



Western Bio Systems Ltd.

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ANNUAL REPORT

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Dear Members,

Despite uncertain political situation over a period of time and monetary liquidity crunch, in the country, your Company has fared reasonably well during 1996-97.

You are well aware there has been nearly industrial recession mainly in the fields of consumer and construction industry, sugar and allied industries that have resulted in slow growth for the connected industries like that of yours which is mainly in environmental business specialised in industrial waste water engineering and manufacture of 100% wood free substitute i.e., ECOBOARD.

The money market is now looking favourable with the inflow of foreign institutional investment with a well defined economic liberalisation programme initiated by the present union government in a more pragmatic way & through lowering of interest rates by Banks and Financial Institutions. Under these conditions, I hope the results should be better for the ensuing year.

Your ECOBOARD is now well received in the market and established brand equity that would go a long way as a symbol of a tool for environmental protection.

To save the tree and forest resources Supreme Court has given a historic ruling, banning plywood industry in North Eastern states. As a result ECOBOARD finds its place as not only a wood substitute but also for plywood. We developed marketing network established all over the country assisted by dynamic marketing team to convey the message of ECOBOARD to all corners of the country.

We hope to see bright future for your industry in the years to come due to the void created by plywood industry, and nonavailability of wood. Your Directors after careful thought, propose to expand the ECOBOARD manufacturing to meet for better commercial viability, besides service to a national cause.

I have a strong faith that with your continued support, your Company will establish its unique place with a faster growth to sustain and promote safe environment while its activities expand quickly.

*V. S. Raju
Chairman & Managing Director*

NOTICE :

Notice is hereby given that the Sixth Annual General Meeting of the members of Western Bio Systems Limited, will be held at "PADUMJEE HALL", Mahratta Chamber of Commerce & Industries, Tilak Road, PUNE : 411 030, on Tuesday 30th September, 1997, at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997, and the Profit & Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To declare dividend.
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 appoint a Director in place of Dr. H.Y. Kawade who retires by rotation, and being eligible, offers himself for reappointment.
5. To appoint a director in place of Mr. G.Ramakrishna Raju, who retires by rotation, and being eligible, offers himself for reappointment.
6. To consider, and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/S. CHATURVEDI S.K. & FELLOWS be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors plus re-imbursements of out-of-pocket, travelling and incidental expenses."

SPECIAL BUSINESS:

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

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309, 310 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals and sanctions as may be necessary the Company hereby accords its approval for re-appointment of

Shri. V. S. Raju as Chairman & Managing Director of the Company and the remuneration and payment of commission w.e.f. 01.04.1997 for a period of five years, as set out in the Explanatory Statement relating to the Resolution with powers to the Board of Directors to alter and vary terms and conditions and remuneration (including minimum remuneration in case of absence or inadequacy of profits) in such manner as the Board may deem fit and is acceptable to Shri. 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 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 ceilings and the Agreement between the Company and Shri. V. S. Raju, Chairman & 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 General Meeting.

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

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 Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the following clauses be added after Serial No 66 under the head of Other Objects in the Memorandum of association of the Company :

67. To manufacture, process, buy, sell, import, export or otherwise deal in all types of wood based products like veneers, wood slices and other wood products required for supplying value added product to use the Company's particle board to suit the requirements of the end users, and to manufacture and deal in the



Western Bio Systems Limited

BOARD OF DIRECTORS

V. S. Raju	Chairman & Managing Director
P. Srinivas Raju	Executive Director
S. S. Raju	Director Technical
U. S. Kadam	Director
Dr. N. A. Ramaiah	Director
P. Satyanarayana Raju	Director Marketing
G. Ramakrishna Raju	Director
Dr. H. Y. Kawade	Director
Dr. M. K. Datar	Nominee-IDBI
Kedar P. Phadke	Company Secretary

BANKERS

Bank of Maharashtra	The United Western Bank Limited.
Indian Bank	IDBI Bank Limited.

AUDITORS

Chaturvedi S. K. & Fellows, Mumbai

REGISTRAR & TRANSFER AGENT

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

REGD. OFFICE

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

WORKS

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

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DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixth Annual Report and Audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS :

(Rs. in lacs)

	1996-97	1995-96
Total income	3646	2400
Profit before interest, depreciation & Tax (PBITD)	920	691
Interest	335	134
Gross Profit	585	557
Depreciation for the year	397	97
Profit before tax	188	460
Income-tax	—	—
Profit after tax	188	460
Add : Balance brought forward from previous year	316	501
Total amount available for appropriation	504	961
APPROPRIATIONS :-		
Proposed Dividend	97	145
Tax on proposed dividend	10	—
Transfer to General Reserve	150	500
Balance carried forward to next year	247	316

During the year ended 31st March, 1997, Company's sales and PBITD went up by 52 % and 33 % respectively but interest and depreciation costs shot up at a much sharper rate due to full impact of investment in particle board plant. The Company also changed method of depreciation from straight line to written down value resulting into additional depreciation of Rs. 202 lakhs. Combined result of these factors was a lower net profit during the year.

DIVIDEND:

The Directors recommend dividend of Rupee One per equity share (10%) on the paid up equity capital of the Company. The dividend on declaration by the members will amount to Rs. 96.80 Lacs.

OPERATIONS :

PARTICLE BOARD DIVISION :

Production of particle boards increased from 4.22 lakh square metres during previous year to 7.49 lakh square metres during the current year, thus, rising by 77% and reaching 50 % capacity utilisation. Sales grew at even higher rate of 122 % due to better price realisation. Company was able to widen

its reach and penetration in the panel board market and established a strong presence. Company introduced number of new designs and finishes in its pre-laminated boards which received very good response from the consumers. Company also developed new applications for its board such as shuttering grade material for the construction industry which received encouraging response.

In a significant development with far reaching effects, the Hon'ble Supreme Court of India banned all non-forest activities including felling of trees in the forest areas in the country. This step is likely to have serious and adverse impact on the production and supply of plywood and other wood based products including wood based particle boards. However, particle board produced by your company, being based on agro residues, is not covered by this ban and is expected to be the main beneficiary of such ban. Your company, being one of the champions of the cause of environmental protection, is prepared to take the challenge and fill the gap in supply of panel boards expected from this significant directive of the Hon'ble Supreme Court.

Due to above-mentioned developments, the sales and the capacity utilisation of the particle board division are expected to show significant improvement during next year.

BIO GAS PLANT DIVISION :

Due to general liquidity crunch in the economy, the capital goods industry had a bad year last year. Your company was no exception. The business of its Bio Gas plant division was slack. It is hoped that, with various measures taken by the government to inject liquidity in the economy, the demand for capital goods should pick up in coming months.

FUTURE PLANS :

Your company plans to strengthen and consolidate its position in the particle board market. In this direction, the company has decided to set up another agro-residue based particle board plant of the annual production capacity of 36 lakh square-metres at Sholapur in Maharashtra. The project is estimated to cost Rs. 47 crores. Financial institutions have already sanctioned loans of Rs. 25 crores for the project. The complete plant is already imported from Germany and implementation of the project is progressing at fast pace. The project is scheduled for commissioning in the second half of 1998. With the commissioning of this project, your company will be the biggest player in the particle board market.

Western Bio Systems Limited

Your Company had earlier planned to set up this project in a new company named Deccan Fibre Boards Limited promoted by your company. This was so planned because of absolute sluggishness in the capital market due to which it was not possible to raise necessary equity for the project unless at a very low issue price. Now, the management has been able to tie-up part of the equity required for the project with foreign and Indian investors at a respectable price. The Company has finalised arrangement for issue of fully convertible debentures (FCDs) of Rs. 900 lakhs to FII and other investors. The FCD's will be automatically and compulsorily converted into equity shares of the company after 18 months at conversion price of Rs. 25 per share. Details of this preferential offer will be intimated to you very soon. Consequent upon this equity tie-up, the proposed particle board project will now be taken up in your company. Necessary steps for amalgamation/ take over of Deccan Fibre Boards Limited into your company are being initiated separately.

FINANCE :

During the year the Company availed term loan of Rs. 175 lakhs from IDBI for completing its equipment balancing programme in the existing particle board plant. The Company is regular in repayment of term loan instalments during 1996-97 amounting to Rs. 241 lakhs. Enhancement of the company's working capital limits from Rs. 550 lakhs to Rs. 1150 lakhs is cleared by the lead bank and is in the process of approval by other consortium banks. For the new particle board project, term loans of Rs. 2500 lakhs and FCD placement of Rs. 900 lakhs are also tied up. Part of the equity required for the project is to be met from internal accruals. Efforts are now on to complete tie-ups for balance equity required for the new project.

DEPOSITS :

The Company has accepted deposits worth Rs. 50 Lacs during the year 1996-97 which are falling due in the financial year 1997-98.

DIRECTORS :

Shri U.S. Kadam, Dr. H.Y. Kawade and Shri G.Ramakrishna Raju retire by rotation as Directors in the forthcoming Annual General Meeting and are eligible for re-appointment.

The term of Shri. V. S. Raju as Chairman & Managing Director expires on 31st March 1997 and the members approval for re-appointment is sought for.

AUDITORS:

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

INFORMATION UNDER LISTING AGREEMENTS WITH STOCK EXCHANGES:

Projections for 1996-97, as per Letter of offer dated 16/09/1994, for Rights issue of Fully convertible Debentures and actual performance data are as under :

Sr. No.	Particulars	Rs. in Lacs	
		Projections	Performance
1.	SALES Bio Gas Project	2600	1,853.37
	Particle Board Div.	4643	1,698.31
2.	PBIDT Bio Gas Project	855	315.10
	Particle Board Div.	1861	619.36
3.	PROFIT AFTER TAX	1506	188.25

The company has changed the method of charging depreciation on plant and machinery of particle board division from Straight Line Method to Written Down Value resulting into higher depreciation and lower profit for the year by Rs. 202.03 Lacs. The additional depreciation for earlier years on this account amounting to Rs. 194.90 Lacs has been set off against reserves.

PARTICULARS OF EMPLOYEES :

Information in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended 31st March, 1997, is given in the Annexure to this Report.

OTHER INFORMATION :

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

CONSERVATION OF ENERGY :

Modifications and corrections were carried out in the process layout of the particle board plant which will result in the saving of Power Consumption to a tune of 4.31 lacs units per annum.

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TECHNOLOGY ABSORPTION :

In the Particle Board Division developments were carried out in bringing out a special grade ECOBOARD for the application as shuttering material. Practical tests of this material proved to be more encouraging both in terms of its application and quality & also its cost advantage.

BENEFITS :

The special Shuttering grade ECOBOARD will contribute in a huge way to the construction industry in meeting the short fall of plywood due to the recent Hon'ble Supreme Court's ban on Wood and Plywood industry.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

The Company has not earned on account of foreign exchange, for details about outgoes, Accounting polices, item 23 (ix), (x) and (xii) may please be referred.

APPRECIATION :

The Board of Directors of the Company respect and appreciate the dedicated services rendered by its employees. The directors also appreciate the continued and timely support extended by its bankers lead by Bank of Maharashtra and financial institutions lead by Industrial Development Bank of India.

ON BEHALF OF THE BOARD OF DIRECTORS

Pune, 2nd August, 1997
V.S RAJU
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Statement of Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report

Sr. Name No.(Age-Yrs.)	Designation/ Nature of Duties	Remuneration Rupees	Qualification & Experience (Years)	Date of Commen- cement of Employment	Last employment, & Position held
1. P. Srinivas Raju (31 years)	Executive Director. (Finance, Admn., Secretarial)	3,70,800	B.E. (Electronics & Communication (10 years)	21.11.92	National Remote Sensing Agency, Dept. of Space - GOI, Scientist - Engineer
2. S. S. Raju (49 years)	Technical Director (Technical Matters)	3,70,800	B. E. Mechanical M. Tech.(Prod. Engg.) (27 years)	16.8.93	BHEL, Sr. Deputy General Manager
3. V. S. Raju (59 years)	Chairman & Managing Director, (Overall Management)	5,68,800	B.A.(Chem-ANSI) (Sugar-Tech) (37 years)	20.11.91	Chemical Consultants & Engineers, Partner

ON BEHALF OF THE BOARD OF DIRECTORS

Pune, 2nd August, 1997

V.S RAJU
Chairman & Managing Director

Western Bio Systems Limited

AUDITORS' REPORT

TO
THE MEMBERS OF
Western Bio Systems Limited,

We have audited the attached Balance Sheet of **Western Bio Systems Limited** as at 31st March, 1997, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order 1988, issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of the books.

- c) The Balance Sheet & Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
- d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view.
 - i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 1997, and
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date.

for **CHATURVEDI SK & FELLOWS**
Chartered Accountants

Pune, 30th June, 1997

K.N. Chaturvedi
Partner