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100%
WOOD
FREE

ANNUAL REPORT

2002 - 2003

PARTICLE BOARD DIVISION



BIOSYSTEMS DIVISION

Superior and economical

ECOBOARD



Plain & Prelaminated Particle Boards

In Collaboration With Nature

LET'S GIFT OUR CHILDREN A GREENER ENVIRONMENT.

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Mr. V. S. RAJU
*Chairman & Managing Director,
Ecoboard Industries Ltd.*

VISION STATEMENT

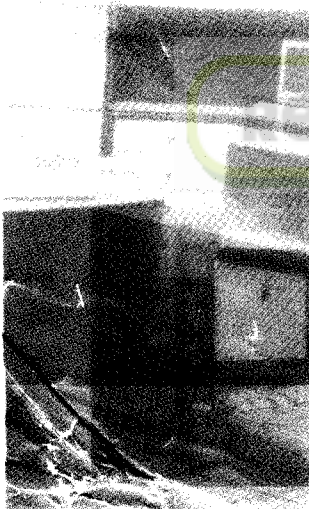
To continually provide Eco-friendly interior products of global standards.

To enhance customer focus with value added products exceeding consumer expectations through innovative, dynamic, open and ethical means.

Build customer loyalty through quality product and service.

To be a consistent market leader and have growing presence in global markets.

Through commercial growth support our basic goal of conserving tree resource and forest wealth.



ECOBOARD INDUSTRIES LIMITED**BOARD OF DIRECTORS**

| | |
|------------------------|---|
| V. S. Raju | Chairman & Managing Director |
| Srinivas Raju P. | Director (Executive Director upto 30th April 2003) |
| G. Ramakrishna Raju | Executive Vice Chairman (with effect from 1st April 2003) |
| P. Satyanarayana Raju | Joint Managing Director (with effect from 1st April 2003) |
| U. S. Kadam | Director |
| N. A. Ramaiah | Director |
| V. P. Rane | Director |
| S. Venkataswamy | Director |
| Ramachandra Raju P. S. | Director |
| A. B. Saha | Nominee - IIBI |
| G. M. Yadwadkar | Nominee - IDBI |
| Prabha R. Mallya | Company Secretary |

INSTITUTIONS & BANKERS

Industrial Development Bank of India
Industrial Investment Bank of India Limited
ICICI Bank Limited
SICOM Limited
Bank of Maharashtra
The United Western Bank Limited
The South Indian Bank Limited
IDBI Bank Limited
The Federal Bank Limited

AUDITORS

M/s. Chaturvedi SK & Fellows, Mumbai.

REGISTRAR & SHARE TRANSFER AGENT

C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai - 400 078.

REGISTERED OFFICE

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

MANUFACTURING FACILITIES**BIO SYSTEMS DIVISION**

Koregaon Bhima, Taluka Shirur,
Dist. Pune, Maharashtra

PARTICLE BOARD DIVISION

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 Twelfth Annual General Meeting of the members of Ecoboard Industries Limited will be held at Hotel Shangrila Garden, Off Karve Road, Near Nal Stop, Pune 411 004, on Friday, 26th September 2003 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, 2003 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. G. R. K. Raju, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a director in place of Mr. U. S. Kadam, who retires by rotation, and being eligible offers himself for reappointment.
4. To re-appoint Auditors to hold 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. V. P. Rane, 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 Director of the Company, liable to retire by rotation."
6. To pass with or without modification, the following resolution as an Ordinary resolution :
"RESOLVED THAT Mr. S. Venkataswamy, 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 Director of the Company, liable to retire by rotation."
7. To pass with or without modification, the following resolution as an Ordinary resolution :
"RESOLVED THAT Mr. Ramachandra Raju P S, 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 Director of the Company, liable to retire by rotation."
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 Sections 198, 269, 309, 310 and Schedule XIII and all 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 appointment of Shri. G. Ramakrishna Raju as Executive Vice Chairman of the Company not liable to retire by rotation, and the remuneration, perquisites and payment of commission w.e.f 1st April 2003 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 G. Ramakrishna Raju, 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 G. Ramakrishna Raju, Executive Vice-Chairman shall be minimum remuneration subject to the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER 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 G. Ramakrishna Raju, Executive Vice-Chairman be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the Company in the 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 the Resolution."

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 all 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 appointment of Shri P. Satyanarayana Raju as Joint Managing Director of the Company not liable to retire by rotation, and the remuneration, perquisites and payment of commission with effect from 1st April 2003 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 P. Satyanarayana Raju 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 P. Satyanarayana Raju, Joint Managing Director shall be the minimum remuneration subject to the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956."

"AND RESOLVED FURTHER 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 P. Satyanarayana Raju, Joint Managing Director be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members of the Company in the General meeting."

ECOBOARD INDUSTRIES LIMITED

"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 the Resolution."

10. 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 and Pune 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."

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

"RESOLVED THAT in accordance with the provisions of Section 16,94 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Authorised Share Capital of the Company of Rs. 20,00,00,000/- (Rupees Twenty Crores) divided into 2,00,00,000 (Two Crore) Equity shares of Rs. 10/- (Rupees Ten) each be increased to Rs. 25,00,00,000/- (Rupees Twenty Five Crores) divided into 2,50,00,000 (Two Crore Fifty Lakh) Equity shares of Rs. 10/- each.

"RESOLVED FURTHER THAT the existing Clause V(a) of the Memorandum of Association of the Company be and is hereby altered by deleting the same and substituting in its place and stead the following new clause V(a):

V(a) The authorised share capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five crores Only) divided into 2,50,00,000 (Two Crore Fifty Lakh) Equity shares of Rs. 10/- each (Rupees Ten) each. Any shares of the original or increased capital may from time to time be issued with guarantee or any right of preference whether in respect of dividend or of repayment of capital or both or any other special privilege or advantage over any shares previously issued or then about to be issued or with deferred or qualified rights as compared with any shares previously issued for subject to any provisions or conditions and with any special right or without any right of voting and generally such terms as the Company may from time to time determine."

12. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:
- "RESOLVED FURTHER THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing regulation in Article 2(a) of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in its place and stead, the following new Article 2(a):

2(a) The authorised share capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty Five Crores only) divided

into Rs. 2,50,00,000 (Two Crore Fifty Lakh) Equity shares of Rs. 10/- (Rupees Ten) each."

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

"RESOLVED THAT pursuant to Section 293(1)(d) of the Companies Act, 1956 and all other enabling provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies, which together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board shall not at any time exceed the limit of Rs. 140 crores."

By Order of Board

Prabha R. Mallya
Company Secretary

Pune, 27th June, 2003

Registered Office:

65/1-A, " Ecohquse ",

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 Share Transfer Books of the Company shall remain closed from Tuesday, 16th September 2003 to Friday, 26th September 2003 (both days inclusive).
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is enclosed.

Explanatory Statement

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

Item 5:

Mr. V. P. Rane was appointed as an additional Director on the Board w.e.f. 24th January, 2003. 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. V. P. Rane is interested in this resolution.

Item 6:

Mr. S. Venkataswamy was appointed as an additional Director on the Board w.e.f. 24th January, 2003. 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. S. Venkataswamy is interested in this resolution.

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Item 7:

Mr. Ramachandra Raju P. S. was appointed as an additional Director on the Board w.e.f. 24th January, 2003. 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. Ramachandra Raju P S is interested in this resolution.

Item 8 & 9:

Shri G. Ramakrishna Raju and Shri P. Satyanarayana Raju are Promoter Directors of the Company. The Board in their meeting held on 27th June 2003 appointed them as whole-time Directors for a period of five years with effect from 1st April 2003.

The Board of Directors have fixed the following remuneration to be paid to Shri G. Ramakrishna Raju, Executive Vice Chairman and Shri P. Satyanarayana Raju, Joint Managing Director with effect from 1st April 2003 for a period of five years with power to make such variation, or increase therein 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 Vice Chairman and Joint Managing Director is as follows:

- I. Salary: Rs. 55,000/- p. m. as per scale of 55,000-5,00,000
- II. 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.
- III. 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.

- IV. 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.
- V. 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 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.

Your Directors recommend resolutions at item nos. 8 and 9 for your approval.

Except Shri G. Ramakrishna Raju and Shri P. Satyanarayana Raju, being the recipients of the remuneration and Shri V. S. Raju, the relative of the recipients, none of the Directors are concerned or interested in the resolution.

Item 10:

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 and Pune Stock Exchange, the directors recommend delisting of the Company's securities from these Stock Exchanges. Shareholders are also requested to consider the fact that the Mumbai Stock Exchange has Ahmedabad and Pune as a centre. The Shareholders located at Ahmedabad and Pune 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.

Item No. 11:

The Company proposes to avail external commercial borrowing which may involve equity participation in the paid-up capital of the Company. Further, the Company approached financial institutions for CDR (Corporate Deep Restructuring) of the loans with certain concessions to sustain the operations. The Financial institutions may advise to convert some amount to preferential shares. Hence, it is proposed to increase the authorised share capital of the Company from Rs. 20 crores to Rs. 25 crores.

Your Directors recommend resolution at item no. 11 for your approval.

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

Item No. 11 & 12:

In view of the increase in the authorised share capital of the Company, it is necessary to alter the capital clause in the Memorandum and Articles of Association of the Company.

Your Directors recommend resolutions at item nos. 11& 12 for your approval.

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

Item No. 13

To meet the capital investment requirements and for additional working capital needs, it may be necessary for the Company to obtain additional borrowings. Shareholder's approval is therefore being sought pursuant to Section 293(1)(d) of the Companies Act, 1956 to increase the borrowing limit to Rs. 140 crores.

Your Directors recommend resolution at item no. 13 for your approval.

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

By Order of Board

Prabha R. Mallaya
Company Secretary

Pune, 27th June, 2003

ECOBOARD INDUSTRIES LIMITED

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, 2003.

Financial Results:

(Rs. in lacs.)

| | 2002-2003 | 2001-2002 |
|---------------------------------------|-----------|-----------|
| Sales | 4547 | 4010 |
| Other Income | 112 | 61 |
| Profit before Interest & Depreciation | 925 | 343 |
| Interest | 1081 | 1031 |
| Loss before Depreciation | (156) | (688) |
| Depreciation | 624 | 581 |
| Loss before taxation | (780) | (1269) |
| Provision for taxation | - | - |
| Loss after taxation | (780) | (1269) |
| Balance brought forward | (3663) | (2394) |
| Balance Carried to Balance Sheet | (4443) | (3663) |

Operations:

Company's operations showed improvement during the year. Gross sales of the company increased to Rs. 45.47 crores during the year from the last year level of Rs. 40.10 crores. Sales of particle boards increased from Rs. 39.76 crores to Rs. 43.31 crores, while sales of bio-gas division increased from Rs. 0.34 crores to Rs. 2.15 crores. Loss from operations came down to Rs. 7.80 crores from the last year level of Rs. 12.69 crores. However, company's operations remained below cash break-even point even during this year.

Business Prospects:

Long term prospects of wood free particle boards industry continue to remain good due to increasing awareness among the people about benefits of such boards. However, the short-term prospects of the industry received a blow from withdrawal of excise duty exemption by the Central Government. The Government re-introduced levy of excise duty on wood free particle boards @8% in the current year budget. Markets showed strong resistance to absorption of this new levy and put manufacturers under additional financial burden.

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. U. S. Kadam and Mr. G. R. K. Raju retire by rotation as Directors in the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

Mr. G. M. Yadwadkar has been appointed as Nominee Director of Industrial Development Bank of India with effect from 31st October 2002. Century Direct Fund (Mauritius) LLC has withdrawn the nomination of Mr. Sanjaya Kulkarni and Mr. Charles G. Stephenson from the Board on 16th December 2002. The Board places on record its appreciation for the services rendered by them to the Company.

Mr. V. P. Rane, Mr. S. Venkataswamy and Mr. Ramachandra Raju P S were appointed as additional directors on the Board during the year, and their appointment is valid till the current Annual General Meeting. They offer themselves for re-appointment and the Board recommends their appointment.

Shri Srinivas Raju P. has expressed his desire to be relieved as whole time Director (Executive Director) with effect from 30th April 2003. The Board places on record its appreciation for his effort and contribution for the growth of the Company. He will continue as promoter Director to assist the Board with his vast profound experience in the Company from its inception.

Shri G. Ramakrishna Raju and Shri P. Satyanarayana Raju are Promoter Directors of the Company. The Board proposes to appoint

Shri G. Ramakrishna Raju as Executive Vice-Chairman of the Company and Shri P. Satyanarayana Raju as Joint Managing Director of the Company with effect from 1st April 2003 for which the relative resolutions are proposed for approval of the shareholders of 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 2002-2003:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 2002-2003 and of the loss of the Company for that period;
- 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;
- 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, 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 earned income of Rs. 93,68,343/- in foreign exchange during the year. The Company has spent Rs. 126,21,337/- on import of materials, Rs. 37,74,493/- 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 and hence no provision for the said Debts was made.

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, 27th June, 2003

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Industry

India is a leading producer of cash crops comprising of sugarcane, wheat, paddy, jute and cotton. Almost equivalent amount of fibrous agro-wastes is generated as by-product. Most of these agro-wastes are not effectively utilized and commercially exploited, resulting in huge loss of economic value to the nation at large. It is technically and economically viable to produce superior grade Panel Boards from all kinds of agro-wastes that can substitute wood and wood-based panels, like plywood & wood based particle boards and thus save precious Natural Wood that is becoming scarcer and costlier around the world and particularly in this sub-continent. India alone can produce Panel Boards worth Rs 10,000 crores (~ US \$2 billion) annually from agro-wastes, if industries are planned properly around the sources of agro-wastes and also policy for agro-waste use pattern are delineated for their cost-effective utilization. The spin-on and spin-off effect on ecological security, livelihood development, value-added application of agro-based Panel Boards in housing, furniture, Interiors and transport sectors would be enormous.

Operations

Company's operations showed improvement during the year. Gross sales of the Company increased to R. 45.47 crores during the year from the last year level of Rs. 40.10 crores. Sales of particle boards increased from Rs. 39.76 crores to Rs. 43.31 crores, while sales of bio-gas division increased from Rs. 0.34 crores to Rs. 2.15 crores. Loss from operations came down to Rs. 7.80 crores from the last year level of Rs. 12.69 crores. However, Company's operations remained below cash break-even point even during this year.

OPPORTUNITIES

It is the need of the hour to assist and promote safe environment through saving the forest and tree wealth of the nation. For this, a substitute in the mode of 100 % wood free, ecofriendly process engineered panels (Boards) manufactured from Agro based/Agriculture residues like Sugarcane Bagasse has been developed. The Company is a member of All India Agro Boards Association, which stands for quick expansion of this industry with the sole aim of saving trees and at the same time provide substitute for wood and plywood needs of the population of the country. The ideology of the Association is to assist and promote safe environment by propagating to quickly expand this rural industry to manufacture particle boards from Agri residues and offer ecofriendly durable superior quality boards at economical rates as substitute to wood, plywood and wood based particle boards to conserve already depleted tree and forest wealth of the nation to a dangerous level.

Thus the Company insists on bringing awareness in Government Agencies and public to use the ecofriendly products to fulfill the urgency of this national cause. There is

need and scope for ecofriendly panels in the country to gradually replace the entire wood and plywood segment with adequate supply to the increasing demands of the population. And at least 200 factories could be established all over the country by 2020 which will serve to conserve the tree and forest wealth of the nation for environment protection besides, it would also further the cause of rural development and huge rural employment. It also encourages value addition commercially to the abundant resource of agri residue / agrowaste.

THREATS

During the last decade, a few agro-based Panel Board Industries had come up in the country due to some bold initiatives taken by environment conscious entrepreneurs. Though some of the Industries are able to produce world-class agro-based panel products, the industry in general has been affected adversely by a host of factors, such as, lack of proper infrastructural facilities and logistic support, lack of proper technological inputs and support services, high capital costs of imported equipment, high costs of borrowed capital, lack of trained manpower, lack of proper macro-level policies, lack of public (customer) awareness towards eco-friendly agro-based Panel Products for use in buildings and for allied applications that support growth of this industry while saving natural wood and environment. Lack of governmental initiatives to support eco-friendly schemes as being done to automobile industry through legislature use of ecoboards in government and quasi government segments initially, is also another factor.

Given the right kind of framework for technological inputs, governmental and institutional supports, the industry can achieve great heights, can compete globally and eventually become a leading player in the world within a relatively short period of time. Thrust areas for development of this industry need to be identified and acted upon with a sense of urgency. There should be public education to create awareness for use of eco-friendly agro-based panel products.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE

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

OUTLOOK

Long term prospects of wood free particle boards industry continue to remain good due to increasing awareness among the people about benefits of such boards. However, the short-term prospects of the industry received a blow from withdrawal of excise duty exemption by the Central Government. The Government re-introduced levy of excise duty on wood free particle boards @8% in the current year budget. Markets showed strong resistance to absorption of this new levy and put manufacturers under additional financial burden.

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RISKS AND CONCERNS

The Company faces commercial competition from other panel industries. The main raw material in the manufacturing of Ecoboards is of 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 to as public awareness needs to be promoted, 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. 4547 lacs from sales and contracts for the year ended 31st March 2003 as compared to Rs. 4010 lacs for the year ended 31st March 2002. The loss incurred during the year 31st March 2003 has reduced to Rs. 780 lacs from Rs. 1269 lacs during the year ended 31st March 2002. 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, in 01-02 was Rs. 1601 lacs and in 02-03 was Rs. 668 lacs.

Financial Condition

There has been an increase in loan funds to Rs. 8240 lacs as at 31st March 2003 as compared to Rs. 7532 lacs in the previous year. Net Fixed Assets as at 31st March 2003 were Rs. 7213 lacs as compared to Rs. 7783 lacs as at 31st March 2002. Total amount of investments as at 31st March 2003 increased to Rs. 76,967 as compared to Rs. 62,399 as at 31st March 2002. Net Current Assets were Rs. 1664 lacs as at 31st March 2003 from Rs. 1182 lacs as at 31st March

2002. Gross Block as at 31st March 2003 was Rs. 10168 lacs as compared to Rs. 10117 lacs as at 31st March 2002.

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.

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors Seeking Appointment / Re-appointment in Annual General Meeting Fixed on 26th September 2003

| Name of the Director | Mr. G.R.K. Raju | Mr. U.S. Kadam | Mr. V. P. Rane | Mr. S. Venkataswamy | Mr. Ramachandra Raju P. S. |
|--|--|------------------------------|--|---|--|
| Date of Birth | 14.08.1957 | 21.07.1951 | 20.12.1936 | 12.12.1933 | 16.03.1945 |
| Date of Appointment | 05.08.1999 | 20.07.1992 | 24.01.2003 | 24.01.2003 | 24.01.2003 |
| Qualification | B.E. (Chem.Eng.) | C.A. | B.A.B.Com.] L.L.B.C.S. Financial Management from University of Glasgow, U.K. as a Colombo Plans Scholar (deputed by Government of India) | B.Sc. ANSI (Sugar Tech. From Kanpur) M.A., L.L.B. | B.E. (Electronics) Diploma in Operation of High Pressure Boilers |
| Expertise in specific functional areas | Industrialist | Eminent Chartered Accountant | Experience in Administration & Management as Senior Level as 1) Director / Commissioner of Sugar, Maharashtra State 2) District Magistrate 3) Director of Animal Husbandry 4) Registrar, Co-operation 5) Presently, working as Director General of Vasantdada Sugar Institute | Sugar Technologist | Sugar Engineer |
| List of Companies in which outside Directorship held | 1) Suraksha Financial Services Ltd. 2) Suseek Spacetek (P) Ltd. | Nil | Nil | 1) Shri Prabhuln geshwar Sugar Works Ltd. 2) NCS Gayatri Sugars Ltd. | Nil |
| Chairman / Member of the Committee of the Board of Directors of the Company | Nil | Chairman of Audit Committee | Nil | Member of Audit Committee | Nil |
| Chairman / Member of the Committees of Other Companies in Which he is Director | Nil | Nil | Nil | Nil | Nil |