



INDIAN ORGANIC CHEMICALS LIMITED

42ND ANNUAL REPORT 2001-2002

42ND ANNUAL REPORT 2001-2002**“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 & Managing Director</i>
M.D. Dalal	<i>Jt. Managing Director</i>
F.A.A. Jasdanwalla	
S.S. Marathe	
R.B. Raheja	
S.G. Makim	<i>Director (Chemicals Division)</i>
	<i>Upto 31.07.2002</i>
M.N. Tumbe	<i>Jt. Managing Director & CEO</i>
N.S. Ghia	
E.S. Ravisekar	<i>Nominee of IDBI.</i>
Vispi Patel	
Shyam Sunder Sami	<i>Appointed on 31.07.2002</i>
T. Gangadharan	<i>Upto 31.07.2002</i>

Company Secretary

S. Ramachandran

Bankers

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

Auditors

Messrs. N.M. Raiji & 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 42nd 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. Women's University, 1 Nathibai Thackersey Road, Mumbai 400 020 on Wednesday 25th day of September, 2002 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 2002 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N. S. Ghia who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vispi Patel 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. Shyam Sunder Sami, 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 Ordinary Resolution:

"RESOLVED

- (1) **THAT** the Company hereby approves the re-designation of Mr. M. N. Tumbe as a Joint Managing Director and Chief Executive Officer (CEO) of the Company (instead of his existing designation as Whole-time Director) with effect from 9th August 2002 for the remaining period of his tenure of office i.e. upto 31st March, 2004, all the terms and conditions (including remuneration) of Mr. M. N. Tumbe as earlier approved by the shareholders at the Company's Annual General Meeting held on 26th September 2001 and as contained in the agreement dated 27th September 2001 between the Company and Mr. M. N. Tumbe remaining unchanged.
- (2) **THAT** the Directors be and are hereby authorised to do all such acts, deeds, matters and things as they may deem necessary or proper to effectuate this resolution including execution of a Supplemental Agreement between the Company and Mr. M. N. Tumbe in terms of the draft thereof produced at this meeting and for the purposes of identification initialled by the Chairman hereof."

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 Wednesday 18th September, 2002 to Wednesday 25th September, 2002 (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 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 Agent of the Company namely Tata Consultancy Services.

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INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

1.	Name:	Mr. Shyam Sunder Sami
	Age:	62 yrs.
	Qualifications:	B. A.- Economics (Honours)
	Expertise:	Wide experience in the field of manufacturing, marketing, and general management. Appointed as an Additional Director as on 31.07.2002.

Directorships:

Name of the Company	Committee	Status
Indian Organic Chemicals Limited	Remuneration Committee	Member

2.	Name:	Mr. Nikhil S. Ghia
	Age:	28 yrs.
	Qualifications:	Bachelor of Arts in Economics & Management – Ohio Wesleyan University Master of Business Administration in General Business (Honors)- Bryant Collage, Smithfield, Rhode Island
	Expertise:	Industrialist Director of the Company since 24.01.2000

Directorships:

Name of the Company	Committee	Status
Indian Organic Chemicals Limited	Investors Grievances Committee	Chairman
	Remuneration Committee	Member
	Audit Sub-Committee	Member
Futura Polymers Limited	Audit Sub-Committee	Member
Meridion Overseas Pvt Ltd.	—	—
Kika Dychem Exports Pvt Ltd.	—	—
Chika Overseas Pvt Ltd.	—	—
Chika Pvt Ltd.	—	—

3.	Name:	Mr. Vispi Patel
	Age:	40 yrs.
	Qualifications:	Master of Management Studies (M.M.S.) - Mumbai University-First Class
	Expertise:	Experience in finance and administration, corporate banking etc. Director of the Company since 27.07.2001

Directorships:

Name of the Company	Committee	Status
Indian Organic Chemicals Limited	Audit Sub-Committee	Member

Registered Office:

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

Place: Mumbai

Dated: 9th August, 2002.

By Order of the Board

S. Ramachandran
Company Secretary



INDIAN ORGANIC CHEMICALS LIMITED

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 4

Mr. Shyam Sunder Sami was appointed with effect from 31st July 2002 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. Shyam Sunder Sami 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. Shyam Sunder Sami's candidature as Director of the Company.

Mr. Shyam Sunder Sami holds Bachelor's Degree in Economics (Honours). Having worked with Wimco and Godrej he has vast experience in various areas of management and marketing. In view of immense and wide business experience of Mr. Shyam Sunder Sami it would be in the interest of the Company to appoint him as a Director of the Company. His appointment as a Director is, therefore, recommended.

None of the Directors of the Company other than Mr. Shyam Sunder Sami is deemed to be interested or concerned in the passing of this resolution.

held on 9th August, 2002 decided to re-designate Mr. M. N. Tumbe as Joint Managing Director and Chief Executive Officer (CEO) of the Company with effect from 9th August, 2002. The terms and conditions (including remuneration) of Mr. M. N. Tumbe approved as Whole-time Director will continue unchanged. However in order to reflect the change in Mr. M. N. Tumbe's designation from Whole-time Director to Joint Managing Director & CEO, a supplemental agreement will have to be executed between the Company and Mr. M. N. Tumbe in terms of the draft supplemental agreement placed before the meeting.

The draft supplemental agreement between the Company and Mr. M. N. Tumbe referred in the resolution at Item no. 6 is available for inspection of members at the registered office of the Company between the hours of 10.30 a.m. and 12.30 p.m. on all working days.

This shall be deemed to be the abstract of the terms of contract and memorandum of interest under section 302 of the Companies Act, 1956.

Except Mr. M. N. Tumbe, none of the Directors of the Company is or may be deemed concerned or interested in the passing of the said resolution.

ITEM NO. 6

Members may recall that Mr. M. N. Tumbe was appointed as Whole time Director Futura Synthetics Division for a period of 5 years with effect from 23rd April, 1999 on the terms and conditions approved by the members.

Due to increase in activities of preform business and consequent upon the amalgamation of Futura Polymers Limited with the Company, your Directors at their meeting

Registered Office:

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

Dated: 9th August, 2002.
Place : Mumbai

By Order of the Board

S. Ramachandran
Company Secretary

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DIRECTORS' REPORT

To
The Members,

Your Directors submit the 42nd Annual Report of the Company along with the Audited Statement of Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

	(Rupees. in lacs)	
	2001-2002	2000-2001
Gross Profit before interest & depreciation	3,534.48	3,544.90
Interest	1,755.84	1,795.08
Depreciation	1,028.44	858.35
Operating Profit	750.20	891.47
Less : Voluntary Retirement Scheme	304.32	285.81
Profit before tax	445.88	605.66
Add : Excess Provision for tax for earlier years	108.41	—
Less : Provision for tax	40.60	58.10
Add : Deferred Tax Adjustment	216.00	—
Profit after tax	729.69	547.56
Balance of Profit brought forward from previous year	1,808.06	1,260.50
Surplus	2,537.75	1,808.06
Debenture Redemption Reserve written back	249.48	—
Balance carried to Balance Sheet	2,787.23	1,808.06

2. DIVIDEND :

Your Directors do not recommend declaration of dividend for the year ended 31st March, 2002.

3. OPERATIONS :

The overall turnover of the Company has declined compared to the previous year. This was mainly due to the phasing out of the alcohol based chemical activity and fall in the turnover/drop in price of the Synthetic Fibre Division. The operating profit also declined from Rs.891.47 Lacs during the year ended 31st March, 2001 to Rs.750.20 Lacs during the year ended 31st March, 2002. The adjusted profit after tax of Rs.729.69 Lacs along with the previous year's carried forward balance of Rs.1808.06 Lacs and write back of Debenture Redemption Reserve of Rs.249.48 Lacs have been transferred to the Balance Sheet.

A. CHEMICALS DIVISION :

The shareholders of the Company have passed a resolution through postal ballot for spinning off of the Chemicals Division to a subsidiary Company, subject to the approval of the Financial Institutions and Banks which have a charge on the assets of the Division. The Company has applied for the said approvals and the same are awaited, on receipt of which the spinning off will be completed.

The focus of the Chemicals Division, as stated on previous occasions, is on knowledge-based, chemistry intensive businesses like custom synthesis, toll manufacture, contract manufacturing and contract research. These activities would take a few years to reach appreciable turnover levels and need considerable field work and follow up with several multi-national chemical and pharmaceutical Companies. The contract signed with CIBA Speciality Chemicals Ltd., Switzerland is progressing smoothly, though the budgeted turnover



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could not be achieved due to lower than expected orders resulting from the slow-down in the world economy. The Division is aggressively pursuing nucleoside chemistry as an important business segment and a pilot plant to meet the prescribed standard to manufacture these items is nearing completion.

B. FUTURA SYNTHETICS DIVISION:

There has been a drop in volume of production and sales during the year under review mainly due to market conditions, severe competition and lower exports due to anti-dumping duty imposed in the European Union.

The Division has been making efforts to explore new export markets and pursue vigorously speciality fibres for niche market. In order to improve competitiveness through cost reduction, several measures have been initiated to increase use of alternate raw material and widen the indigenous sourcing of alternate raw material. Optimum utilisation of the polymerization capacity is also under active implementation which would enable the Division to enter markets for a variety of speciality resins.

The Division has strengthened its team of technical and marketing personnel in order to undertake several development projects, optimise the capacity utilisation, diversify the product range and improve its marketing reach. With these measures being implemented actively, the Division looks forward to the current year with optimism.

4. A) SUBSIDIARY COMPANIES:

Futura Polymers Limited and Innovasynth Technologies (India) Limited are subsidiaries of the Company. Innovasynth Technologies (India) Limited was formed to take over the business of Chemicals Division. Statement under Section 212 of the Companies Act, 1956 in respect of subsidiary Companies is attached to the Annual Report. The audited annual report of both the subsidiaries are also attached to this report.

B) AMALGAMATION OF FUTURA POLYMERS LIMITED:

The Hon'ble High Courts of Madras and Bombay have passed orders approving the Scheme of Amalgamation of Futura Polymers Ltd, (a wholly owned subsidiary) with the Company. The Amalgamation would be effective after the certified true copy of orders received from the respective High Courts are filed with the respective Registrar of Companies in Chennai and

Mumbai. The "Appointed Date" as per the Scheme of Amalgamation is 1st April, 2002. Hence the accounts of both the Companies would be combined with effect from 1st April, 2002.

C) CAPACITY INCREASE IN SUBSIDIARY COMPANY:

In the current year, it is proposed to enhance the capacity of PET Resin in Futura Polymers Limited from the existing 28,000 MT per annum to about 62,000 MT per annum. It is also proposed to enhance the Preform capacity from 11,000 MT per annum to 20,000 MT per annum. This would be completed by middle of the financial year and the full effect would be felt during the next financial year.

D) CONSOLIDATION OF ACCOUNTS:

For the purpose of consolidation of accounts of subsidiary companies, the company has been advised that all the transactions with the subsidiary – Futura Polymers Limited (FPL) from the date of incorporation are to be scrutinised and all necessary adjustments have to be made on a year to year basis before consolidation can be done. The relevant information being old is not presently available. Hence the consolidation could not be carried out. In the meanwhile, both the High Courts of Bombay and Madras have passed orders sanctioning the Scheme of Amalgamation of FPL with IOCL. The scheme stipulates that the "Appointed Date" for the purpose of amalgamation is 1st April 2002 when the accounts of FPL would get merged with IOCL accounts. However, FPL's accounts for the year ended 31st March 2002 are separately annexed to this report.

5. FIXED DEPOSITS:

As on 31st March, 2002, the Company had an aggregate sum of Rs.361.05 lacs as fixed deposits from public/shareholders. The total number of depositors who have not claimed/renewed their deposits on maturity was 359 and the amount that remained unclaimed /not renewed as on 31st March, 2002 was Rs.36.96 lacs of these, deposits amounting to Rs.5.69 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 insured.

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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:

None of the Company's employee was in receipt of remuneration aggregating to Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month.

9. Industrial relations remained by and large cordial throughout the year. The Directors wish to place on record their appreciation for the co-operation extended by the workmen, staff and officers at all levels.

10. DIRECTORS:

Mr. Vispi Patel and Mr. N. S. Ghia retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. Mr. Shyam Sunder Sami 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. S. G. Makim retired as Whole-time Director with effect from 31.07.2002. The Board places on record its appreciation for the valuable services rendered by Mr. S. G. Makim in the Company for over three decades.

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 departure.
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, 2002 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. CORPORATE GOVERNANCE:

As required under Clause 49 of the Listing Agreement with the Stock Exchange, Mumbai, Corporate Governance and Management Discussion and Analysis Report form part of this Annual Report.

15. COMPLIANCE CERTIFICATE:

A Certificate from the auditors of the Company regarding compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

16. 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 as the States, Local authorities, Financial Institutions and Banks during the period under review.

For and on behalf of the Board

Mumbai
Dated : 9th August 2002.

S.B. GHIA
CHAIRMAN



INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1998 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR 2001-02.

(FUTURA SYNTHETICS DIVISION)

A. CONSERVATION OF ENERGY

Energy conservation measures taken

- The Division undertook various energy conservation measures which include (1) Conversion of electrical heating in Block Heaters in Spinning to Thermic Fluid Heating, (2) Conversion of electrical operated Furnace into Oil fired Furnace Installation, (3) Revamping of Heater Burner and Soot Blowers to reduce the consumption of Furnace Oil.
- Additional investment and proposals, if any being implemented for reduction of consumption of energy (1) Replacement of existing Chiller with new specific energy saving Chiller to reduce the power consumption, (2) Revamping of thermic fluid heater to improve the combustion efficiency, (3) Replacement of reversing chambers in Boilers to improve the efficiency of the Boiler Plant.
- 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.
- Total energy consumption and energy consumption per unit of production as per Form A.

FORM-A

B. FORM OF DISCLOSURE WITH RESPECT TO CONSERVATION OF ENERGY

I) POWER AND FUEL CONSUMPTION	Current year	Previous year
1) Electricity	2001-02	2000-01
(a) Purchased		
Unit (KWH in Lacs)	242.89	150.14
Total amount (Rs. in lacs)	1026.04	681.26
Rate/Per unit Rupees	4.22	4.54
(b) Own Generation		
i) Through Gas Turbine/ Diesel Generator		
Unit (KWH in Lacs)	295.62	277.74
Unit per Ltr. of fuel oil/Diesel	12.86	13.87
Cost/Per unit (Rupees)	4.07	4.53
2) Furnace Oil		
Quantity (K.L)	7105.780	8109.902
Total amount (Rs. in lacs)	579.41	750.00
Average rate (Rs. per Ltr.)	8.15	9.25
II) CONSUMPTION PER UNIT OF PRODUCTION		
Polyester Fibre		
Electricity KWH/Kg	1.41	1.25
Furnace Oil KL/MT	0.29	0.33

FORM B

C. FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION EFFORTS MADE IN TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT

1) Specify areas in which R&D carried out by the Company:

- Development of specialty fibres – additional shades in dope dyed fibres
- Development of specialty resins
- Improvements/modifications in the existing processes/equipments for better efficiencies and economy
- Conservation of natural resources like water, fuel, etc.
- Improvements in effluent treatment for cleaner environment

2) Benefits derived as a result of above R&D:

- Import substitution in the field of specialty fibres especially dyes
- Increase in efficiency of alternate raw materials/recycling
- Flexibility in operations to meet the customers need at short notice
- Providing cleaner environment

3) Future plan of action:

- Development of new products -
Fibres – additional shades, high shrinkage, etc.
Resins – Copolymers with improved properties
- Improve the existing products, their quality and reduce cost
- Develop indigenous technologies for better recycling operations

4) Expenditure on R&D:

(Rupees in lacs)

a) Capital	Nil
b) Recurring	9.86
c) Total	9.86
d) Percentage of turnover	0.05

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

1) Efforts in brief made towards technology absorption, adaptation & innovation:

- Dope-dyed fibres production – introduction of new shades in large scale
- Commercialization of specialty resins – specific to customer requirements
- Technology improvements in recycling bottle and fibre wastes
- Energy conservation through modified processes/equipments

2) Benefits derived as a result of the above efforts:

- Improvement in quality
- New product development and commercialization
- Process development, cost and waste reduction

3) Particulars of imported technology in last 5 years reckoned from the beginning of the financial year:

- Nil

4) If not fully absorbed areas where this has not taken place and future plan of action:

- Not applicable

(CHEMICALS DIVISION)

A. ENERGY CONSERVATION DETAILS OF CIBA PLANT FOR THE YEAR 2001-02

1) Energy Conservation for year 2001-02

Sr. No.	Description	Investment (Rs. in lacs)	Savings per Annum (Rs. in lacs)
1.	Power saving by changing the operation sequence of P-203/B-202 from plant	Nil	0.35
2.	Power saving by changing the strategy of handling air compressor and Nitrogen compressor for multipurpose plant	Nil	7.0
	Total	Nil	7.35

2) Proposed Energy Conservation for year 2002-03

1.	Power saving by reducing lighting load	Nil	2.0
2.	Power saving by reducing brine load (by changing temperature set point from 12°C to – 10°C).	Nil	2.0
	Total	Nil	4.0