D. T. Women's University, New Marine Lines, Mumbai-400020.
- Financial Calendar

Adoption of result for the Quarter ending June, 30, 2004	: July, 2004
Quarter / Half Year ending September 30, 2004	: October / November, 2004
Quarter ending December 31, 2004	: January, 2005
Quarter ending March, 31, 2005	: April or June, 2005
Annual General Meeting for the year ending on 31.03.2005	: September, 2005
- Date of Book Closure (both days inclusive) : 13th August 2004 to 21st August 2004
- Dividend payment Date : Not Applicable
- Listing on Stock Exchange : The Stock Exchange, Mumbai
- Company Code : 26123

(g) Market Price Data

Months	Low Price*	Months High Price*
October, 2002	3.00	8.00
November, 2002	4.00	4.00
December, 2002	1.50	8.00
January, 2003	1.50	8.00
February, 2003	4.00	5.00
March, 2003	5.00	10.00
April, 2003	—	—
May, 2003	—	—
June, 2003	3.00	10.00
July, 2003	3.00	10.00
August, 2003	2.00	14.00
September, 2003	3.00	3.00
October, 2003	—	—
November, 2003	2.00	20.00
December, 2003	2.50	20.00
January, 2004	2.25	20.00
February, 2004	5.00	16.00
March, 2004	8.00	26.00

* based on actual transactions recorded in Share Transfer Register.

(h) Registrar & Share Transfer Agents

INTIME SPECTRUM REGISTRY
203, Daver House, 2nd Floor,
197/199, Dr. D. N. Road, Mumbai-400001
Phone No. 2265 6929 / 27
Shree Ganesh Industrial House
1st Floor, 'B' Wing, W. T. Patil Marg,
Chembur, Mumbai 400071.
Phone No. : 2558 1215,
Fax No. : 2558 1214.
Email : isrl@vsnl.com
C-13, Pannaik Silk Mills Compound,
L. B. S. Marg, Bhandup (West),
Mumbai-400 078.
Phone No. : 555 55454
Fax No. 555 55353
Email : isrl@vsnl.com

(i) Share Transfer System

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

(j) Distribution of Shareholding

(i) The Distribution of Shareholding as on 31st March, 2004

No. of Shares	No. of shareholders	% of Shareholders	No. of Shares Held	% of Total Shareholders
Upto 500	9647	97.57	1033450	8.55
501 to 1000	137	1.39	10567	0.87
1001 to 2000	44	0.45	63975	0.53
2001 to 3000	19	0.19	48125	0.40
3001 to 4000	05	0.05	18700	0.16
4001 to 5000	07	0.07	31900	0.26
5001 to 10000	05	0.05	40700	0.34
10001 & above	23	0.23	10743100	88.89
Total	9887	100.00	12085625	100.00

(ii) Shareholding Pattern as on 31st March, 2004

	No. of Shares Held	% of Shareholding
1. Associates Directors & Relatives (Promoters)	9663250	79.96
2. Mutual Funds	10200	0.09
3. Banks Financial Institutions	200	—
4. Other Corporate Bodies	66825	0.55
5. Indian Public	2345150	19.40
TOTAL	12085625	100.00

(k) Outstanding GDRs / ADRs Warrants

(l) Plants Locations

- Not Applicable
- Distillery Plant
Near Bonidra, Hansot Road,
Ankleshwar, Dist. Bharuch
 - Glacial Acetic Acid Plant
316/319, G. I. D. C. Industrial
Estate, Ankleshwar,
Dist. Bharuch
 - Organic Chemical Plant
41, G. I. D. C. Industrial Area,
Nandesari, Dist. Vadodara.

(m) Address for Correspondence

For and on behalf of the Board
Ashok M. Kadakia
Executive Chairman

Mumbai
12th May 2004

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

TO

THE MEMBERS

ASHOK ORGANIC INDUSTRIES LIMITED

MUMBAI.

We have examined the compliance of conditions of corporate governance by **ASHOK ORGANIC INDUSTRIES LIMITED** (the Company) for the year ended 31st March, 2004 as stipulated in clause 49 of the listing agreement of the Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreements.

We state that no investor grievances were pending for a period exceeding one month against the Company as per records maintained by the Shareholders /Investors Grievance Committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **N. P. PATWA & CO.**
CHARTERED ACCOUNTANTS

PLACE : MUMBAI

DATE : 12th May, 2004

N. P. PATWA
PROPRIETOR

AUDITOR'S REPORT

TO

THE MEMBERS

ASHOK ORGANIC INDUSTRIES LIMITED

MUMBAI

We have audited the attached Balance Sheet of **ASHOK ORGANIC INDUSTRIES LIMITED**, as at 31st March, 2004 and also the Profit and Loss Account for the period ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those 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

statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The information required by Companies (Auditors Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, are given in the annexure forming part of this report.

Further to our comments as above, we report that ;

- i. 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.
 - ii. In our opinion, proper books of account as required bylaw have been kept by the company so far as appears from our examination of those books;
 - iii. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books account
 - iv. 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 1956.
 - v. On the basis of written representations received from the directors, as on 31st March, 2004 , and taken on record by the Board of Directors , we report that Mr Ashok M Kadakia, Dr Anil M Kadakia, Mr Pankaj M Kadakia and Mr Harish Pandya are the directors disqualified as on 31st March,2004 from being appointed as a director in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to note 8 of schedule 19 regarding the preparation of accounts on going concern assumption and read along with other notes to accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
- a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2004; and
 - b. In the case of Profit and Loss Account, of the loss for the period ended on that date, and
 - c. In case of Cash Flow Statement, cash flow for the period ended on that date

for **N. P. PATWA & CO.**
CHARTERED ACCOUNTANTS

PLACE : MUMBAI

DATE : 12th May, 2004

N. P. PATWA
PROPRIETOR

ASHOK ORGANIC INDUSTRIES LIMITED
Annexure referred to in the audit report

1. (a) The nature of Company's activities during the year has been such that clauses (xii),(xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the year.
2. (a) Company has not updated the records showing full particulars, including quantitative details and situation of fixed assets;

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- (b) These fixed assets are not physically verified by the management at reasonable intervals;
- (c) The Company has not disposed of a substantial part of fixed assets during the year.
3. (a) The stock of Finished Goods, Raw materials, Stores and consumables and Trading Material was verified by the company at reasonable intervals;
- (b) The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and there were no material discrepancies were noticed on physical verification;
4. (a) Company has not granted any loans, secured or unsecured to companies or parties except to the wholly owned subsidiary of the company. The subsidiary is incurring continuous losses and referred to BIFR for rehabilitation. Company has made necessary provision, as the loan has become doubtful of recovery. The amount involved is Rs. 2973.31 Lacs. However, deposits given for use of the assets of the companies to parties listed under section 301, as per the legal advice received by the company, are in the ordinary course of business of the company.
- Company has not accepted any loans or advances in nature of loan from companies or parties listed in the register maintained under section 301 of Companies Act 1956.
5. There is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of stock of Finished Goods, Raw materials, Stores and consumables and Trading Material and fixed assets and for the sale of goods;
6. As per information available and produced for the verification during the course of audit and to the best of our knowledge the transactions that need to be entered into a register in pursuance of section 301 of the Act have been so entered. Each of these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
7. The company has not accepted deposits from the public and provisions of sections 58A and 58AA of the Act and the rules framed there under are not applicable;
8. The company has an internal audit system commensurate with its size and nature of its business;
9. Maintenance of cost records has been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act in respect of Industrial Alcohol manufactured by the company. The records are not maintained as required by the provisions of section 209(1)(d);
10. (a) According to the records of the company and subject to method of accounts consistently follow by it, no undisputed

amount except an amount payable to appropriate authorities in respect of Provident Fund for F.Y. 2000-2001 Rs 12,56,543/-, F.Y. 2001-2002 Rs 7,41,700/- and F.Y. 2002-2003 Rs 1,30,100/-, Employees' State Insurance for the period from September 1999 to July 2002 Rs 5,83,540/-, Income-tax (Tax Deducted at Source) Rs 6,25,131/- for the period up to 30.09.2002, Sales-tax for the F.Y. 1992-1993 Rs 99,545/-, F.Y. 1993-1994 Rs 75,384/-, F.Y. 1994-1995 Rs 47,520/-, F.Y. 1996-1997 Rs 382/-, F.Y. 1997-1998 Rs 1,44,874/-, F.Y. 1998-1999 Rs 6,80,027/-, F.Y. 1999-2000 Rs 2,33,803/-, F.Y. 2001-2002 Rs 6,65,987/- and F.Y. 2002-2003 Rs 1,94,468/-, and Professional Tax for the F.Y. 2001-2002 Rs 64,505/- and F.Y. 2002-2003 Rs 1,26,232/- were outstanding as on 31.03.2004 for the period of six months from the date they become payable.

- (b) In case dues of sales tax amounting to Rs 8,04,593/- for the period from 1.4.1985 to 31.3.1986 appeal is pending before Commissioner Sales Tax Appeals. In case of excise duty for the F.Y. 1991-1992 Rs 2,50,000/- and F.Y. 1997-1998 Rs 10,14,000/- pending before CEGAT.
11. Company has accumulated losses at the end of the financial year in excess of its Net Worth and has incurred cash loss during the year. The company has been referred to BIFR.
12. Company has defaulted in repayment of dues to a bank and the account is declared as NPA as per the guidelines issued by Reserve Bank of India. In absence of details and records, it is not possible for us to comment upon the period of default in respect of repayment of these dues. The position of secured outstanding as per the books of accounts of the company for the period ended 31.03.2004 is Rs.2624.74 Lac
13. The company has not given any guarantee for loans taken by others from bank or financial institutions. However, the liabilities in respect of Chlor-Alkali division, which was transferred as a going concern to a Wholly owned subsidiary of the company with all assets and liabilities including the secured loans obtained from banks and financial institutions. Bankers and Financial Institutions continues to show the said secured liability in the name of the company and are as such continue to be secured by assets of the company and guaranteed by some of the directors of the company.
14. Company has not taken any term loans during the year and as such the information required by this para is not applicable;
15. Company has not taken any term loans on short-term basis during the year;
16. Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act;
17. There was no fraud on or by the company has been noticed or reported during the year ;

for N. P. PATWA & CO.
CHARTERED ACCOUNTANTS

N. P. PATWA
PROPRIETOR

PLACE : MUMBAI
DATE : 12th May, 2004