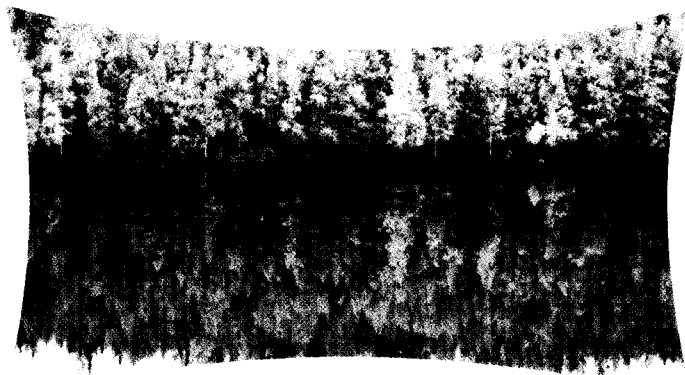
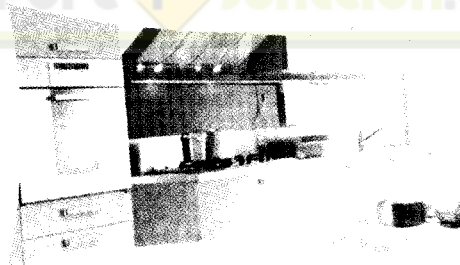


# Annual Report



NATURE'S VISION

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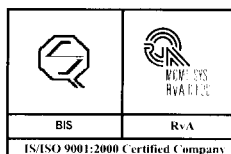


REFLECTED IN ECOBOARD

*In Collaboration with nature*

## **ECOBORD**

Manufacturer of bagasse boards





**Mr. V S Raju**

Chairman & Managing Director

Ecoboard Industries Ltd.

## CMD's M E S S A G E

Dear Friends,

As we look back, the growing trend gives immense satisfaction and encouragement even for this year. The government had recognized this non conventional & unique industry using the rural resource such as agri or crop residues which benefits the rural economy and generates employment. We have opted for bagasse as our primary resource, extending commercial benefits from the government for waiver of excise levy totally.

In addition to growth in turnover, we have added a feather in our cap, on the lines of previous years for IS and Ecomark, in achieving accreditation of ISO 9001 and 14001 together, for our organisation, being the first corporate in this line of business in our country. Such recognition boosts the stature of our company at par with similar leading players across the boundaries.

We look forward to more business in the year ahead, as the economy supports development of infrastructure. Also, having witnessed our pioneering success in sustaining a concept of protecting environment through wood free alternates, more corporate houses are diversifying into this segment with vigor, the outcome of which will result in over a year later.

At this juncture of confidence and hope that this industry is poised for a take off, I extend the responsibility to all of you to keenly propagate to all your near and dear, that we need to encourage eco-friendly products in our todays to make better tomorrows for our next generations.

I believed and hope you will also believe in providing a healthy and enriched green India for our children.

**Thanking you**

**V S Raju**

**Chairman & Managing Director**

# **ECOBOARD**

## **ECOBOARD INDUSTRIES LIMITED** **15TH ANNUAL REPORT AND ACCOUNTS 2005-06**

### **BOARD OF DIRECTORS**

V. S. Raju, *Chairman & Managing Director*  
G. Ramakrishna Raju, *Executive Vice Chairman*  
P. Satyanarayana Raju, *Joint Managing Director*  
Srinivas Raju P.  
U. S. Kadam  
N. A. Ramaiah  
S. Venkataswamy  
Ramachandra Raju P. S.  
A. B. Saha, *Nominee - IIBI*  
G. M. Yadwadkar, *Nominee - IDBI*

### **REGISTERED OFFICE**

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

### **REGISTRAR & SHARE TRANSFER AGENTS**

INTIME SPECTRUM REGISTRY LIMITED  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W.), Mumbai - 400 078.

### **COMPANY SECRETARY**

V.K.Bodas

### **MANUFACTURING FACILITIES**

#### **BIO SYSTEMS DIVISION**

Village Velapur, Taluka Malshiras,  
Dist. - Solapur, Maharashtra

### **AUDITORS**

M/s. Chaturvedi SK & Fellows, Mumbai.

### **INSTITUTIONS & BANKERS**

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

#### **PARTICLE BOARD DIVISION**

1. Village Jambhulwadi, Taluka Walwa,  
District Sangli, Maharashtra.
2. Village Velapur, Taluka Malshiras,  
District Solapur, Maharashtra

### **ANNUAL GENERAL MEETING**

Friday, 15th September 2006 at 11.00 am at  
Hotel Shangrila Gardens, Off Karve Road,  
Near Nal Stop, Pune 411004.

**15<sup>TH</sup> ANNUAL REPORT****NOTICE**

Notice is hereby given that the Fifteenth 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 Friday, 15<sup>th</sup> September, 2006 at 11.00 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Profit and Loss account for the year ended 31<sup>st</sup> March, 2006 and the Balance Sheet as at that date together with the Report of the Directors and the Auditors thereon.
2. To appoint a director in place of Mr. U.S. Kadam, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint a director in place of Mr. Ramchandra Raju P.S., who retires by rotation, and being eligible offers himself for reappointment
4. To re-appoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and fix their remuneration.

By order of the Board

**V K Bodas**  
Company Secretary

Pune, 28<sup>TH</sup> July 2006

**Registered Office:**

65/1-A, "Ecohouse",  
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.
2. Proxies, in order to be effective, should be duly completed, stamped, signed and should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, 9<sup>th</sup> September 2006 to Friday, 15<sup>th</sup> September 2006 (both days inclusive).
4. As per the provisions of Section 205A(5) read with section 205C(2) of the Companies Act 1956, the company has deposited all unclaimed dividends declared upto and including the financial year ended 31<sup>st</sup> March 1997, in the Investor Education and Protection Fund. The Company has not declared any dividend since then.
5. As per the provisions of the Companies Act, 1956 facility for making nominations is now available to individuals holding shares in the company. The nomination Form 2B prescribed by the government can be obtained for the purpose from the Registrar & Share Transfer Agents or from the company.
6. In case of joint holders attending the meeting, the joint holder whose name appears first in the list of members / beneficiary owners will be entitled to vote.
7. Members desirous of getting any information about the accounts and operations of the company are requested to send their queries, well in advance, so as to reach the registered office of the company at least ten days before the date of annual general meeting to enable the management to make the information readily available at the meeting.
8. Details of Directors seeking reappointment are given hereunder after the Explanatory Statement.

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING SCHEDULED TO BE HELD ON 15TH SEPTEMBER 2006.

Name	Mr. U S Kadam	Mr. Ramchandra Raju P. S.
Address	311, Dhoot Centre Station Road Ahmednagar 414 001	302, Paradise Apartments, Opp. Raitu Bazar, Sesam Dhara, Visakhapatnam 530 013
Date of Birth	21 <sup>st</sup> July 1951	16 <sup>th</sup> March 1945
Date of Appointment	20 <sup>th</sup> July 1992	26 <sup>th</sup> September, 2003
Qualification	Chartered Accountant	B.Sc.ANSI (Sugar Tech.)
Experience	Over 30 years experience as a Practising Chartered Accountant	Sugar Technologist
List of other Companies in which Director ships held	NIL	NIL

## DIRECTORS' REPORT

Your Directors have pleasure in presenting to you their report and the audited accounts of the Company for the year ended 31<sup>st</sup> March 2006.

Financial Results:

(Rs. In Lakhs)

	Current year 2005-06	Previous year 2004-05
<b>Sales &amp; Other Income</b>	<b>5140.56</b>	<b>4587.05</b>
<b>Operating Profit</b>	<b>1143.76</b>	<b>761.45</b>
Less:		
Interest	280.21	128.61
Depreciation	514.60	511.26
Profit for the year	348.95	121.58
Add: (Exceptional item)		
Interest Provision written back on settlement of liabilities	0.00	1768.29
Net Profit before Tax	348.95	1889.87
Less: Provision for Tax (Fringe benefit tax)	13.67	0.00
Net Profit after Tax	335.28	1889.87
Add:		
Balance brought forward from the Previous year	(3993.78)	(5883.65)
Balance carried to Balance Sheet	(3658.50)	(3993.78)

### Dividend :

In view of insufficient profit for the year and future financial commitments, the Directors do not recommend payment of any Dividend for the year ended 31<sup>st</sup> March 2006.

### Operations :

During the year 2005-06, the sales at Rs. 5012.56 lakhs as compared to Rs. 4542.72 lakhs has reflected an increase of over 10 %. During the year under review, the unprecedented floods in the Western Maharashtra had hampered the production and sale in Mumbai & other regions for more than a month. The availability of bagasse was also scarce due to closing down of some Sugar factories and also due to draught in this part of the state during the previous year.

### Future Prospects :

General Economy is looking up. Satisfactory monsoon during the previous year has ensured availability of the basic raw material 'Bagasse' in sufficient quantity and at competitive price. The use of other agricultural waste material like Tur, Maize, Jawar Stalks as raw material as an alternative to Bagasse may also reduce our total dependency on Bagasse. The Company is seriously contemplating value addition by venturing into furniture manufacturing using ECOBOARD. With aggressive marketing, the Company hopes to achieve higher turnover during the current year.

### Directors :

Mr. U.S. Kadam and Mr. Ramchandra Raju P. S. Directors, would retire by rotation at the forthcoming Annual General Meeting of the Company; and being eligible, would offer themselves for reappointment.

In accordance with clause 49 of the listing agreement, particulars relating to the Directors seeking re-election/reappointment at the ensuing Annual General Meeting are furnished in the Corporate Governance Report.

### Directors' Responsibility Statement

In accordance with the requirements of section 217 (2AA) of the Companies Act, 1956, the Directors declare that:

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure;
- (ii) the Directors had 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 the state of affairs of the Company as at 31<sup>st</sup> March, 06 and of the profit of the Company for the year ended on that date;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors had prepared the annual accounts on a 'going concern' basis.

### ISO 9001 & 14001 Certification

During the year under review, based on implementation of best practices on Quality Management and Environmental Management, the Company has been awarded the ISO 9001 and ISO 14001 certification for its Offices and Factories at Velapur and Islampur.

### Conservation of Energy, Technology Absorption & Foreign Exchange Earnings & Outgo

In terms of Section 217(1)(e) of the Companies Act, 1956, information relating to Conservation of Energy, Technology Absorption & Foreign Exchange Earnings & Outgo is set out in the annexure I, forming part of this report.

### Management Discussion & Analysis and Corporate Governance

A Report on the Management Discussion & Analysis and Corporate Governance forms part of this Report as Annexure II. The Certificate of the Statutory Auditors confirming compliance with Clause 49 of the Listing Agreement relating to Corporate Governance are also annexed to this report.

### Deposits

During the year under review, the Company has not invited or accepted any deposits under section 58A of the Companies Act 1956.

### Personnel

The employees of Company's Islampur Unit had resorted to a lightening strike on some trivial issues resulting in the stoppage of work for about 42 days. However, due to floods in the



**15<sup>TH</sup> ANNUAL REPORT**

region during that period, the adverse impact of the said strike was subdued.

Except for this stray incidence, the relations with the employees continue to remain cordial. The Directors express their appreciation for the support given and the contribution made by the employees at all levels.

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

**Auditors :**

The Auditors of the Company, M/s. Chaturvedi SK & Fellows, Chartered Accountants, Mumbai would retire at the conclusion of the ensuing Annual General Meeting and are

eligible for re-appointment.

**Acknowledgements :**

The Directors place on record their appreciation and express their gratitude for the continued support extended to the Company by the Shareholders, Financial Institutions & Banks, Suppliers and the Customers.

**For and On Behalf  
of the Board of Directors**

**V S Raju**

**Chairman & Managing Director**

Pune, 20<sup>th</sup> June 2006

**ANNEXURE I TO THE DIRECTORS' REPORT**

Particulars as per Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

**A Conservation of Energy:**

i) In order to conserve energy, preventive maintenance of the Plant & Machinery is carried out on a regular basis. The production is taken in batches to obtain optimum output. The Company uses pith and the sanding dust generated during the manufacture of Particle Boards for Steam Generation. 1MW co-generation Power Plant at our Velapur factory also uses the steam so generated when available in sufficient quantity. Electrical power is used for the manufacture of Company's products. Diesel oil is also used to a little extent for operating mobile cranes and other material handling equipment.

ii) No sizable additional investment is envisaged to implement any proposal to reduce energy consumption.

iii) The average of energy consumed in relation to the total production is normal. Consequently, there will not be any significant impact on the cost of production on account of reduction in the consumption of energy. However, from January 2006, MSEB is levying power Cess every month depending on fuel prices, thereby increasing the power bill for the same consumption as before. The impact is approx. Rs.2-3 lakh per month per factory.

**B a. Research & Development (R&D)**

i) Specified area in which the R&D is carried out by the Company – Efforts are being made on a continuous basis to maintain and improve the quality of the products. The Company has successfully developed technology to use unconventional agricultural waste material like Cotton, Tur, Maize & Jawar stalks as Raw Material in the manufacture of Particle Boards.

ii) Benefits derived as a result of the above R&D – Reduction in the risk of dependence on single source of Raw material.

iii) Future Plans of Action – Steps are being taken on a continuous basis to upgrade the technology and improvement of product quality with an aim of offering better products to the customers.

iv) Expenses on R&D – The expenses of the Company on R&D are incurred primarily using agricultural waste & for testing the product quality & specifications. Amount spent on such activity will not, therefore, reflect the true expenses

on R & D efforts.

**b. Technology absorption, adaptation and Innovation:**

i) **Efforts, in brief for Technical Absorption, Adaptation and Innovation on the basis of the Company's own R&D activities** – Absorption and Adaptation of the technology developed by the Company's own R&D has been smooth and is under implementation.

ii) **Benefits derived as a result of the above efforts** – Less dependency on a single source of Raw Material i.e. Bagasse.

iii) **Imported Technology** – The imported technology is fully absorbed and is smoothly in operation.

**C Foreign Exchange Earnings & Outgo**

i) **Activities relating to exports : Initiatives taken to increase exports, development of new Export Market for products and services; and export plans** – The Company is continuously making efforts to find export market for its products, particularly in the neighboring countries, Middle East & African countries.

**ii) Total Foreign Exchange earned & used –**

Foreign Exchange Earned:	Rs. 1.34 lakhs
Foreign Exchange used:	Rs. 33.90 lakhs

**ANNEXURE II TO THE DIRECTORS' REPORT****A. MANAGEMENT DISCUSSION AND ANALYSIS****Review of Operations :**

Company's operations remained stable during the year. Gross Sales during the year were at Rs. 5012.56 lakhs as compared to Rs. 4542.72 lakhs during the previous year.

There was operating profit of Rs. 1143.76 lakhs as against Rs. 761.45 lakhs during the previous year before providing for interest and depreciation.

The net profit for the year was Rs. 348.95 lakhs as against Rs.1889.87 lakhs during the previous year.

The main observation of the management in this regard were as follows:

- Exemption from payment of Excise duty has its positive impact which enables the Company to remain competitive vis-à-vis other Plywood manufacturers.
- During the year, the Company had maintained production and sales above the break-even point.
- The low level of capacity utilisation and high inventory is attributable to inability to penetrate into the market in a big way due to cheap imports and competition from Plywood manufacturers from un-organised sector.

- The Company was successful in keeping the operating costs under strict checks.
- Bio Gas Division activities are encouraging during the year due to improvement in the Sugar Industry.

#### Industry Outlook :

Long term outlook for Wood Free Particle Boards continues to look positive. However, appreciation for Environment friendly products is not picking up a momentum in India in any significant manner. Remaining competitive against a strong lobby of Plywood manufacturers is also constantly nagging the wood free particle board manufacturers.

The satisfactory spell of monsoon during the previous year has put away the large scale worry about the availability of the main raw material, viz. Bagasse at reasonable prices. However it is a need of the hour to consider use of alternate raw materials viz. various types of agri- waste material which is available in abundant quantity in the un-organised sector. Channelising the supply of such raw material in an organised manner has to be viewed seriously. The Wood Free Particle Board Manufacturers need to put in joint and concerted efforts in this regard.

#### Risks and Concern :

The main risk is of availability of Raw Material, viz. Bagasse. Bagasse is being used captively by the Sugar Factories for steam generation and for generation of electricity. With a power shortage in Maharashtra State, the pressure on the Sugar Factories to generate captive power would be high and to that extent, availability of Bagasse and its price would be a constant concern.

#### Company Outlook :

The Company has reasonable level of Bagasse stock for the current year. Moreover, in future, availability of alternate raw material in the form of Cotton Stalks, Jawar & Tur Stalks and other forms of agri-waste and the capability of the Company to use the same effectively has reduced the risk of getting stuck in case of non availability of Bagasse.

The Company is putting in concerted efforts to increase its market share and is planning to offer value added quality products such as ready to assemble/use office and domestic furniture at affordable prices. Under these circumstances, the outlook is certainly positive for the current year and for years to come.

#### Internal Control System :

Adequate internal control systems are in place in all areas of operation. They are being continually reviewed and strengthened wherever necessary.

#### Human Resources / Industrial Relations :

The workmen of the Company's Islampur Unit were on strike for a brief period for some insignificant and minor issues. The same have been settled. However, the attitude of local labour and its low productivity has been a constant worry for the management. The Company's Industrial Relations, otherwise, continue to remain cordial and harmonious during the year under review.

#### Cautionary Statement :

Statements made 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 policies, tax laws, economic developments with the country and other factors such as litigation and industrial relations.

## B. CORPORATE GOVERNANCE REPORT

### 1. Company philosophy on code of governance :

The Company remains committed to the core aspects of Corporate Governance, viz. Fairness, transparency, accountability and responsibility.

### 2. Board of Directors :

The Board comprises of 10 Directors, of which 7 are non-executive Directors. The Chairman is the Executive Chairman and Managing Director. The Board comprises of 6 independent Directors i.e. Directors, who, apart from receiving sitting fees, do not have any other material pecuniary relationship or transactions with the Company, its promoters or its management, which may affect independence of judgement of the Directors.

Composition, Attendance at the Board Meetings and the last Annual General Meeting, outside Directorships and other Board Committees.

Director	Category	Attendance At Board Meetings	Attendance at last AGM
Mr. V S Raju Chairman & Managing Director	Executive	6	Yes
Mr. G Ramakrishna Raju Executive Vice Chairman	Executive	6	Yes
Mr. P Satyanarayana Raju Joint Managing Director	Executive	3	Yes
Mr. U S Kadam	Non-Executive Independent	6	No
Mr. Srinivas Raju P.	Non-executive	Nil	No
Dr. N A Ramaiah	Non-Executive Independent	1	No
Mr. S Venkatswamy	Non-Executive Independent	1	No
Mr. Ramachandra Raju P S	Non-Executive Independent	1	No
Mr. A B Saha	Non-Executive Independent	6	Yes
Mr. G M Yadwadkar	Non-Executive Independent	4	No

- ❖ None of the Directors serve as members of more than 10 committees or are chairman of more than 5 committees across all the Companies in which they are Directors.
- ❖ The Board met 6 times during the year on 10<sup>th</sup> May 05, 30<sup>th</sup> July 05, 27<sup>th</sup> August 05, 30<sup>th</sup> September 05, 27<sup>th</sup> October 05 and 25<sup>th</sup> January 06.
- ❖ All pecuniary relationships or transactions of the non-executive Directors have been disclosed in the Notes to Accounts (Schedule 15)

## Details of remuneration paid to Directors during the year

Director	Salary & Perks Rs.	Sitting Fees Rs.
Mr. V S Raju Chairman & Managing Director	886560	-
Mr. G Ramakrishna Raju Executive Vice Chairman	1075713	-
Mr. P Satyanarayana Raju Joint Managing Director	1075713	-
Mr. U S Kadam		4500.00
Mr. Srinivas Raju P		0.00
Dr. N A Ramaiah		500.00
Mr. S Venkatswamy		1000.00
Mr. Ramachandra Raju P S		500.00
Mr. A B Saha		4500.00
Mr. G M Yadwadkar		3000.00

**3. Audit Committee :**

The Audit Committee comprises of five Directors, viz. Mr. U S Kadam, Mr. V S Raju, Mr. S Venkatswamy Mr. A B Saha and Mr. G M Yadwadkar. Except for Mr. V S Raju, all other Directors are non-executive independent Directors. The Committee is headed by Mr. U S Kadam who is an eminent Chartered Accountant. Mr. V K Bodas, Company Secretary, acts as a Secretary to the Committee.

The terms of reference of the Audit Committee include the following:

- Reviewing the Company's financial policies and results
- Overseeing the Company's financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible.
- Reviewing the adequacy of Internal Audit function and discussing the findings of the Internal Auditors.
- Management Discussions and analysis of financial condition & result of operations.
- Review of related party transactions
- Interaction with Statutory Auditors.

During the year under review, 3 Audit Committee Meetings were held – on 10<sup>th</sup> May 05, 27<sup>th</sup> October 05 and 25<sup>th</sup> January 06.

Name of the Director	Audit Committee Meetings Attended
Mr. U S Kadam	3
Mr. V S Raju	3
Mr. A B Saha	3
Mr. G M Yadwadkar	2
Mr. S Venkatswamy	1

**4. Share Transfer & Shareholders' Grievance Committee:**

The Share Transfer & Grievance Committee consists of

Mr. V S Raju, Mr. U S Kadam, and Mr. P Satyanarayana Raju. Mr. V K Bodas, Company Secretary, is a Compliance Officer. The terms of reference of the above Committee are as follows:

- To consider and approve transfer/transmission of shares, consolidation/split of share certificates and issuance of duplicate share certificates; etc.
- Redressal of shareholders'/investors' complaints relating to transfer, transmission, transposition, splitting, consolidation, dematerialisation of shares, non receipt of annual reports etc.

During the year the Committee met 35 times. As on 31<sup>st</sup> March 06, there were no pending requests for transfer of shares. During the year, 48 complaints were received and resolved.

**5. General Body Meetings:**

Details of the last 3 Annual General Meetings (AGM) held:

AGM	Date	Venue
14 <sup>th</sup> Annual General Meeting	30-09-05	Hotel Shangrila Garden Off. Karve Road, Nal Stop Pune 411004
13 <sup>th</sup> Annual General Meeting	30.09.04	Hotel Shangrila Garden Off. Karve Road, Nal Stop, Pune 411004
12 <sup>th</sup> Annual General Meeting	26.09.03	Hotel Shangrila Garden Off. Karve Road, Nal Stop Pune 411004

**6. Means of Communication :**

The Board of Directors of the Company approves and takes on record the unaudited financial results in the proforma prescribed by the Stock Exchange and announces the said results to the Stock Exchange Mumbai where the shares of the Company are listed. These quarterly, half yearly and annual results are also published in the news papers in the prescribed format.

**7. Shareholder General Information :****a) Annual General Meeting :**

Date & Time : Friday, 15<sup>th</sup> September 2006  
at 11.00 a.m.

Venue : Hotel Shangrila, Off Karve Road,  
Pune 411004

**b) Dates of Book Closure :**

Saturday, 9<sup>th</sup> September 2006 to Friday, 15<sup>th</sup> September 2006

**c) Financial Calendar of the Company :**

The Financial year covers the period from 1<sup>st</sup> April to 31<sup>st</sup> March.

Financial Reporting for:

- ❖ Quarter ending 30<sup>th</sup> June, 06      End July, 06
- ❖ Half Year ending 30<sup>th</sup> September, 06      End October, 06
- ❖ Quarter ending 31<sup>st</sup> December, 06      End January, 07
- ❖ Year ending 31<sup>st</sup> March, 07      June, 07