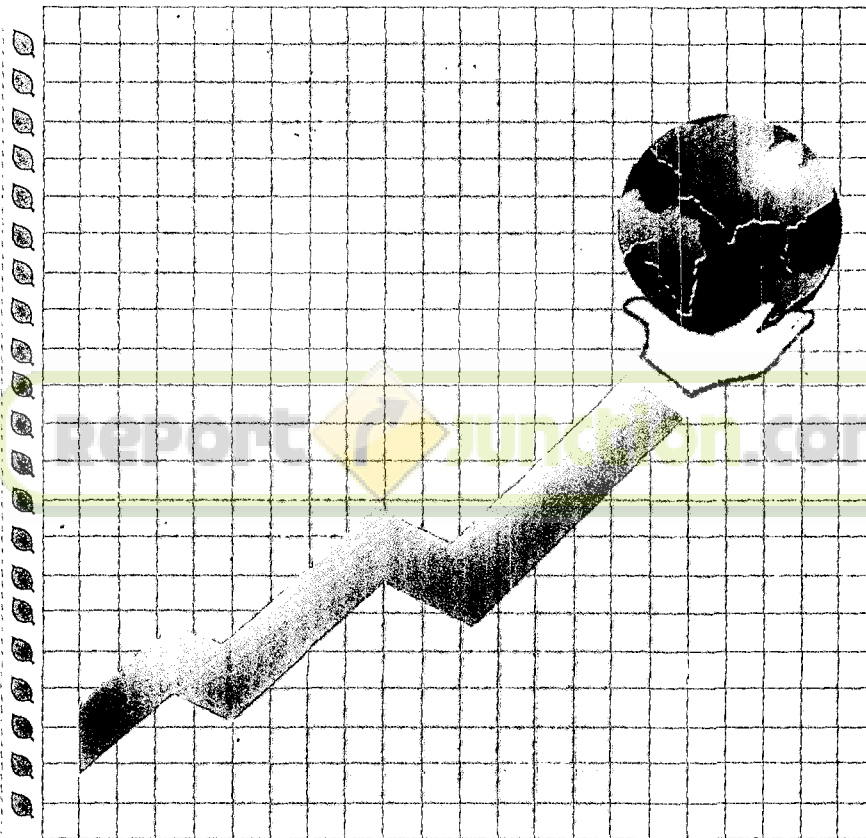


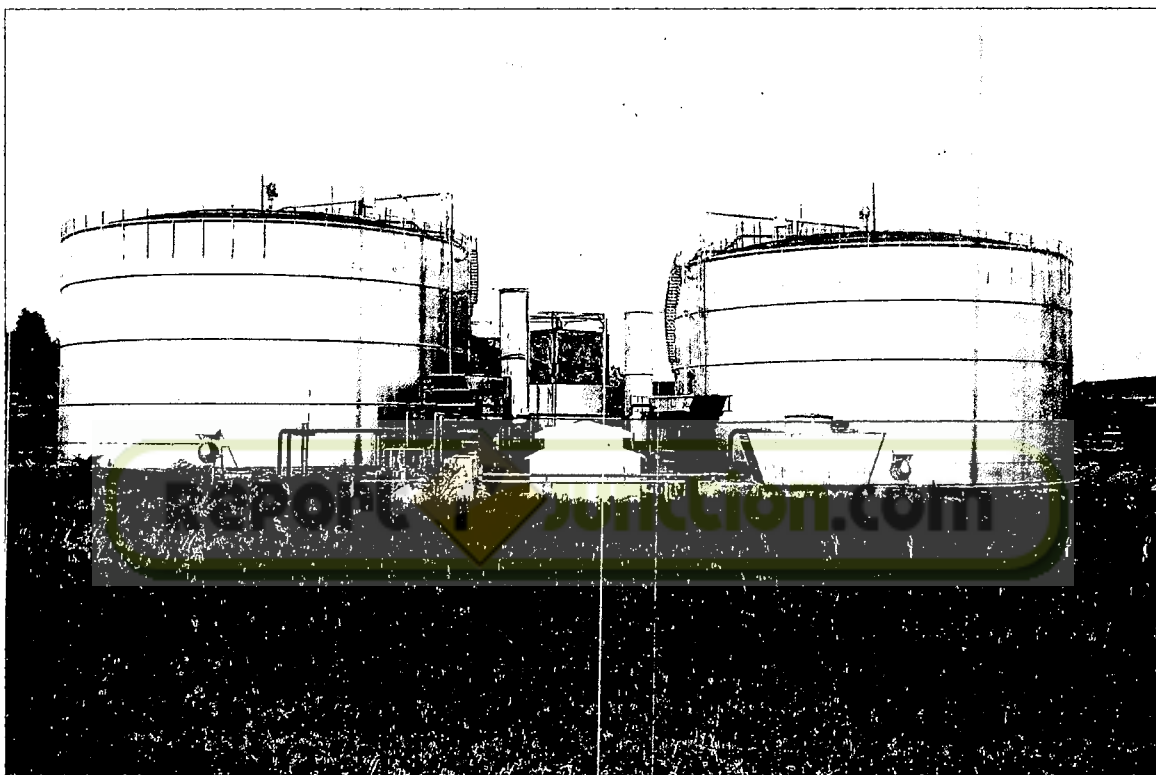
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AGM	<input checked="" type="checkbox"/>		
YE	<input checked="" type="checkbox"/>		

ANNUAL REPORT 1997-98



Western Bio Systems Limited

Dual Advantage



One of our biggest Biogas plant at Rajarambabu Patil S. S. K. Sangli.(Capacity - 70 KLPD).

**For Renewable Non Conventional Energy
And Waste Management**

Western Bio Systems Limited

Registered Office : 65/1-A, Akarshak, Opp. Nal Stop, Karve Road, PUNE-411 004.

NOTICE

Notice is hereby given that the Seventh Annual General Meeting of the members of Western Bio Systems Limited will be held at "Pudumjee Hall" Mahratta Chamber Of Commerce and Industries, Tilak Road, Pune-411 002 on Tuesday, 29th September, 1998 at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1998, and the Profit & Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri. P. Satyanarayana Raju, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. N. A. Ramaiah, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri. S. S. Raju, who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration as may be mutually agreed upon between the Board of Directors and the Auditors.

SPECIAL BUSINESS :

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

"RESOLVED THAT the Articles of Association of the company be and they are hereby altered by the addition of a new Article 5A after the existing Article 5 as follows:

'BUY BACK OF SHARES'

5A Notwithstanding anything contained in the preceding Article 5, but subject to the provisions of the Act and all other applicable provisions of the Law, as may be in force at any time and from time to time, the Company may acquire, purchase, hold, resell any of its own fully/partly paid or redeemable shares and may make payment out of funds at its disposal for and in respect of such acquisition/purchase on such terms and conditions and at such times as the Board may in its discretion decide and deem fit.

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

"RESOLVED THAT, subject to all applicable provisions of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to acquire/purchase any of its own fully paid shares on such terms and conditions and upto such limits as may be prescribed by the law from time to time; provided that acquisition/purchase of such fully paid Equity Shares of the company be not construed as reduction of Equity Share capital which is subject to the controls as stipulated in Section 100 to 104 and Section 402 of the Companies Act, 1956 for the time being in force and that the Board be and is hereby authorised to do all such acts and things as may be necessary or proper to implement this resolution."

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

"RESOLVED THAT, in accordance with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof) and other applicable regulations, if any, and subject to such conditions and modifications as may be considered appropriate by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being, to which all or any of the powers hereby conferred on the Board by this Resolution, have been delegated) and subject to such other consents and approvals, if any, including those of Securities and Exchange Board of India (SEBI), Financial Institutions and /or Reserve Bank of India and/or Foreign Investment Promotion Board, as may be agreed to by the Board, consent of the Company be and is hereby accorded to the Board (with power to delegate all or any of the powers hereby conferred to any Committee thereof) to allot, on conversion of

Fully Convertible Debentures, on preferential basis; 26,88,000 Equity Shares to Century Direct Fund (Mauritius) L.L.C. and 1,12,000 Equity Shares to TCFC Finance Limited, of the Company of the par value of Rs.10/- each (the 'Equity Shares') at a price of Rs. 25/- per share (comprising face value of Rs. 10/- each and premium of Rs. 15/- per share) determined in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

RESOLVED FURTHER THAT the Equity Shares so issued and allotted shall rank pari-passu in all respects with the existing Equity Shares of the Company, except that they shall be entitled to dividend with effect from the date of allotment, on pro-rata basis, for the financial year in which they are allotted and on the capital for the time being paid up thereon."

9. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT, Pursuant to the provisions of Section 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals and sanctions as may be necessary, the Company hereby accords its approval for re-appointment of Shri. Srinivas Raju P. as Executive Director of the Company and the remuneration, perquisites and payment of commission w.e.f. 21st-November, 1997 for a period of five years as set out in the Explanatory Statement relating to the Resolution with powers to the Board of Directors to alter and vary terms and conditions and remuneration (including minimum remuneration in case of absence or inadequacy of profits) in such manner as the Board may deem fit and is acceptable to Shri. Srinivas Raju P., within the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto.

RESOLVED FURTHER THAT, in the event of there being loss or inadequacy of profit for any financial year, the aforesaid remuneration payable to Shri. Srinivas Raju P, Executive Director, shall be the minimum remuneration subject to the limits set out in Section II of Part II of the Schedule XIII of the Companies Act, 1956.

AND FURTHER RESOLVED that in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule XIII to the Companies Act, 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limits or ceiling and the Agreement between the

Company and Shri. Srinivas Raju P., Executive Director, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the Company in General Meeting.

AND FURTHER RESOLVED that the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this Resolution".

By Order of the Board

Pune
21st July, 1998

Kedar P. Phadke
Company Secretary

Registered Office :
65/1-A, Akarshak,
Opp. Nal Stop, Karve Road,
PUNE-411 004.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, should be duly completed, stamped, signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. Register of Members and the Share Transfer Books of the Company shall remain closed from August 21st, 1998 to August 25th, 1998 (both days inclusive).
3. The Company has transferred the unclaimed dividend for the financial year 1993-94 to the General Revenue Account of the Central Government.

During the Financial Year, the Company will be transferring dividend for 1994-95 to the Central Government's General Revenue Account.
4. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, is annexed to the Notice of the Meeting.

ANNEXURE TO NOTICE :

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

ITEM NO : 6 :

In anticipation of amendment to the Companies Act, it is proposed to insert a new Article 5A after the existing Article 5 as mentioned in the Special Resolution at item No. 6 to provide for purchase of any of its own shares by the Company.

Members are requested to pass the resolution at item No. 6.

None of the Directors is concerned or interested in the resolution.

ITEM NO : 7 :

Members are aware that the Companies Act, 1956 presently restricts the purchase of own shares by the company unless the same is done with a view to reduce its capital. Reduction of capital is subject to the controls as stipulated in Sections 100 to 104 and Section 402 of the Companies Act, 1956.

The basic objective of capital maintenance is to insure protection for creditors. In a rapidly changing and integrating world, it was found necessary to have a capital maintenance with the need for a Company to be competitive in the international arena and one of the essential ingredients for such competitiveness was the ability of the Company to reduce 'Cost of Capital'. Flexibility to buy back own shares by the Company would give a clear signal to the market that the Company believed that the share at a point of time is undervalued. Further provides a Company to use Surplus Funds advantageously with minimum risk as compared to investment in other securities.

The Directors feel that it would be desirable to have an enabling power from the shareholders for the purpose. It will be in the fitness of things if shareholders approve the resolution set out at item no. 7 of this notice should the provisions of the Companies Act, 1956, be modified or amended permitting such purchases, so that your Company will be in a position to implement this in the interest of enhancing the value of shareholders especially the very large family of small shareholders of the Company at an appropriate time within the framework of law as may be stipulated for the purpose.

It must be clearly understood that acquisition, purchase of shares of the Company, as proposed in the resolution at this item of the notice and the consequential amendments to the Articles of Association as proposed in the resolution at item 6 of this notice, should not be construed as reduction of capital which is subject to the controls as stipulated in Section 100 to 104 and Section 402 of the Companies Act, 1956, for the time being in force.

Your Directors recommend resolution at item no 7 for your approval.

None of the Directors is concerned or interested in the resolution.

ITEM NO : 8 :

For implementation of Expansion Project of the Company estimated at Rs. 55 Crores, the means of financing include subscription to Equity by Century Direct Fund (Mauritius) L. L. C. (CDF) and TCFC Finance Limited (TCFC). Accordingly Board had allotted 6,72,000 and 28,000 Fully Convertible Debentures (FCD's) respectively to CDF and TCFC. Such FCD's of Rs. 100/- each carry interest @ 4% p.a.. Each such FCD will be converted into 4 Equity Shares of Rs. 10/- each at a premium of Rs. 15/- per equity share. These FCD's were allotted on 9th October, 1997 and 18th December, 1997 respectively and are convertible within a period of 18 months.

As per the agreed terms of subscription, CDF has nominated Mr. Kevin Buehler and Mr. Sanjaya Kulkarni on the Board of the Company. Thus the total Board consists of eleven members. Further, there will be a change in the voting rights i.e. increase in voting rights on account of increase in the number of Equity Shares held by CDF and TCFC. CDF and TCFC will hold 21.54% and 0.90% respectively after the conversion of the FCDs into shares.

Foreign Investors and Indian Promoters after the conversion of FCD's into the Equity Shares, will together have majority control over the Company.

Your Directors recommend resolution at item no 8 for your approval.

None of the Directors except Mr Kevin Buehler and Mr Sanjaya Kulkarni being the nominees of CDF, is concerned or interested in the resolution.

ITEM NO. 9

The Board of Directors at their meeting held on 21st July, 1998 unanimously passed the resolution re-appointing Shri. Srinivas Raju P. as Executive Director subject to the approvals of the members for which purpose resolution as set out in the Notice is proposed.

The Board of Directors have fixed the following remuneration to be paid to Shri. Srinivas Raju P., Executive Director w.e.f. November 21st, 1997 for a period of five years with power to make such variation or increase there in as may be thought fit from time to time, but within the ceiling laid down in Schedule XIII of the Companies Act, 1956, or any statutory amendment or relaxation thereto.

Remuneration payable to the Executive Director is as follows :

I. Salary :

Salary at the rate of Rs. 35,000/- per month in the annual time scale of Rs 35,000 - Rs.5,000 - Rs.55,000.

II. Commission :

At the rate of half percent of the net profit of the Company for the financial year subject to a maximum as may be laid down by the Board of Directors from time to time.

III. Perquisites :

- (i) In addition to the aforesaid salary and Commission, he shall also be entitled to perquisites like House Rent Allowance, medical reimbursement, medical insurance, leave travel assistance for self and family, news paper reimbursement, education allowance, personal accident insurance, club fees, leave encashment etc. in accordance with the rules of the Company, the monetary value of such perquisites being limited to a maximum of annual salary, for the purpose of which limit -

Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such rule, perquisites shall be evaluated at actual cost and

Use of Company car and telephone at residence for official purposes shall not be included.

- (ii) Company's contribution to Provident Fund not exceeding 12% of the salary and Superannuation not exceeding 15% of the

salary shall not be included in the computation of limits for perquisites;

- (iii) Gratuity payable at a rate not exceeding half month's salary for each completed year of service, subject to a ceiling of Rs. 3,50,000/- and encashment of leave at the end of the tenure, shall not be included in the computation of limits for perquisites.

The aggregate of the total salary, commission, perquisites and contribution towards Provident fund and Superannuation fund taken together in respect of Mr Srinivas Raju P, shall always be subject to the overall ceilings laid down in Section 198 and 309 of the Companies Act, 1956.

The above may be treated as an abstract as required u/s 302 of the Companies Act, 1956.

Your Directors recommend resolution at item no 9 for your approval.

Except Shri. Srinivas Raju P. being the recipient of the remuneration and Shri. V.S. Raju, the relative of the recipient, none of the Directors is concerned or interested in the resolution.

By Order of the Board

Kedar P. Phadke
Company Secretary

Pune
21st July, 1998

Registered Office :
65/1-A, Akarshak,
Opp. Nal Stop, Karve Road,
PUNE-411 004.

Western Bio Systems Limited

BOARD OF DIRECTORS

V. S. Raju	Chairman & Managing Director
Srinivas Raju P.	Executive Director
S. S. Raju	Director
U. S. Kadam	Director
N. A. Ramaiah	Director
P. Satyanarayana Raju	Director Marketing
G. Ramakrishna Raju	Director
H. Y. Kawade	Director
M. K. Datar	Nominee-IDBI
Kevin Buehler	Nominee-CDF(M)LLC
Sanjaya Kulkarni	Nominee-CDF(M)LLC
Kedar P. Phadke	Company Secretary

BANKERS

Bank of Maharashtra	The United Western Bank Limited.
IDBI Bank Limited.	The Federal Bank Ltd.
The South Indian Bank Ltd.	

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AUDITORS

Chaturvedi SK & Fellows, Mumbai

REGISTRAR & SHARE TRANSFER AGENT

M/s. Jilla & Mehta Financial Services Pvt. Ltd.
7, Dhoot Centre, Station Road,
Ahmednagar-414 001

REGD. OFFICE

65/1-A, "AKARSHAK", Opp. Nal Stop, Karve Road,
Pune-411 004.

MANUFACTURING FACILITIES

BIO GAS DIVISION	PARTICLE BOARD DIVISION
Koregaon Bhima, Taluka Shirur, Dist. Pune, Maharashtra.	Village Jambhulwadi, Taluka Walwa, Dist. Sangli, Maharashtra.

7th Annual Report 1997-98

DIRECTORS' REPORT :

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

FINANCIAL RESULTS :

	(Rs. in lacs)	
	1997-98	1996-97
Total Income	2421	3495
Profit before interest, depreciation & Tax (PBDIT)	738	920
Interest	337	335
Gross Profit	401	585
Depreciation for the year	199	397
Profit before Tax	202	188
Income Tax	21	—
Profit after Tax	181	188
Add : Excess Depreciation written back	397	—
Balance brought forward from previous year	248	316
Total amount available for appropriation	826	504
APPROPRIATIONS :-		
Proposed Dividend	—	97
Tax on proposed Dividend	—	9
Transfer to General Reserve	400	150
Debenture Redemption Reserve	125	—
Balance carried forward to next year	301	248

Sale of particle boards increased during the year from Rs. 1714 lakhs to Rs. 1854 lakhs despite disruption of production for two months due to fire and storm. However sales of Bio Gas Plant Division suffered serious set back due to general liquidity crunch in the economy and low capital spending by industry.

The Company has changed the method of charging depreciation on plant and machinery of Particle Boards Division from Written Down Value method to Straight Line Method resulting into lower charge of depreciation for the year by Rs. 156.36 lacs.

DIVIDEND :

In view of the need to conserve resources for expansion plans of the Company, the Board of Directors has not recommended any dividend for the current year.

OPERATIONS :

PARTICLE BOARDS DIVISION :

But for the disruption in production for two months due to fire and storm, the particle board plant had smooth operation. Improvised cost control measures

taken up in the last year for raw material consumption are showing positive results. As part of preventive maintenance, plant has been closed for total three weeks during first quarter of the financial year 1998-99, to ensure better quality and higher yields from the production unit.

BIO GAS DIVISION :

The general liquidity crunch continues to affect the capital goods industry. We look forward to better business from Bio Gas Division considering various measures taken by the Government to inject liquidity in the economy. The consistent updated Sulzer's Technology proved to be trustworthy. Now clients are renewing their orders for their expansion programmes.

EXPANSION :

Implementation of new particle board project at Velapur, in district Solapur is progressing well. The machinery erection and individual trial runs are in near completion. The lamination section is expected to be added shortly. The new plant is expected to become operational by the end of 1998. With the commissioning of this new plant, your Company will become the largest manufacturer of particle boards in the country.

FUTURE PLANS :

Your Company will be benefited by the recent Budget proposal, giving special impetus to wood substitutes like 100% wood free particle boards manufactured by your Company.

The Government has accepted the need to encourage this environment friendly product by totally exempting it from the 8% excise levy.

In addition, the Government has increased the custom duty on import of wood based particle boards from 30% to 40%, which will give the domestic industry an edge over the global players.

For your Company who is going to be a major player in this field with commissioning of its second plant in this year, these measures will go a long way in enhancing its competitiveness in the market place.

As reported last year, your Board has resolved to carry out the scheme of merger of Deccan Fibre Boards Limited with Western Bio Systems Limited. To give it a better identity, your Board has also decided to adopt new name, for your Company viz. "ECOBOARD Industries Limited." Change of name will form part of the Scheme of Amalgamation including the merger of Ecoboard Industries Limited with Western Bio Systems Limited. The Scheme of Amalgamation will be put forth for consideration at a separate meeting as per directions of the Hon'ble High Court, Bombay. The Company is in a

Western Bio Systems Limited

process to file the Scheme of Amalgamation with the Hon'ble Court for necessary directions.

FINANCE :

The Company was regular in its debt servicing during the year. The working capital facilities were enhanced from Rs. 1100 lacs to Rs. 1750 lacs during the year. In the process two banks viz. The Federal Bank Ltd. and The South Indian Bank Limited. joined consortium of banks replacing Indian Bank.

FULLY CONVERTIBLE DEBENTURES :

During the year under report, your Company allotted, 7,00,000 4% Unsecured Fully Convertible Debentures of Rs. 100/- each at par. Each FCD will be convertible into 4 Equity Shares of Rs. 10/- each of the Company at the price of Rs. 25/- per share. Such FCDs are allotted to Century Direct Fund (Mauritius) L.L.C (6,72,000 FCDs) and TCFC Finance Limited (28,000 FCDs). The conversion will take place within a period of 18 months from the allotment, i.e. 9th October, 1997 and 18th December, 1997 respectively.

NON CONVERTIBLE DEBENTURES :

The Company also placed 5,00,000 15.12% Secured Non Convertible Debentures of Rs. 100/- each redeemable within 7 years with Industrial Development Bank of India.

DEPOSITS :

The Company has not invited or accepted any deposits during the year.

DIRECTORS :

The new Directors, Mr. Kevin Buehler and Mr. Sanjaya Kulkarni, nominated by the Century Direct Fund (Mauritius) L.L.C. are welcomed on the Board. Shri. P. Satyanarayana Raju, Dr. N. A. Ramaiah and Shri. S. S. Raju retire by rotation as Directors in the forthcoming Annual General Meeting and are eligible for re-appointment.

The resignation of Shri. S. S. Raju has been accepted from the office of the Whole Time Director of the Company w.e.f. 1st February, 1998. He would, however, continue as Director on the Board of the Company.

AUDITORS :

The Company's auditors, M/S. CHATURVEDI S. K. & FELLOWS, Chartered Accountants, Mumbai, retire and are eligible for reappointment.

PARTICULARS OF EMPLOYEES :

Information in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956, read with

the Companies (Particulars of Employees) Rules, 1975, and forming part of Directors' Report for the year ended 31st March, 1998, is given in the annexure to this Report.

OTHER INFORMATION :

Information required in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is as follows.

CONSERVATION OF ENERGY :

The Company has initiated steps for reduction in the power consumption, in its Particle Board unit at Islampur, identifying key areas of operations by incorporating power saving techniques at suitable locations. It is in the process of getting its energy audit being carried out in the current year for the further conservation of energy.

TECHNOLOGY ABSORPTION AND BENEFITS :

Sulzer Chemtech's technology of Switzerland has been fully utilised for the past many years and updated its efficient use for biogas generation from distillery effluent. This technology has been fully indigenised and thus, the biogas plants supplied on turn key basis by your company are yielding good results with trouble free operation.

FOREIGN EXCHANGE EARNING AND OUTGO :

The Company had no foreign exchange earnings during the year. For details about outgoes, Notes forming part of the Accounts (Schedule 16), item 21 (X), (XI) and (XIII) may please be referred.

APPRECIATION :

The Directors wish to place on record their appreciation of the wholehearted and continued support extended by the employees, which had always been a source of strength for the Company.

The Directors also express their grateful thanks to Financial Institutions viz. IDBI, IIBI, UTI & SICOM and its Bankers viz. Bank of Maharashtra, The United Western Bank Ltd., IDBI Bank Ltd., The Federal Bank Ltd. and The South Indian Bank Ltd., for their continued assistance.

ON BEHALF OF THE BOARD

Pune,
21st July, 1998

V. S. RAJU
Chairman &
Managing Director