

ANNUAL REPORT
2001-2002

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E C O B O A R D 

ECOBOARD INDUSTRIES LIMITED

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Please take note that an Extra Ordinary General Meeting of the Company will be held on Wednesday, 25th September 2002 at 12.00 noon, the notice of which is attached herewith.

ECOBOARD INDUSTRIES LIMITED**BOARD OF DIRECTORS**

V. S. Raju	Chairman & Managing Director
Srinivas Raju P.	Executive Director & Chief Executive Officer
G. Ramakrishna Raju	Vice Chairman
P. Satyanarayana Raju	Director
U. S. Kadam	Director
N. A. Ramaiah	Director
Charles G. Stephenson	Nominee - CDF (M) LLC
Sanjaya Kulkarni	Nominee - CDF (M) LLC
A. B. Saha	Nominee - IIBI
Ravi Lekharajani	Alternate Director to Charles G. Stephenson
A. S. Paranjape	Company Secretary

BANKERS

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

AUDITORS

M/s. Chaturvedi SK & Fellows., Mumbai.

REGISTRAR & SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
260, Shanti Industrial Estate, Sarojini Naidu Road,
Mulund (West), Mumbai - 400 080

REGISTERED OFFICE

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

MANUFACTURING FACILITIES

BIO SYSTEMS DIVISION	PRACTICLE BOARD DIVISION
Koregaon Bhima, Taluka Shirur, Dist. Pune, Maharashtra	1. Village Jambhulwadi, Taluka Walwa, District Sangli, Maharashtra.
	2. Village Velapur, Taluka Malshiras, District Solapur, Maharashtra

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NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the members of Ecoboard Industries Limited will be held at Hotel Shangrila Gardens, Off Karve Road, Near Nal stop, Pune 411 004, on Wednesday, 25th September, 2002 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, 2002 and the Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. P. S. Raju, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a director in place of Mr. Sanjay Kulkarni, who retires by rotation, and being eligible offers himself for reappointment.
4. To reappoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

SPECIAL BUSINESS:

5. To pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED THAT Mr. A. B. Saha, who was appointed as Additional Director of the Company and who by virtue of Section 260 of the Companies Act, 1956 holds office upto the conclusion of this Annual General Meeting, and from whom notice under Section 257 of the Companies Act, 1956 alongwith deposit of Rs. 500/- has been received, be and is hereby appointed as Nominee Director of Industrial Investment Bank of India on the Board and all committees thereof, not liable to retire by rotation."

6. To pass with or without modification, the following resolution as an Ordinary resolution :

"RESOLVED THAT, pursuant to the provisions of Sections 198, 289, 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. V. S. Raju as Chairman & Managing Director of the Company and the remuneration and payment of commission w.e.f. 1st April, 2002 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. V. S. Raju, Chairman & Managing Director 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 profits for any financial year, the aforesaid remuneration payable to Shri. V. S. Raju, 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 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."

7. To pass with or without modification, the following resolution as an Ordinary resolution :

"RESOLVED THAT, pursuant to the provisions of Sections 198, 289, 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 payment of remuneration and commission w.e.f. 20th November, 2002 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., Executive Director 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 profits for any financial year, the aforesaid remuneration payable to Shri. Srinivas Raju P., 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."

8. 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 61 of the Companies Act, 1956 and subject to such other approvals and permissions as may be required and in accordance with the SEBI guidelines issued for voluntary delisting and such approvals, permissions, exemptions, and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed by or imposed by any authority while granting such approvals, permissions, exemptions and sanctions, consent of the members be and is hereby accorded to delist the shares of the Company from the Ahmedabad Stock Exchange."

"RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to give necessary intimation to the respective stock exchanges and other authorities as required in compliance with SEBI guidelines and to take all such steps as required to give effect to this resolution."

Pune, 26th July, 2002

Registered Office:

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

By Order of Board

**A. S. Paranjape
Company Secretary**

ECOBOARD INDUSTRIES LIMITED**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 Share Transfer Books of the Company shall remain closed from 16th September, 2002 to 25th September, 2002 (both days inclusive).

Explanatory Statement

(As per Section 173 of the Companies Act, 1956)

Item 5:

Mr. A. B. Saha was appointed as the Nominee Director of Industrial Investment Bank of India on the Board and all its committees w.e.f. 26th July, 2002. Pursuant to Section 260 of the Companies Act, 1956 his appointment stands upto this Annual General Meeting and he being eligible has offered himself for re-appointment. The Board recommends his appointment as Director of the Company.

None of the Directors except Mr. A. B. Saha is interested in this resolution.

Item 6:

Mr. V. S. Raju was appointed as the Chairman & Managing Director of the Company for a period of 5 years on 1st April, 1997. In the Board Meeting dated 26th July, 2002 he was re-appointed as the Chairman & Managing Director for a further period of 5 years subject to the approval of the members. Mr. V. S. Raju is the promoter of the Company and has vast industrial experience. His guidance and leadership since the incorporation of the Company has been valuable for the growth of the Company.

The remuneration presently paid to Mr. V. S. Raju, which was approved in the Annual General Meeting held on 30th September, 1997 for the 5 year tenure, is as follows:

Salary : Rs. 60,000/- p. m. in the scale of 60,000-5,000-75,000

1. Commission: at the rate of 1 percent of the net profits 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.
2. Perquisites : House Rent Allowance, Medical reimbursement, medical insurance, leave travel allowance 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.

3. 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.
4. Gratuity payable at a rate not exceeding half month's salary for each completed year of service, and encashment of leave at the end of the tenure, shall not be included in the computation of limits for perquisites.

In the event of absence or inadequacy of profits the remuneration proposed in these resolutions shall be the minimum remuneration. The Board of Directors recommend passing of the resolution. The extracts of remuneration given above shall be deemed to be the extracts of remuneration required to be furnished under Section 302 of the Companies Act, 1956.

Shri G.R.K Raju, Shri P.S. Raju, Shri Srinivas Raju P. being relatives of Shri V S Raju are interested in the resolution.

Item 7:

Mr. Srinivas Raju P. was appointed as the Executive Director of the Company for a period of 5 years on 21st November, 1997 and his term expires on 20th November, 2002. It is proposed to re-appoint him as the Executive Director for a further period of 5 years. Mr. Srinivas Raju has been in the Company since its incorporation and is handling all the business of the Company.

The remuneration presently paid to Mr. Srinivas Raju P., which was approved in the Annual General Meeting held on 29th September, 1998 for the 5 year tenure, is as follows:

1. Salary : Rs. 55,000/- p. m. in the scale of 55,000-5,000-70,000
2. Commission: at the rate of 1 percent of the net profits 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.
3. Perquisites : House Rent Allowance, Medical reimbursement, medical insurance, leave travel allowance 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.

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In the event of absence or inadequacy of profits the remuneration proposed in these resolutions shall be the minimum remuneration. The Board of Directors recommends passing of the resolution. The extracts of remuneration given above shall be deemed to be the extracts of remuneration required to be furnished under Section 302 of the Companies Act, 1956.

Shri V. S. Raju being relative of Shri Srinivas Raju P. is interested in the resolution.

Item 8:

As per SEBI guidelines, voluntary delisting of securities from Stock Exchange requires approval of members at the General Meeting by way of a special resolution. In view of the fact that the shares of the Company are hardly traded on the Ahmedabad Stock Exchange, the directors recommend delisting of the Company's securities from this Stock Exchange. Shareholders are also requested to consider the fact that the Mumbai Stock Exchange has Ahmedabad as a centre. The Shareholders located at Ahmedabad can deal through Mumbai Stock Exchange. Hence, transactions relating to the same are in no way inconvenienced by the delisting.

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

By Order of Board

A. S. Paranjape
Company Secretary
Pune, 26th July, 2002

Directors' Report

Your Directors have pleasure in presenting to you their Report and the Audited Accounts of the Company for the year ended March 31, 2002.

Financial Results: (Rs. in lacs.)

	2001-2002	2000-2001
Sales	4010	3925
Other Income	61	7
Profit before Interest & Depreciation	343	289
Interest	1031	1102
Loss before Depreciation	(688)	(813)
Depreciation	581	642
Loss before taxation	(1269)	(1455)
Provision for taxation	-	-
Loss after taxation	(1269)	(1455)
Balance brought forward	(2394)	(939)
Balance Carried to Balance Sheet	(3663)	(2394)

Business Performance & Business Prospects:

The Company could achieve increase in the sales from Rs. 3925 lakhs to Rs. 4010 lakhs, even in the difficult state of the over all Economy. Also the losses have decreased from Rs. 1455 lakhs to Rs. 1269 lakhs. Major maintenance work was undertaken at the Velapur plant, which has resulted in the increased production. Due to sustained efforts and thrust on cost cutting, further performance improvement is expected.

Business Prospects:

The housing construction industry is performing well and this can give boost to the sale of Company's products. Further, your Company's wood free and environment friendly, particle boards are finding more acceptance with the Public and Government Agencies. The Company is entering new markets in South India in Government and non-Government sectors. The Company has taken steps to obtain the certification under ISO 9001-2000 certification. This would increase the product acceptability in the market.

Finance:

Company has allotted, Optionally Fully Convertible Debentures of Rs. 6.4 Crores to the Term Lending Institutions namely IDBI & IIBI, in terms of the restructuring of the outstanding loans.

Employee Information

There were no employees whose particulars are required to be given under sub-section (2A) of Section 217 of Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Directors:

Mr. P. S. Raju and Mr. Sanjaya Kulkarni retire by rotation as Directors in the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. A. B. Saha was appointed as the Nominee Director of Industrial Investment Bank of India on the Board and

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all its committees during the current year, and his appointment is valid till the current Annual General Meeting. He offers himself for re-appointment and the Board recommends his appointment.

SICOM has withdrawn the nomination of Mr. Pradip Dubhashi, from the Board on 20th June 2002. Also Mr. Kawade and Mr. S. Venkatswamy who retired by rotation last year, did not seek re-appointment and hence are no longer the Directors of the Company. The Board places on record its appreciation for the services rendered by them to the Company.

Auditors:

The Company's Auditors M/s. CHATURVEDI SK & FELLOWS, Chartered Accountants, Mumbai, retire and are eligible for reappointment. You are requested to appoint auditors.

Directors' Responsibility Statement:

Your Directors wish to add the following Responsibility Statement for the Financial Year 2001-2002.

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of state of affairs of the Company at the end of the financial year 2001-2002 and of the loss of the Company for that period;
- (iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) We have prepared the annual accounts on a going concern basis.

Corporate Governance:

As per clause 49 of the Listing Agreement with the Stock exchanges where the shares are listed, Corporate Governance has become applicable to the Company from the current year. The Corporate Governance Report is enclosed.

Deposits:

The Company has not invited or accepted any deposits u/s 58A of the Companies Act, 1956 during the year.

Conservation of Energy:

Efforts are being made for improvement in energy conservation at various units in both the particle board plants.

Technology Absorption:

The foreign and indigenous technology as absorbed is smoothly in operation.

Foreign Exchange Earning and Outgo:

Company has not earned any income in foreign exchange during the year. It spent Rs. 15,35,587/- on import of capital goods, Rs. 3,15,69,901/- on import of materials, Rs. 37,95,455/- on stores and spares in foreign currency during the year.

Auditors' Comments:

Your Directors have taken note of the comments, and would like to state that:

In the opinion of the Management, it is expected that the Company will be in a position to recover the Doubtful Debts and steps in that direction have already been initiated.

Acknowledgements:

The Directors would like to express their sincere thanks and appreciation to all the employees for the efforts displayed by them during the year. Finally, the Directors wish to express their gratitude to the Financial Institutions, Banks and Members for their continued support.

On behalf of the Board

V. S. Raju

Chairman & Managing Director

Pune, 26th July, 2002

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Industry

The size of wooden furniture market in India is estimated around Rs. 6000 crores (US \$ 1250 million) at the retail level. It is growing at the rate of about 15 % per annum according to the EXIM Report occasional paper "Exporting Indian Furniture to Europe." Over 75 % is made by individual carpenters.

The Wood industry can be classified into Particle Board, plywood and Block Board. The Particle Board industry can be further classified into Wood based and Agro based industry. Your Company is engaged in the business of manufacture and sale of Particle Board which is an agro based Board. Ecoboard manufactured by your Company is made of Bagasse Fibre, which is the best wood density Board. Bagasse Fibre is the waste left after extraction of sugar from the sugarcane, which is available in abundance. Ecoboard has multipurpose utility viz. false ceilings, partitions, furniture, panelling etc. and is preferred to plywood.

Operations

Your company concentrated on consolidating the existing production capacities and in increasing productivity and efficiency in its operations.

With increased utilisation of production capacity, our plants are the largest unit in India. The initial resistance towards the use of Ecoboard has been overcome. The Company has been working to achieve awareness about the multipurpose utility of Ecoboards in the market and has achieved considerable success.

Due to planned shut down for major maintenance work at Velapur unit, production problems have minimised and factories are now geared to produce as per rated capacity of the plants. The Company's plant at Islampur is running satisfactorily since it started commercial production in 1995. The Velapur plant faced initial stabilisation problems since it started production in 1997 and has been late in reaching commercial level of operations. We are happy to report that the plant operations are now fairly stabilised and the Company is likely to reach break-even point during the financial year 2002 -2003.

OPPORTUNITIES

The opportunities available to the Company are very high and better than those of other wood panel manufacturing companies. The principal raw material - Sugarcane Bagasse is available in plenty and at a reasonable price. The Company has a locational advantage as the benefits under Maharashtra Package Scheme of Incentives, 1988 are available to it. Further the plants are located in the Sugar Belt of Maharashtra having a large number of sugar factories located nearby.

Due to increasing concern of the Government for depleting forest reserves, the Company foresees a bright future for Particle Boards manufactured out of agricultural waste, which is a direct substitute to wood.

THREATS

The Company faces threats from the established plywood manufacturing Companies. Market acceptability of particle boards is still at unsatisfactory levels because of resistance to change from plywood to Ecoboard among the general public.

Imports of cheap wood products result in lesser demand for Ecoboards. The South East Asian countries have large forest cover which enable them to export wood logs. This poses a threat to the particle board industry in India.

The Asia -Pacific panel business is still strongly dominated by plywood. Indonesian companies continue to dominate the sector. The five leading panel producers are focused largely on plywood and particle board. Their low presence in MDF reflects the fact that industry outsiders have been the major investors in regional MDF capacity over the past decade.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The Company has two segments namely, Particle Boards and Bio Gas systems. The turnover from Bio systems Division for Supply of Bio Gas plants of distilleries effluent treatment is not significant due to recession in the economy and hence no segment wise performance reporting has been made.

OUTLOOK

India is emerging as one of the fastest growing markets for timber in Asia. Driven by GDP growth of over 5 % in the last decade, India offers exciting opportunities for forestry products. Besides, its population base of over one billion and a growing middle class with increasing disposable incomes are expected to sustain the demand for forestry products.

Your Company's focus is on market development. Efforts are on to set up increased distribution channels of the Company's products. Increased efforts are being made to reach direct end users in these markets through participation in the trade exhibitions. Continuous efforts to increase the consumption of Particle Boards in the domestic market are being made. To this end the business development group of your Company continues to work on new product application developments.

The Company foresees a bright future for Particle Boards which are a direct substitute to wood and plywood. With increase in Government concern over depleting forest reserves and the increasing costs of wood based Particle Boards, the Company is optimistic of the Agro based Particle Board market. The outlook is positive with the right people at the right place and with right segmentation. Creating specialisation and value addition

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and with restructuring, giving thrust on potential markets and with aggressive marketing strategy ably supported by production, the Company is poised for a take off.

RISKS AND CONCERNS

The Company faces commercial competition from other panel industries. The main raw material in the manufacturing of Ecoboards is sugarcane waste ie. Bagasse, which has an alternate use of generation of electricity. This bagasse based co-generation is not environment friendly as in the process bagasse is burnt and hence not available in adequate quantity for the manufacture of Ecoboards. Union Governments and State Governments have to address this problem and discourage use of this kind of agrowaste to use as fuel and encourage its use as raw material for manufacture of Particle Board.

The end user is still not addressed and is driven and influenced by the Carpenters, Builders, Interior Decorators etc.

Demand conditions affecting selling prices, input availability and prices are another cause of concern to the Company.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a well-developed internal control system to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly.

Internal auditors' report is discussed at all levels including the Board and action initiated on the recommendations.

The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets. The adequacy of internal controls is reviewed by the Audit Committee of the Board of Directors.

FINANCIAL & OPERATIONAL PERFORMANCE**Review of operations**

The Company has generated Rs. 4010 lacs from sales and contracts for the year ended 31st March 2002 as compared to Rs. 3926 lacs for the year ended 31st March 2001. The loss incurred during the year 31st March 2002 has reduced to Rs. 1270 lacs from Rs. 1455 lacs during the year ended 31st March 2001. The networth of the Company in 97-98 was Rs. 3762 lacs, in 98-99 was Rs. 3751 lacs, in 99-00 as Rs. 2227 lacs, in 00-01 was Rs. 2717 lacs and in 01-02 was Rs. 1601 lacs. Depreciation for the year was Rs. 581 lacs as compared to Rs. 642 lacs in the previous year. Interest for the year was lowered to Rs. 1031 lacs as compared Rs. 1102 lacs in the previous year.

Financial Condition

Reserves & surplus as at 31st March 2002 amounted to Rs. 91 lacs as compared to Rs. 1361 lacs in the

previous year. There has been an increase in loan funds to Rs. 7741 as at 31st March 2002 as compared to Rs. 7052 lacs in the previous year. Net Fixed Assets as at 31st March 2002 were Rs. 7783 lacs as compared to Rs. 8291 lacs as at 31st March 2001. Total amount of investments as at 31st March 2002 declined to Rs. 62,399 as compared to Rs. 4,39,047 as at 31st March 2001. Decline was on account of divestment made during the year. Net Current Assets declined to Rs. 1391 lacs as at 31st March 2002 from Rs. 1459 lacs as at 31st March 2001. Gross Block as at 31st March, 2002 was Rs. 10117 lacs as compared to Rs. 10049 lacs as at 31st March, 2001.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

Human resources are the strength of your Company. Your Company has a team of qualified and dedicated personnel who have contributed to the consolidation of the operations of your Company. The core team ensures timely completion of the various projects undertaken by the Company. Your Company's industrial relations continued to be harmonious during the period under review.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic supply and demand conditions affecting selling prices, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

The Company believes to function "in Collaboration with Nature" which results in betterment of the environment and helps the general public, society at large and Mother Earth.