



# INDIAN ORGANIC CHEMICALS LIMITED

**41ST ANNUAL REPORT 2000-2001**



# 41ST ANNUAL REPORT 2000-2001

## “Request to the Shareholders”

Members desirous of seeking any further information about the accounts and/or operations of the Company are requested to address their queries to the Secretary of the Company at least seven days in advance of the meeting so that the information, to the extent practicable, can be made at the meeting.

Members are requested to bring this copy of the Annual Report to the meeting.

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# INDIAN ORGANIC CHEMICALS LIMITED

## Board of Directors

S.B. Ghia	<i>Chairman &amp; Managing Director</i>
M.D. Dalal	<i>Jt. Managing Director</i>
D.B. Ghia	<i>(upto 27.7.2001).</i>
F.A.A. Jasdanwalla	
S.S. Marathe	
R.B. Raheja	
S.G. Makim	<i>Director (Chemicals Division)</i>
M.N. Tumbe	<i>Director (Futura Synthetics Division)</i>
N.S. Ghia	
E.S. Ravisekar	<i>Nominee of IDBI.</i>
Vispi Patel	

## Company Secretary

S. Ramachandran

## Bankers

Bank of India  
State Bank of India  
Union Bank of India  
Indian Bank  
UCO Bank

## Auditors

Messrs. N.M. Rajji & Co.

## Registrar and Share Transfer Agents

Tata Consultancy Services,  
Lotus House,  
6, New Marine Lines,  
MUMBAI 400 020.

## Registered Office

Bhupati Chambers, 3rd Floor  
13, Mathew Road  
MUMBAI 400 004.



## NOTICE TO SHAREHOLDERS

**NOTICE** is hereby given that the 41st ANNUAL GENERAL MEETING of the Members of INDIAN ORGANIC CHEMICALS LIMITED will be held at S. N. D. T. Patkar Convocation Hall of S. N. D. T. Womens University, 1 Nathibai Thackersey Road, Mumbai 400 020 on Wednesday 26th day of September, 2001 at 3.00 p.m. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at and Profit and Loss Account for the year ended 31st March, 2001 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. F.A.A. Jasdanwalla who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr M.N. Tumbe who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. Vispi Patel, an Additional Director of the Company who, under Section 260 of the Companies Act, 1956, ("the Act") holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing under Section 257 and other applicable provisions, if any, of the Act, proposing his candidature for the office of a Director, be and is hereby appointed a Director of the Company."

5. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

**"RESOLVED THAT** M/s.N.M. Raiji & Co., Chartered Accountants, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on a remuneration to be mutually discussed and decided by the Board of Directors of the Company and payment of other incidental out-of-pocket expenses incurred by them for the purpose of audit."

6. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

### "RESOLVED

a) **THAT** subject to the provisions of Sections 198, 269 and 309 of the Companies Act ("the Act") and within the limits prescribed for payment of remuneration in Schedule XIII of the Act and within the limits prescribed by Government of India from time to time for payment of minimum remuneration for managerial personnel in case of absence or inadequacy of profits, the minimum remuneration and the pay scale grade clause in the agreement of appointment entered into with Mr. S.G.Makim, Whole Time Director, be suitably modified so as to bring it in accordance with notification/s issued by Government of India from time to time fixing the minimum remuneration payable to managerial personnel and have a suitable pay scale grade so that the maximum in the scale is not exceeded.

b) **THAT** the supplemental agreement, as per draft placed in the meeting and initialed by the Chairman for the purpose of identification, giving effect to the aforesaid changes be entered into with Mr.Makim and that the Directors be and are hereby severally authorized to execute the said supplemental agreement and alter, change and/or vary the same as may be agreed between Mr. S.G.Makim and the Board provided that the terms so varied or altered or changed shall be within the limits prescribed thereof in Schedule XIII of the Act for the time being and from time to time in force."

7. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution :

### "RESOLVED

a) **THAT** subject to the provisions of Sections 198, 269 and 309 of the Companies Act ("the Act") and within the limits prescribed for payment of remuneration in Schedule XIII of the Act and within the limits prescribed by Government of India from time to time for payment of minimum remuneration for managerial personnel in case of absence or inadequacy of profits, the minimum remuneration and the pay scale grade clause in the agreement of appointment entered into with Mr. M.N.Tumbe, Whole Time Director, be suitably

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modified so as to bring it in accordance with notification/s issued by Government of India from time to time fixing the minimum remuneration payable to managerial personnel and have a suitable pay scale grade so that the maximum in the scale is not exceeded.

- b) THAT** the supplemental agreement, as per draft placed in the meeting and initialed by the Chairman for the purpose of identification, giving effect to the aforesaid changes be entered into with Mr. Tumbe and that the Directors be and are hereby severally authorized to execute the said supplemental agreement and alter, change and/or vary the same as may be agreed between Mr. Mr. M.N. Tumbe and the Board provided that the terms so varied or altered or changed shall be within the limits prescribed thereof in Schedule XIII of the Act for the time being and from time to time in force."

Wednesday 12th September, 2001 to Wednesday 26th September, 2001 (both days inclusive).

4. The relevant Explanatory Statement pursuant to the provisions of Section 173 of the Companies Act, 1956 in respect of items 4, 6 & 7 of the notice are annexed hereto
5. As per the provisions of the Companies Act, 1956 nomination facility is now available for Shareholders in respect of the Shares held by them. Duly completed nomination forms should be sent to the Registrar and Share Transfer Agents of the Company namely Tata Consultancy Services.
6. The Company's equity shares have been brought under compulsory demat with effect from 26th June 2000 and to give effect to the above, the Company had entered into the required agreements with both National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDS).

**NOTES :**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. Proxies should be lodged at the Company's Registered Office atleast 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from

*Registered Office:*  
Bhupati Chambers,  
3rd Floor, 13, Mathew Road,  
Mumbai 400 004.

By Order of the Board

Dated: 16th August, 2001.

**S. Ramachandran**  
Company Secretary

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.****ITEM NO. 4**

Mr. Vispi Patel was appointed with effect from 27th July, 2001 by the Board of Directors as Additional Director. Pursuant to Section 260 of the Companies Act, 1956 ("the Act") and Article 114 of the Articles of Association of the Company, Mr. Vispi Patel will hold office as Additional Director upto this Annual General Meeting. The Company has received a notice in writing along with deposit of Rs. 500/- from a member under Section 257 and other applicable provisions of the Act proposing Mr. Vispi Patel's candidature as Director of the Company.

Mr. Vispi Patel aged 40 yrs holds Bachelor's degree in Commerce and also Master's degree in Management Studies. Having worked with The Hongkong & Shanghai Banking Corporation Ltd. He has experience in a Bank's operational and corporate areas. Appointment of Mr. Vispi Patel will also help in having a Director with financial background for co-opting as a member of Audit Committee to meet the requirements of Corporate Governance.

Mr. Vispi Patel is deemed to be interested or concerned in the passing of this resolution.

**ITEM NO. 6 & 7:**

At the 39<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> September 1999, resolutions were passed approving the appointment and terms of appointment of Mr. S.G. Makim as Whole Time Director (Chemicals Division) and Mr. M.N. Tumbe as Whole Time Director (Futura Synthetics Division). The agreements entered into with each of the above individuals, prescribed the pay scale grade and the remuneration payable within the limits prescribed in Schedule XIII of the Companies Act, including the minimum remuneration payable in case of absence or inadequacy of profits. It is proposed to have a pay scale grade for these

two Directors from 1.4.2001 as 50,000-1,000-85,000 to ensure that the remuneration paid to them during their tenure is within the scale and also to provide that the minimum remuneration payable shall be as fixed by the Government from time to time under Schedule XIII of the Companies Act. The Government of India by notification dated 2<sup>nd</sup> March, 2000 have fixed limit on the minimum remuneration, under Schedule XIII, as Rs. 18,00,000 /- per annum or Rs. 1,50,000/- per month as applicable to the Company. Hence it is proposed to apply effective from current financial year starting 1<sup>st</sup> April 2001 the above changes to each of the aforesaid Directors. All other terms of appointment will remain unaltered.

The draft supplemental agreements proposed to be entered with each one of the above Directors to give effect to the above modifications are available for inspection of Members at the Registered Office of the Company during the normal business hours on all working days (except Saturdays). This shall be deemed to be the abstract of the terms of variation of the contract and memorandum of interest under Section 302 (1) of the Companies Act, 1956.

Mr. S.G. Makim and Mr. M.N. Tumbe may be considered as interested in the passing of the resolutions.

*Registered Office:*

*By Order of the Board*

Bhupati Chambers,  
3rd Floor, 13, Mathew Road,  
Mumbai 400 004.

Dated: 16th August, 2001.  
Place : Mumbai

**S. Ramachandran**  
Company Secretary

**41ST ANNUAL REPORT 2000-2001****DIRECTORS' REPORT**

To  
The Members,

Your Directors submit the 41st Annual Report of the Company alongwith the Audited Statement of Accounts for the year ended 31st March, 2001.

**1. FINANCIAL RESULTS**

	<b>(Rupees. in lacs)</b>	
	<b>2000-2001</b>	<b>1999-2000</b>
Gross Profit before interest & depreciation	<b>3,544.90</b>	3,847.63
Interest	<b>1,795.08</b>	1,628.41
Depreciation	<b>858.35</b>	868.82
Operating Profit	<b>891.47</b>	1,350.40
Less/(Add) : Voluntary Retirement Scheme	<b>285.81</b>	290.13
Profit before tax	<b>605.66</b>	1,060.27
Provision for tax	<b>58.10</b>	49.25
Profit after tax	<b>547.56</b>	1,011.02
Balance brought forward from previous year	<b>1,260.50</b>	Nil
Surplus	<b>1,808.06</b>	1,011.02
Debenture Redemption Reserve written back	<b>Nil</b>	249.48
Balance carried to Balance Sheet	<b>1,808.06</b>	1,260.50

**2. DIVIDEND :**

Your Directors do not recommend declaration of dividend for the year ended 31st March, 2001.

**3. OPERATIONS :**

The overall turnover for the year under review was more or less the same as that of the previous year. However, the net profit after tax is lower mainly due to the reduction in other income which was Rs. 10.98 crores during the year under review compared with Rs. 36.61 crores during the previous year. The net profit of Rs. 5.48 crores along with the previous year's carried forward balance of Rs. 12.60 crores aggregating to Rs. 18.08 crores has been transferred to the Profit & Loss Account in the Balance Sheet.

**A CHEMICALS DIVISION :**

The alcohol based chemical business has been the mainstay of this Division for close to 40 years. During the last few years, alternative feedstocks have become

more economical for this range of products. This, together with uncertain and fluctuating alcohol prices and supplies, have caused this business to be no longer viable. In the last year's report your Directors had explained the steps taken to tone down this activity by down sizing the manpower by a successful voluntary retirement scheme through which 279 employees opted for VRS. In furtherance of this policy, the unprofitable alcohol based chemicals business is being phased out. Hence there is an overall reduction in turnover during the year under review.

The alternative strategies worked out for the Division consisted mainly on cashing in on our strengths, i.e. technology, infrastructure and environmental facilities. The focus is therefore on knowledge-based, chemistry intensive businesses like custom synthesis, toll manufacture, contract manufacturing and contract research. The response has been very encouraging. The first contract signed with CIBA Specialty Chemicals Ltd., Switzerland has been successfully implemented and the plant is working to full capacity. As a follow up, the Division is confident of getting



additional business from the same customer, apart from tie ups with new customers.

In R & D based activities and custom synthesis, steps are being taken to increase the customer base and turnover by carving out a different path as compared with competitors by concentrating on niche areas. New customers have sponsored custom synthesis and contract research projects. The Division has also identified nucleoside chemistry as another important area to concentrate on, by supplying products to Research Based companies in the U.S. and Europe working in the field of gene based medicines. A new pilot plant would be set up to meet the prescribed standards to manufacture these items. The Division is hopeful that these diverse activities will enable it to achieve sustained growth and profitability in the long run.

#### **B) FUTURA SYNTHETICS DIVISION:**

There has been a drop in the volume of production and sales during the year under review mainly due to market conditions, severe competition, reduction in exports due to continuing anti dumping duty on our exports to European Union and unstable conditions in Turkey .

The Division took certain concrete steps to counter the difficulties faced in the highly competitive market place i.e. by promoting sales/exports of Polyester tow and tops; explore new export markets; tap additional sources of alternate raw materials; implement energy conservation measures to reduce energy cost; and concentrate on increasing the use of alternate raw material to reduce cost of production. Shifting the Marketing and Commercial offices from Mumbai to Chennai plant has led to effective functioning of the Division as a whole and further reduction in manpower.

In addition to the above measures, efforts are on to optimize the utilization of polymerization capacity and look for markets for specialty resins including SSP Steps are also being taken to rationalize the manpower requirements to achieve increased productivity. The company has been successful in sourcing alternate raw material locally within India thereby helping in protecting the environment.

With the aforesaid measures being implemented actively, the Division looks forward to the current year with optimism and expects a moderate growth.

#### **4. SUBSIDIARY COMPANIES :**

The Hon'ble High Courts of Chennai and Mumbai have passed orders approving the Scheme of Amalgamation of Futura Industries Ltd, (a wholly owned subsidiary) with the Company. The Amalgamation would be effective after the orders are received from the respective High Courts and filed with the respective Registrar of Companies in Chennai and Mumbai. Statement under Section 212 of the Companies Act in respect of the subsidiary companies is attached to this Annual Report.

#### **5. FIXED DEPOSITS/LOANS :**

As on 31st March, 2001, the Company had an aggregate sum of Rs.350.25 lacs as fixed deposits and loans from shareholders. The total number of depositors/shareholders who have not claimed/renewed their deposits/loans on maturity was 414 and the amount that remained unclaimed/not renewed was Rs.42.82 lacs; of these, deposits/loans amounting to Rs. 10.21 lacs have since been either repaid or/renewed.

#### **6. INSURANCE :**

Buildings, plant and machinery, raw materials and finished goods at the factories of the company have been adequately insured.

#### **7. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:**

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the Annexure to this report.

#### **8. PERSONNEL :**

The particulars of employees as required to be disclosed under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended are furnished in the Annexure to this Report.

9. Industrial relations remained by and large cordial throughout the year. The Directors wish to place on record their appreciation of the valuable services rendered by the workmen, staff and officers at all levels.



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### 10. DIRECTORS :

Mr. F.A.A.Jasdanwalla and Mr.M.N.Tumbe retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Mr. D.B.Ghia resigned from the Board of Directors in pursuance of restructuring of the Board to comply with Corporate Governance requirements. The Board places on record its appreciation for the valuable contribution made by Mr. D. B. Ghia during his tenure as Director. Mr. Vispi Patel was inducted as an Additional Director and will hold office until the forthcoming Annual General Meeting, at which Meeting his appointment as Director will be proposed for Members approval. Mr. Nikhil S.Ghia ceased to function as a Whole Time Director but continues as a Director on the Board.

### 11. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 ("the Act") with respect to Directors' Responsibility Statement it is hereby confirmed:-

1. that in preparation of annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. that 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 the end of 31st March, 2001 and of the profit of the Company for the year to that date;
3. that the Directors had 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;

4. that the Directors had prepared the annual accounts on a going-concern basis.

### 12. AUDITORS :

You are requested to appoint auditors for the current year. M/s. N.M. Raiji & Co., Chartered Accountants, retire and are eligible for reappointment.

### 13. COST AUDITOR :

The Central Government had directed that audit be carried out of the Cost Accounts maintained by the Company in respect of Polyester Division by a qualified Cost Accountant. The Directors, subject to the approval of the Central Government, have appointed Mr. P.D. Dani of P.D. Dani & Co. as Cost Auditor.

### 14. ACKNOWLEDGEMENTS :

Your Directors place on record their appreciation for the continuous support received from the Shareholders. Your Directors also express their appreciation for the assistance and co-operation received from the Governments at the Centre as well the States, Local authorities, Financial Institutions and Banks during the period under review.

For and on behalf of the Board

Mumbai  
Dated : 16th August 2001.

**S.B. GHIA**  
CHAIRMAN



# INDIAN ORGANIC CHEMICALS LIMITED

## INFORMATION AS PER SECTION 217(2A) READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2001.

(a) Employed throughout the Financial Year under review and were in receipt of remuneration aggregating to Rs.12,00,000/- or more per annum. as on 31.03.2001

Sr. Name No.	Age	Qualifications	Designation as on 31.3.2001/Nature of Duties	Remuneration Rs.	Experience (years)	Date of Commencement of Employment	Particulars of Previous Employment
(1) (2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 Mr. Dalai M.D.	44	B.Sc. (Hons), M.S. (MIT) U.S.A	Jt. Managing Director	1,687,486	21	11-09-1980	—
2 Mr. Ghia S.B.	53	B.Sc. Chem., M.B.A. Bowling Green University, U.S.A	Chairman & Managing Director	1,355,631	29	01-03-1972	—
3 Mr. Makim S.G.	63	B.Sc., E.S.Ch. E., U.S.A.	Director - Chemicals Division	1,475,389	41	01-04-1968	Tech. Sales Rep., Chika Ltd.
4 Dr. Sahu B.	49	M.A., PMIR, Ph.D.(Mgt. & Org. Behaviour)	President HRD & Admin.	1,203,452	26	02-04-1985	Professor, N.I.T.I.E Bombay
5 Mr. Tumbe M.N.	59	M. Text	Director - Futura Synthetics Division	1,450,395	37	03-04-1984	Mgr. Fibre Divn., Chika Ltd.

### NOTES :

- The nature of employment in all cases is contractual.
- Remuneration as shown above includes salary, bonus, house rent allowance or expenditure on accommodation, leave salary, Company's contribution to P.F. and Superannuation Fund, leave travel, medical and other perquisites in kind valued at Income-Tax rates.
- None of the above employees is a relative of any Director of the Company except Mr. S. B. Ghia is related to Mr. N. S. Ghia

## INFORMATION AS PER SECTION 217 (1) (e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR 2000 - 2001

### A) CONSERVATION OF ENERGY

#### A-1 (CHEMICALS DIVISION)

- Energy conservation measures taken and Impact of reduction of energy consumption on the cost of production of goods.

Sr. No.	Particulars	Expenses (Rs. in Lacs)	Saving/ Annum (Rs. in Lacs)
1]	Liquid draw from pure column in Ethyl Acetate Plant.	5.0	18.0
2]	Low pressure steam condensate recovery in Acetic Anhydride and Acetic Acid Plant.	1.5	17.0
3]	Provision of efficient compressor in Acetic Anhydride Plant	7.5	20.0

- Additional investment and proposals, if any, being implemented for reduction of consumption of energy and Impact of reduction of energy consumption on the cost of goods.

Sr. No.	Particulars	Expenses (Rs. in Lacs)	Saving/ Annum (Rs. in Lacs)
1]	Revamping of crude section with IMTP and running one crude section.	6.0	20.0
2]	Installation of higher efficiency pumps and FRP fans for Cooling Tower I, II and III.	48.0	59.0
3]	Energy conservation by providing Sulzer packing in final distillation column T-8.	15.0	17.0

#### A-2 (FUTURA SYNTHETICS DIVISION)

- Energy conservation measures taken  
The Division undertook various energy conservation measures which include (1) Installation of Preheater for Dowtherm Heater, (2) Installation of Economizer in the Boilers, (3) Conversion of Electric Heaters into Thermic Fluid Heating, (4) Substituting Compressed Air Tow Thread Up System in place of Vacuum Pump in Fibre Spinning, (5) Optimisation of Compressors in Compressor House.
- Additional investment and proposals, if any being implemented for reduction of consumption of energy :  
(1) Conversion of electrical heating in Block Heaters in Spinning to

thermic fluid heating, (2) Conversion of electrical operated furnace into oil fired furnace.

- Impact of the measures as (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

The measures taken will help in bringing down power and fuel consumption per unit and reduction of energy consumption and consequent impact on cost of production of goods during the years.

### FORM-A

#### FORM OF DISCLOSURE WITH RESPECT TO CONSERVATION OF ENERGY

### B) POWER AND FUEL CONSUMPTION -

#### B-1 (CHEMICALS DIVISION)

Particulars	Current Year 2000-2001	Previous Year 1999-2000
1] Electricity :		
[a] Purchased		
Unit [KwH in lacs]	81.04	82.6
Total amount [Rs. in lacs]	335.26	363.91
Rate per unit [Rs.]	4.140	4.41
[b] Own Generation :		
[i] Through Diesel Generator		
Unit [KwH in lacs]	48.55	48.13
Unit per ltr. of Diesel	3.10	3.12
Cost per unit [Rs.]	4.82	4.16
[iii] Through Steam Turbine/ Generator	N. A.	
2] COAL [SPECIFY QUALITY & WHERE USED]	N. A.	
3] FURNACE OIL/ L.S.H.S.		
Quantity [K.L.]	5983.685	6471.170
Total amount [Rs. in lacs]	671.280	558.260
Average rate [Rs. per Kg.]	11.219	8.630
4] OTHER INTERNAL GENERATORS	N. A.	