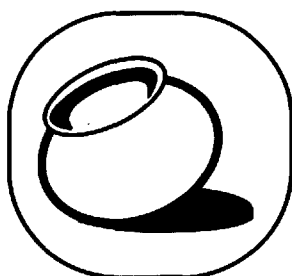


# ECOBOARD INDUSTRIES LTD.

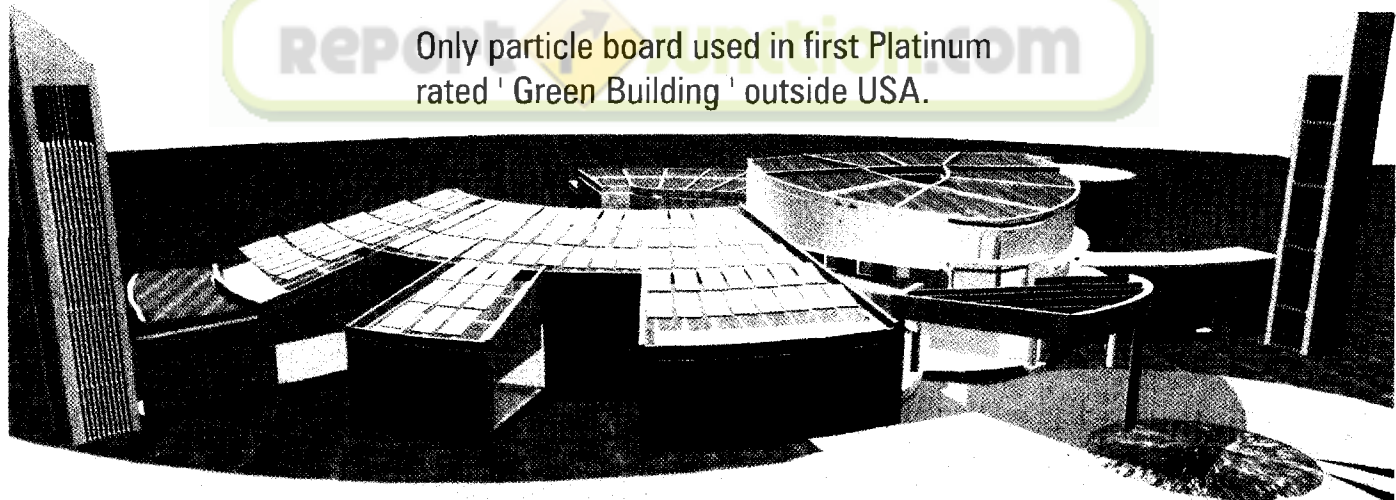
100%  
WOOD  
FREE

## ANNUAL REPORT 2 0 0 3 - 2 0 0 4



First Industry to be awarded  
ECOMARK in India.

Only particle board used in first Platinum  
rated 'Green Building' outside USA.



*Superior and economical*

# ECOBOARD



Plain & Prelaminated Particle Boards

*In Collaboration With Nature*



**MR. V. S. RAJU**

*Chairman & Managing Director,  
Ecoboard Industries Ltd.*

## CMD'S MESSAGE

Dear Friends,

I am happy to share with you the pride and joy of our company receiving the first ever ECOMARK in the country for similar products accredited by Bureau Of Indian Standards. The ECOMARK signifies true eco-friendly nature of products. Together with ISI mark for quality assurance, our Ecoboard is now recognised for its quality and its eco-friendly nature.

Once more, these qualities of Ecoboard were recognised and appreciated when the Confederation Of Indian Industry selected it for use in its prestigious 'Green Building Project' at Hyderabad - the first and only Platinum rated building outside USA.

We are now working towards achieving ISO - 9000 & ISO - 14001 certifications.

Your company thus continues to move towards higher standards of excellence.

To promote conservation of environment through introduction of commercially viable and economically sustainable eco - friendly products and technologies continues to be our aim.

To extend the reach of Ecoboard to wider sections of society, we plan to launch ready-made Eco-furniture made from Ecoboard in the market in near future.

With your continued support we shall keep moving towards our goals.

With warm regards,

V. S. Raju  
Chairman & Managing Director

**FOR YOUR GREENER TOMORROW, USE ECOBOARD TODAY**

[www.reportjunction.com](http://www.reportjunction.com)

**ECOBOARD INDUSTRIES LIMITED****BOARD OF DIRECTORS**

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

**COMPANY SECRETARY**

Prabha R. Mallya

**INSTITUTIONS & BANKERS**

Industrial Development Bank of India  
 Industrial Investment Bank of India Limited  
 ICICI Bank Limited  
 SICOM Bank 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**

INTIME SPECTRUM REGISTRY LIMITED  
 C-13, Pannalal Silk Mills Compound,  
 L. B. S. Marg, Bhandup (W.), 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 Shriur,  
 Dist. Pune, Maharashtra

**PARTICLE BOARD DIVISION**

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

**ANNUAL REPORT 2003-2004****NOTICE**

Notice is hereby given that the Thirteenth 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 Thursday, 30<sup>th</sup> September 2004 at 11.00 a.m. to transact the following ordinary business :

1. To receive, consider and adopt the audited Profit and Loss account for the year ended 31<sup>st</sup> March, 2004 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. N. A. Ramaiah, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a director in place of Mr. Srinivas Raju P., 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.

**For & On behalf of the Board**

**V. S. Raju**

**Chairman & Managing Director**

**Pune, 27<sup>th</sup> August 2004**

**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 must 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 25<sup>th</sup> September 2004 to Thursday, 30<sup>th</sup> September 2004 (both days inclusive).
4. (a) As per the provisions of Section 205A (5) read with section 205C(2) of the Companies Act 1956, the company has already deposited all unclaimed dividends declared upto and including the financial year ended 31<sup>st</sup> March 1996, in the Investor Education and Protection Fund.  
(b) Pursuant to provisions of section 205A(5) of the Companies Act, 1956 dividends for the financial year ended 31.03.1997 which remained unclaimed for a period of seven years from the date of transfer of the same to unclaimed dividend account will be transferred to the investor Education & Protection Fund established by the Central Govt. Shareholders who have not encashed the dividend warrants so far for the financial year ended 31.03.1997 are requested to make their claim to the Registrar and Share Transfer Agents of the company. After 6<sup>th</sup>

November 2004 the unclaimed dividend amount will be transferred to the fund, by procedure prescribed.

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 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 keep the information readily available at the meeting.

**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT IN  
ANNUAL GENERAL MEETING FIXED ON 30<sup>TH</sup> SEPTEMBER 2004**

<b>Name of the Director</b>	<b>Dr. N. A. Ramaiah</b>
<b>Date of Birth</b>	26.08.1923
<b>Date of Appointment</b>	20.07.92
<b>Qualification</b>	
<b>Expertise in specific functional areas</b>	Technical expert in sugar industry with vast experience as Director of National Sugar Institute. Since 1992 working with the company.
<b>List of Companies in which outside Directorship held</b>	Nil
<b>Membership of committees across public companies</b>	Nil

<b>Name of the Director</b>	<b>Mr. Srinivas Raju P.</b>
<b>Date of Birth</b>	24.08.1965
<b>Date of Appointment</b>	21.11.1992
<b>Qualification</b>	Mr. Raju holds bachelors degree in engineering in electronics and communication faculty.
<b>Expertise in specific functional areas</b>	He has worked as scientist in National Remote Sensing Agency of India. Since 1992, he is associated with Ecoboard and served as its executive director during 1996 to 2003 and thereafter as director till date.
<b>List of Companies in which outside Directorship held</b>	Susee Spacetek Private Ltd.
<b>Membership of committees across public companies</b>	Member of Share transfer and Share holders Grievance Committee



**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, 2004.

**Financial Results: (Rs. in lakhs)**

Particulars	2003-2004	2002-2003
Sales	3009.64	4546.96
Other Income	110.01	111.05
Interest	1058.56	1080.66
Depreciation	575.73	624.10
Loss before income tax and exceptional item	1234.65	779.97
Exceptional item: Provision for doubtful debts & advances	205.24	—
Loss before income tax	1439.89	779.97
Provision for taxation	—	—
Loss after taxation	1439.89	779.97
Balance (Loss) brought forward from last year	4443.75	3663.77
Balance (Loss) Carried to Balance Sheet	5883.65	4443.75

**Operations:**

Company's working suffered a set back during the year 2003-04. The Government levied excise-duty of 8% on wood free particle boards in the budget for the year 2003-04. This dealt a body blow to the company's efforts to popularise environment friendly particle boards among the users. Consumers showed strong resistance to increased prices of boards and sales of the company came down heavily by 34 % during the year. Lower volumes lead to spurt in net loss of the company from Rs.780 lakhs during the year 2002-03 to Rs. 1440 lakhs during the year 2003-04.

**Business Prospects:**

Thankfully, in the budget for the year 2004-05, the Government reversed its last year's decision to levy excise-duty on wood free particle boards and exempted it again from excise-duty. This had salutary effect on the sales of the company and the sales have started looking up since March 2004. Management hopes to regain turnover levels of the year 2002-03 in the current year.

**Finance:**

The loss for the year completely wiped off net worth of the company. The term lenders of the company have asked for One Time Settlement of their dues. They have indicated substantial waiver/ write-off of their dues. The company has already finalised settlement terms with ICICI Bank. Negotiations are in progress with other lending institutions. The management is in talks with new investors for injection of low cost funds in the company. Outcome of this financial restructuring would be known in the current year 2004-05.

**Awards and recognition:**

Company's wood free particle boards received first ECOMARK awarded by the Bureau of Indian Standards in the country. ECOMARK signifies environment friendly nature of products. With ISI mark for quality assurance already given to it, company's 'ECOBOARD' is now recognised for its quality and eco-friendly attribute.

ECOBOARD was also selected for interior decoration of the prestigious Green Building project of Confederation of Indian Industry (CII) coming up at Hyderabad, the first platinum rated green building

project outside USA.

**Directors:**

Mr. N. A. Ramaiah and Mr. Srinivas Raju P. retire by rotation as Director in the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment.

**Directors' Responsibility Statement:**

Your Directors wish to add the following Responsibility Statement for the Financial Year 2003-2004:

- 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 2003-2004 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 exchange, Mumbai the Corporate Governance Report is enclosed.

**Deposits:**

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

**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.

**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.

**Conservation of Energy:**

Company commissioned 1 MW co-generation power plant at its Velapur factory during the year under review. Power shall be generated in this plant from bagasse dust and production waste of the plant. The company thus shall be able to meet part of its power requirement from non-conventional renewable resources. 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. 22.82 lakhs in foreign exchange during the year. The Company has spent Rs.85.36 lakhs on import of materials, Rs. 4.95 lakhs on stores and spares in foreign currency during the year.

**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, 27<sup>th</sup> August 2004

## ANNUAL REPORT 2003-2004

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## Review of Operations

Company's operations suffered a set back during the year ended 31<sup>st</sup> March 2004 (FY04). Sales came down during the year to Rs. 3009.64 lakhs from Rs. 4546.96 lakhs during the previous year. Net loss went up to Rs. 1483.17 lakhs from Rs. 779.97 lakhs during the previous year. Major factors having adverse effect on the working of the company were following:

- The Government levied excise-duty of 8% on the wood-free particle boards with effect from March 2003. The company had no capacity to absorb this burden and decided to pass on the burden to the consumers. This reduced price difference between wood-free particle boards and other panel boards and shifted demand away from wood-free particle boards to other panel boards.
- Wood-free particle board is a relatively new product in the country. Demand for it is slow in picking. The working of the two plants of the company continues to be at low level of capacity utilisation (24% in FY04).
- In view of low level of operations, the management has kept strict control on fixed costs of the company and has been fairly successful in doing it. However, two fixed costs – interest on long term debts and depreciation on fixed assets – have been beyond its control. Of the total loss of Rs. 1483.17 lakhs incurred by the company during FY04, loss of Rs. 829.80 lakhs was on account of interest on long term debts and Rs. 575.73 lakhs on account of depreciation.
- In view of adverse comments by the Auditors in their last year's report, the management decided to make full provision for debtors and advances considered doubtful of recovery. This caused additional provisions of Rs. 205.25 lakhs. The management has now tightened its credit policy. Hopefully, there should be no need of such provisioning in the future.

In the times of difficulties, the company had many positive developments as well.

- The Government, after stupor of a year, woke up to the need of promoting eco-friendly products; and withdrew excise-duty of 8% on wood-free particle boards with effect from February 2004. In view of losses in the company, the management decided not to pass on this benefit to the customers for the time being.
- After set back during first 9 months of FY04, the sales of the company started looking up since January 2004. Sales are now on slow but steady rise. The company hopes to regain its previous peak sales in near future.
- ECOBOARD received first ECOMARK awarded by the Bureau of Indian Standards in the country. ECOMARK is newly introduced by the BIS denoting eco-friendly nature of products. ECOBOARD already has ISI mark for its quality assurance. The two marks, ISI & ECOMARK, brought recognition to ECOBOARD as quality eco-friendly product and made significant contribution to its brand equity.
- The management made use of the difficult times to improve internal systems and processes. Ratio of rejects in the production came down to 8 % from 15% earlier. Materials consumption were brought down by strict control on wastage. Annual fixed overheads (other than interest, depreciation and provisions) came down by Rs. 153.20 lakhs.
- The management is now working towards reducing company's interest burden. The term lending institutions have come to accept the fact that it would not be feasible for the company to service high amount of debts, particularly in view of slow growth in its business. They have indicated that they could offer substantial waiver/ write-off if their dues are settled. One lending institution has already finalised terms of settlement while others are actively considering the same. The management is in talks with new investors who could inject low cost funds in the company.

## Industry Outlook

Long term outlook for wood free particle boards industry continues to be good. Public awareness, for need to promote environment friendly products and technologies, continues to grow albeit at slow pace. Educated masses, particularly those exposed to ill effects of urbanisation and industrialisation, become more and more appreciative of efforts to save the environment. However, spreading this awareness to the small towns and mofusil areas where environmental concerns are perceived as fancy ideas, remains a big challenge before the environmentalists. In the short term, consumers continue to compare wood free particle boards with plywood and make their choice on the basis of cost of the two products.

**Wood free particle boards manufacturers thus face twin challenges - to spread awareness of the virtues of these boards and to keep the price of these boards below those of plywood.**

## Risks and Concerns

To spread awareness of the virtues of wood-free particle boards among the users continues to be a big challenge and a matter of concern for the wood-free particle boards manufacturers. It is a Herculean task and cannot be done by the manufacturers alone. It needs to be supported by the Government, industry and the social groups.

The wood free particle boards industry in Maharashtra faces a new threat during the current year in the form of shortage of raw material, that is, sugarcane bagasse. Due to drought conditions in the State of Maharashtra, the sugarcane cultivation is down to a fraction of its normal level. Many of the sugar plants are likely to remain shut during the crushing season 2004-05 due to shortage of sugarcane. Availability of bagasse is likely to be severely hit during the current year 2004-05. The industry will have to prepare itself to use alternative materials like cotton stalk, rice husk to meet the contingency.

## Company Outlook

Company outlook is shrouded by its ability to successfully execute its financial restructuring plan. In view of low level of its present operations, it is nearly impossible to service the high debt burden it carries on its shoulders.

The company may regain some of the business volumes it lost during FY04. However, due to heavy interest and depreciation costs, its bottom-line may still be in red during the year 2004-05.

Bio Systems division of the company is expected to do business of about Rs 150 lakhs during the next year as against Rs. 136lakhs during FY04.

## Internal Control Systems

Adequate internal control systems are in place in all areas of operations. They are being continually strengthened wherever weakness is observed. Procedure for recovery of overdue amounts from customers is being strengthened.

## Human Resources/ Industrial Relations

Company's industrial relations continued to be harmonious during the period under review. With a view to keep costs and overheads under control, review of manpower requirement was undertaken during the year. As part of this exercise, number of employees at plants and administrative office was brought down by 109. On the other hand, sales force was expanded by taking 19 new persons.

## 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.

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY PHILOSOPHY ON CODE OF GOVERNANCE:

The company remains committed to the core aspects of Corporate Governance - fairness, transparency, accountability and responsibility.

### 2. BOARD OF DIRECTORS:

1. The Board comprises of 10 directors, of which 7 are non-executive directors. The Chairman is an executive chairman. 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 Director.

#### 2. Board of Directors as on 31<sup>st</sup> March, 2004

Name of the director	Category	Attendance at Board meetings	Attendance at last AGM
Mr. V. S. Raju Chairman & Managing Director	Executive	3	Yes
Mr. G. Ramakrishna Raju Executive Vice - Chairman	Executive	4	Yes
Mr. P. Satyanarayana Raju Joint Managing Director	Executive	4	Yes
Mr. U. S. Kadam	Non-executive Independent	4	Yes
Mr. Srinivas Raju P.	Non-Executive	Nil	No
Mr. N. A. Ramaiah	Non-executive Independent	1	No
Mr. S. Venkataswamy	Non-executive Independent	1	No
Mr. Ramachandra Raju P S	Non-executive Independent	1	No
Shri A. B. Saha	Non-executive Independent	4	Yes
Shri G. M. Yadwadkar	Non-executive Independent	4	No

3. None of the Directors of the Board serves as member of more than 10 committees nor is Chairman of more than 5 committees across all companies in which he is director.

4. The Board met 4 times during the year on 27<sup>th</sup> June, 2003, 25<sup>th</sup> July, 2003, 30<sup>th</sup> October, 2003, and 27<sup>th</sup> January, 2004.

5. All pecuniary relationships or transactions of the non-executive directors vis a vis the Company have been disclosed in the Notes to Accounts (Schedule 17 to the Balance Sheet).

6. Details of Remuneration paid to directors during the year:

Name of director	Salary & perks Rs.	Sitting fees Rs.
Mr. V. S. Raju Chairman & Managing Director	7,42,800	-
Mr. Srinivas Raju P. Executive Director upto 30 <sup>th</sup> April 2003	62,400	-
Mr. G. Ramakrishna Raju Executive Vice-Chairman	9,46,800	-
Mr. P. Satyanarayana Raju Joint Managing Director	9,46,800	-

Mr. U. S. Kadam	-	3500
Mr. N. A. Ramaiah	-	500
Mr. S. Venkataswamy	-	1000
Mr. Ramachandra Raju P S	-	500
Mr. A. B. Saha	-	3500
Mr. G. M. Yadwadkar	-	3500

### 3. AUDIT COMMITTEE:

The Audit Committee comprised of Shri. U.S. Kadam, Shri V. S. Raju, Shri A. B. Saha, Shri G. M. Yadwadkar and Shri S. Venkataswamy, four being non-executive Directors. Smt. Prabha R. Mallia, Company Secretary acts as the Secretary of the Committee. The Committee is headed by Shri. U. S. Kadam, who is an eminent Chartered Accountant and an independent Director.

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

1. Reviewing the company's financial policies and results.
2. Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
3. Reviewing the adequacy of internal audit function and discussing the findings of the internal auditors.

During the year, the Audit Committee held 3 meetings.

Name of director	Attendance at Audit Committee meetings
Shri. U. S. Kadam	3
Shri. V. S. Raju	2
Shri S. Venkataswamy	1
Shri A. B. Saha	3
Shri G. M. Yadwadkar	3

### 4. SHARE TRANSFER & SHAREHOLDERS' GRIEVANCE COMMITTEE:

The Share Transfer & Shareholders' Grievance Committee consists of Mr. U. S. Kadam, Mr. V. S. Raju and Mr. P. Satyanarayana Raju. Chairman Mr. U. S. Kadam, is a non-executive director. Matters like transfer of shares, transmission of shares, non-receipt of Balance Sheet etc. are addressed by this committee. No shareholder grievance remains pending.

### 5. GENERAL BODY MEETINGS :

	DATE	VENUE
TWELFTH ANNUAL GENERAL MEETING	26 <sup>TH</sup> SEPTEMBER 2003	HOTEL SHANGRILA GARDEN, OFF. KARVE ROAD, NAL STOP, PUNE 411 004.
ELEVENTH ANNUAL GENERAL MEETING	25 <sup>TH</sup> SEPTEMBER 2002	HOTEL SHANGRILA GARDEN, OFF. KARVE ROAD, NAL STOP, PUNE 411 004.
TENTH ANNUAL GENERAL MEETING	29 <sup>TH</sup> SEPTEMBER 2001	HOTEL SHANGRILA GARDEN, OFF. KARVE ROAD, NAL STOP, PUNE 411 004.
ADJOURNED TENTH ANNUAL GENERAL MEETING	22 <sup>ND</sup> OCTOBER 2001	HOTEL SHANGRILA GARDEN, OFF. KARVE ROAD, NAL STOP, PUNE 411 004.