

ANNUAL REPORT

2002 – 2003

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INDUSTRIAL ORGANICS LIMITED

BOARD OF DIRECTORS

SH N C GUPTA

Chairman

SH K L DALAL

DR M A ZAHIR

SH YOGESH GOEL

PSIDC Nominee

DR (MRS) H K BAL

MRS DIMPLE GUPTA

SH C S DHAWAN

SH R K THUKRAL

Executive Director

SH VARINDER GUPTA

Managing Director

SR COMPANY SECRETARY

Mr Krishan Singla

AUDITORS

M/s K K Kapoor & Associates

Chartered Accountants

Ludhiana

BANKERS

Punjab National Bank

REGISTERED OFFICE

Trident Complex

Raikot Road, Barnala - 148 101

District Sangrur, Punjab

Phone : +91-1679 - 244700 - 07

Fax : +91-1679 - 244708

E-mail : ioldhl@industrialorganics.com

HEAD OFFICE

Trident House

85, Industrial Area 'A'

Ludhiana - 141 003

Phone : +91-161 - 2661616 - 18

Fax : +91-161 - 2608784

E-mail : iol@industrialorganics.com

SHARE TRANSFER AGENTS

Alankit Assignments Limited

205-208, Anarkali Market,

Jhandewalan Extension,

New Delhi - 110 005

Phone : +91-11-51540060 - 64

E-mail : iol@alankit.com

WORKS

Village Fatehgarh Chhana

Barnala - 148 101

District Sangrur, Punjab

Phone : +91-1679 - 285285 - 87

Fax : +91-1679 - 285292

E-mail : ioldhl@industrialorganics.com

MANAGEMENT TEAM

Mr Varinder Gupta

Counsellor

Mr R K Thukral

Counsellor

Mr Rakesh Mahajan

Counsellor (Fin. & Acc.)

Mr Vijay Garg

Counsellor (Commercial)

Mr Damandeep Singh

Co-ordinator (Works-Chemicals)

Mr Puneet Tuknait

Co-ordinator (HRM)

Mr Krishan Singla

Counsellor (Secretarial Affairs)

Mr N K Pundir

Counsellor (Marketing)

Mr Vijay Singla

Co-ordinator (R & D)

Mr K L Gautam

Co-ordinator (Engg. & Maint.)

Contents	Page No.
Notice	2
Directors' Report	5
Report on Corporate Governance	9
Auditors' Report	14
Balance Sheet	16
Profit and Loss Account	17
Cash Flow Statement	28

16th Annual General Meeting

Day : Saturday
 Date : 6th September, 2003
 Time : 10.00 AM
 Venue : Trident Complex
 Raikot Road, Barnala - 148 101
 District Sangrur, Punjab



NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of **INDUSTRIAL ORGANICS LIMITED** will be held on Saturday, the 6th day of September, 2003 at 10.00 AM at the Registered Office of the Company, Trident Complex, Raikot Road, Barnala, District Sangrur, Punjab to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2003 and the Profit and Loss Account for the year ended on that date alongwith the Reports of the Auditors and the Directors thereon.
2. To appoint a Director in place of Mrs Dimple Gupta, who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Sh C S Dhawan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sh Yogesh Goel, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

M/s K K Kapoor & Associates, Chartered Accountants, the retiring Auditors, being eligible offer themselves for re-appointment.

Special Business :

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

"RESOLVED that Sh R K Thukral, who was appointed as an Additional Director of the Company pursuant to the provisions of section 260 of the Companies Act, 1956 and holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation under the Articles of Association of the Company"

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

"RESOLVED that in accordance with the provisions of sections 198, 269, 309 and all other applicable provisions of the Companies Act, 1956

(including any statutory modification or re-enactment thereof, for the time being in force) and subject to the approval of the Central Government and/or any other authority, if required, Sh R K Thukral be and is hereby appointed as an Executive Director of the Company, for a period of 5 (five) years with effect from 31.08.2002, on the terms and conditions including remuneration as given below :

1. a) Basic Salary : Rs. 34000/- (Rupees thirty four thousand only) per month
- b) Prerequisites and allowances : Prerequisites and allowance shall be in addition to salary as follows :

a) House Rent Allowance	40% of salary
b) Conveyance Allowance	15% of salary
c) Telephone Allowance	10% of salary
d) LTC	8.33% of salary
e) Newspaper & Periodicals Allowance	5% of salary
f) Uniform Allowance	5% of salary
g) Provident Fund Contribution	12% of salary
h) Bonus	10% of salary
i) Gratuity	4.17% of salary
j) Super Annuation Scheme	5% of salary
k) Medical Allowance	8.33% of salary
l) Medical CL/GIS	4.17% of salary
m) Children Education Allowance	5% of salary
n) Sports & Cultural Allowance	8% of salary
o) Training & Development	10% of salary

2. Other Terms :

The Executive Director shall also be entitled to the benefits under other benefits, schemes, privileges and amenities, amended salary structure as are granted to the senior executives of the Company in accordance with the Company's practice, regulations in force from time to time.

"RESOLVED FURTHER that notwithstanding anything to the contrary herein contained, where in any financial year, the Company has no profits or its profits are inadequate, the Company will pay aforesaid remuneration as minimum remuneration to the Executive Director."

"RESOLVED FURTHER that the Board of Directors may increase the remuneration and prerequisites of Sh R. K. Thukral, Executive Director from time to time within Schedule XIII of the Companies Act, 1956 and such other guidelines or ceilings fixed by the Government from time to time."

"RESOLVED FURTHER that Board of Directors be and is hereby authorised to take all such steps as may be considered necessary to give effect to the resolution."

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

"RESOLVED that in accordance with the provisions of sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956, the existing authorized capital of the company i.e. Rs 15,00,00,000/- (Rupees fifteen crores only) divided into 1,50,00,000 (One crore & fifty lacs) Equity Shares of Rs 10/- (Rs. ten) each be and is hereby reclassified into 90,00,000 (Ninety lacs) Equity Shares of Rs 10/- each and 60,00,000 (Sixty lacs) Preference Shares of Rs 10/- each and consequently, clause V of the Memorandum of Association of the Company relating to share capital be and is hereby altered by deleting the same and substituting in its place and stead, the following as new Clause V :

V. The Authorised Share Capital of the Company is Rs 15,00,00,000/- (Rupees fifteen crores only) divided into 90,00,000 (Ninety lacs) Equity Share of Rs 10/- each and 60,00,000 (Sixty lacs) Preference Share of Rs 10/- each with power to increase or decrease its capital from time to time and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to comply with all the formalities relating to re-classification of the authorised capital of the company and to do all other acts, deeds, matters and things as may be deemed necessary, expedient and/or incidental for attainment of the above objects."

9. *To consider and, if thought fit, pass with or without modification(s) the following resolution as **Special Resolution** :*

"RESOLVED that in accordance with the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article 5 of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in its place and stead, the following as new Article 5:

5. The Authorized Share Capital of the Company is Rs 15,00,00,000/- (Rupees fifteen crores only) divided into 90,00,000 (Ninety lacs) Equity Shares of Rs 10/- each and 60,00,000 (Sixty lacs) Preference Shares of Rs 10/- each with power to increase or decrease its capital from time to time and to divide the shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may be for the time being be provided by the Articles of Association of the Company and also to acquire, purchase, hold, re-sell, any of its own fully/partly paid shares and/or preference shares whether redeemable or not and to make any payment out of capital or out of the funds at its disposal, for and in respect of such purchase, subject to the provisions of the Act in force from time to time."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to comply with all the formalities relating to re-classification of the authorised capital of the company and to do all other acts, deeds, matters and things as may be deemed necessary, expedient and/or incidental for attainment of the above objects."

10. *To consider and, if thought fit, pass with or without modification(s) the following resolution as **Special Resolution** :*

"RESOLVED that the approval of the members be and is hereby given for delisting of equity shares of the Company from the Ludhiana Stock Exchange Association Limited, Ludhiana and the Delhi Stock Exchange Association Limited, New Delhi."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary or expedient for giving effect to the above resolution and to do all other ancillary and consequential matters thereto."

By order of the Board
for **INDUSTRIAL ORGANICS LIMITED**

Place : Barnala
Dated : June 28, 2003

Krishan Singla
Sr. Company Secretary

**NOTES :**

- i) **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself and proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the meeting. The blank proxy form is enclosed.**
- ii) Transfer of shares and related activities are being carried out by the Company through its share transfer agents at the following address :
Alankit Assignments Limited
205-208, Anarkali Market,
Jhandewalan Extension,
New Delhi - 110 055.
Phone : 51540060 - 64
E-mail : iol@alankit.com
- iii) The Register of Members and Share Transfer Books will remain closed from Tuesday, the **2nd day of September, 2003 to Saturday, the 6th day of September, 2003** (both days inclusive)
- iv) Members who are holding shares in identical order of names under more than one folio are requested to send the relative share certificates to the Company for consolidation of the entire holding under one folio.
- v) Documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days except holidays, between 11.00 AM to 1.00 PM
- vi) Members desiring any information on Accounts or other items of Agenda are requested to write to the Company at its Registered Office at least ten days before the date of the Annual General Meeting so as to enable the Management to keep the information ready.
- vii) Members are requested to :
 - a) Intimate their Permanent Account Number.
 - b) **Notify the change of address with pin code, to ensure quick delivery of letters.**
 - c) Bring their copies of Annual Report at the meeting.
 - d) Complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.

Annexure to the Notice**Explanatory Statement as required by section 173 (2) of the Companies Act, 1956 :****Item No. 6**

Sh R. K. Thukral was appointed as an Additional Director on the Board w.e.f. 31.08.2002 in terms of Article 133 of the Articles of Association of the Company. Pursuant to section 260 of the Companies Act, 1956 he holds office upto the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member along with deposit of Rs 500/- under section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Sh R K Thukral is a Science Graduate having a vast experience in the field of chemical industry and he is also director of number of other companies. The Board has considered that the Company would be immensely benefited by his mature advice and recommends the resolution for your approval.

None of the Director except Sh R K Thukral, being the proposed appointee, is interested or concerned in the resolution.

Item No. 7

Sh R K Thukral was appointed as an Executive Director on the Board w.e.f. 31.08.2002 for the period of five years on the terms & conditions approved by the Board of Directors, subject to the approval of the members and the Central Government. The Remuneration Committee in its meeting held on 31.08.2002 has also approved the appointment and remuneration payable to him. The Board recommends the resolution for your approval.

None of the Director except Sh R K Thukral, being the proposed appointee, is interested or concerned in the resolution.

Item No. 8 & 9

The Company had taken a term loan from the IDBI. As one of the terms of the loan agreement is that the Company is required to convert the unsecured loan amount upto Rs 550 lacs into the equity/preference share capital of the Company. To issue the preference share capital, there must be clause in the Memorandum of Association and Articles of Association to authorise the Board for issue the same.

At present the authorised capital of the Company is Rs 15,00,00,000 divided into 1,50,00,000 equity shares for Rs 10 each. It is, therefore for giving effect to the terms of the agreement, the Memorandum and Articles of Association are required to be altered by re-classifying the authorised capital into equity share capital and preference share capital.

None of the Directors is interested or concerned in the resolution.

Item No. 10

The equity shares of the Company are listed at three Stock Exchanges, the Ludhiana Stock Exchange Association Limited (LSE), the Delhi Stock Exchange Association Limited (DSE) and the Stock Exchange, Mumbai (BSE). The trading volume of the Company's securities on the Delhi Stock Exchange are almost nil while the Ludhiana Stock Exchange has suspended trading on its floor. The listing fee paid to these stock exchanges do not now offer commensurate benefits to the Company/its investors and the continue listing on these stock exchanges no longer required. It is proposed to get the equity shares of the Company delisted from LSE and DSE and the Board recommends the resolution for your approval.

None of the Directors is interested or concerned in the resolution.

By order of the Board
for INDUSTRIAL ORGANICS LIMITED

Place : Barnala
 Dated : June 28, 2003

Krishan Singla
Sr Company Secretary

DIRECTORS' REPORT**Dear Members**

The Directors of the Company have pleasure in presenting the Sixteenth Annual Report and Audited Accounts for the financial year ended 31st March, 2003.

1. FINANCIAL RESULTS

The financial results of the Company for the year under report are given below :

Particulars	(Rs. in lacs)	
	Year ended 31.03. 2003 (12 Months)	Period ended 31.03.2002 (15 Months)
a) Turnover	6232.37	5934.29
b) Profit/(Loss) before interest & depreciation	31.17	(316.63)
c) Interest	466.37	506.43
d) Profit before depreciation	(435.20)	(823.06)
e) Depreciation	177.66	218.37
f) Profit/(Loss) before tax	(612.86)	(1041.43)
g) Provision for taxation	--	--
h) Profit/(Loss) after tax	(612.86)	(1041.43)
i) Less : Prior period expenses	2.81	11.93
j) Balance brought forward from previous year	(923.79)	(95.43)
k) Adjustment of General Reserves	--	225.00
l) Balance carried to the Balance Sheet	(1539.46)	(923.79)

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**a) INDUSTRY STRUCTURE**

The chemical industry plays an important role in the overall economic activity of the country. It accounts for 7% of gross domestic product. In spite of diminishing margins, this industry is a major exporter of agro chemicals, pharmaceuticals & specialty chemicals. India is emerging as one of the five top players in the world in petro chemicals like PTA.

Chemical industry is made up of drugs & pharmaceuticals, petro chemicals, organic & inorganic chemicals etc. Traditionally, Indian Organic Chemical Industry has been using alcohol as feedstock because petro chemical feed stock was not economically viable. The alcohol based industry in India was developed during the late 60's & 70's with the assistance of the Government. But decontrol of molasses & alcohol in 1993 brought the margins of the industry under severe pressure.

Though alcohol based industry serves large number of industries such as textiles, dyes, foodstuffs, drugs & phar-

maceuticals, plastics & packaging, paint, pesticides etc., the future appears turbulent. The industry's long-term risk profile has changed as the prices of feedstock based on the output of sugarcane become volatile. Following the alignment of domestic petrochemical prices with international prices, feed stock has become a changing phenomenon.

b) PERFORMANCE REVIEW

There was overall improvement in the performance of the Company in production, consumption norms & turnover in comparison to the previous period performance. But due to the continued depressed market conditions & higher alcohol prices, the margins of the Company remained under strain. The turnover of the Company has increased by 31.28% on annualized basis from Rs. 5934.29 lacs to Rs. 6232.37 lacs during the year under review. The Company earned operating profit before interest and depreciation of Rs. 31.17 lacs during the year under review against operating loss of Rs. 316.63 lacs during the previous period. The business segment performance is given below :

The Company is manufacturing alcohol based chemicals like Acetic Acid, Ethyl Acetate, Acetic Anhydride and bulk drugs like Ibuprofen.

Acetic Acid

The production of Acetic Acid has increased from 13455 MT during the previous period to 14146 MT during the year under review showing an increase of 31.42 % on annualized basis. The sale of Acetic Acid decreased from 4763 MT to 4551 MT during the year under review due to higher captive use in the Ethyl Acetate & Acetic Anhydride.

Ethyl Acetate

The production of Ethyl Acetate has increased from 4353 MT to 5321 MT recording an increase of 52.80% on annualized basis and its sale increased from 4350 MT to 5245 MT during the year under review.

Acetic Anhydride

The production of Acetic Anhydride has increased by 40.89% on annualized basis from 4296 MT during the previous period to 4842 MT during the year under review. The sale of Acetic Anhydride has increased to 4865 MT against 4227 MT during the previous period.

Ibuprofen

The production of Ibuprofen has decreased from 418 MT to 359 MT due to some technical difficulty in the plant and sale of Ibuprofen has also decreased from 413 MT to 366 MT during the year under review.

c) CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company has contributed a sum of Rs. 771.17 lacs to the Exchequer by way of central excise duty in addition to contribution through other direct and indirect taxes.

d) SWOT ANALYSIS OF THE COMPANY**Strengths :**

1. Strong & old player in alcohol based chemical industry in northern India.
2. Access to the steam & power from a nearby company at a competitive price.



3. Committed workforce & cordial industrial relations.
4. Better consumer understanding & relationship.

Weakness :

1. Locational disadvantage.
2. Lack of production of specialty chemicals.

Threats :

1. State Governments policies lead to unavailability of alcohol as raw material to the industrial sector.
2. Unavailability of skilled labour in the area.
3. Availability & consumption of alcohol in the country is balanced between potable alcohol & chemical industry. Government's decision to allow use of alcohol as a fuel in the form of gasohol may adversely effect its availability at affordable price for chemical industry.

Opportunities :

1. Abundant availability of renewable resources like molasses to produce alcohol based chemicals & other chemicals and can provide viable alternative to petroleum feed stock.
2. Alcohol based chemicals are versatile chemicals having diverse use in PTA, dyes, foodstuff, paint and pharmaceuticals etc.

e) FUTURE PROSPECTUS

The future of alcohol based chemical industry in Punjab appears uncertain due to deficit alcohol availability in the state. However, the alcohol scenario seems to be favourable in the current year because the production of molasses will be on higher side as compared to previous year's i.e. 2002. The total production during current season upto 30.04.2003 had touched to 240 lacs quintal as against the 270 lacs quintal in the year 2002. There is approximate 10% increase in the production of molasses during current year compared to corresponding period of the previous year which will led to reduction in the prices of alcohol.

The State Government had increased the permit fee from 60 paisa to Rs. 1/- per litre w.e.f. 01.04.2002 which had adversely effected the alcohol based chemical industry, but the same has been reduced to 30 paisa w.e.f. 01.04.2003, which will have favourable impact in the current year. The recent Central Government's decision to allow the blending of petrol with ethanol may put a pressure on the alcohol availability for chemical industry as alcohol supplied to the potable industry will not be effected due to higher value addition in that industry.

The demand of our products; Acetic Acid, Ethyl Acetate and Acetic Anhydride is showing continuous improvement due to the good scope of development of end user industries like PTA, dyes, foodstuff, paint and pharmaceuticals etc. Looking to the overall scenario the Company is preparing itself well to meet the challenges. The Company is taking effective steps to streamline its operation which will able the Company to increase the production capacity

of its products. The Company is also in the process of adopting new products and processes for the manufacturing of chemicals/drugs. The Company is hopeful for the better performance in the current year.

f) INTERNAL CONTROL SYSTEMS AND ADEQUACY

Well established and well defined internal controls, checks and systems are in place at all levels and in all departments of the Company, supported by an internal audit conducted by independent Chartered Accountants.

g) HUMAN RESOURCES

Industrial relations in the Company remained cordial and harmonious during the year under review. The Company considers human resources very valuable assets for the development of the organisation. To enhance the competencies of the employees, the Company organises a series of in-house as well as external training programmes.

h) CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the Company objectives, projection, estimates and expectations may be "Forward Looking Statements" with in the meaning of applicable laws & regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a deference to the Company's operations include but not restricted to the economic conditions affecting demand/ supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, and other statutes, as also other incidental factors.

3. EXPANSIONS

The Company has taken steps to install the balance equipments & to reengineering the plant so as to remove the bottlenecks in the production of Aldehyde, Acetic Acid, Ethyl Acetate & Acetic Anhydride. These steps has enabled to enhance the capacity of the plant to produce 50 MT of Acetic Acid and 25 MT of Ethyl Acetate per day.

The Company is incurring negative contribution from the manufacturing operations of Ibuprofen from quite some period. All efforts made to streamline the operations remained unfruitful. Thus the management exploring the opportunities to manufacture other specialty value added chemicals from the existing infrastructure. The proposal is likely to be implemented during the current year.

4. DIRECTORS

During the year Sh R K Thukral, having wide experience of 30 years in the chemical industry, was appointed as Additional Director and Executive Director on the Board w.e.f. 31.08.2002. He holds office upto the date of ensuing Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 for his appointment as Director of the Company.

The Directors welcome him on the Board. In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Smt Dimple Gupta, Sh C S Dhawan and Sh Yogesh Goel, Directors, retire by rotation and being eligible offer themselves for re-appointment.

5. CORPORATE GOVERNANCE

The Company has in place a system of Corporate Governance. A separate report on Corporate Governance forms part of the Annual Report of the Company. A certificate from the Auditors of the Company regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement(s) is annexed to the report on Corporate Governance.

6. SAFETY HEALTH AND ENVIRONMENT

Safety is Company's top priority and the Company has been encouraging safety measures at all levels of operation specially at the floor level. Regular training programmes are being conducted to bring in awareness about the importance of safety at the work place.

Bi-monthly medical camps are also being organised for the welfare of the members in addition to regular medical facilities provided to them.

7. INVESTOR SERVICES

The Company is committed to provide the best services to the shareholders. The Company has appointed M/s Alankit Assignments Limited, New Delhi as its Share Transfer Agents for transfer and dematerialization of shares. Till date no correspondence/enquiry from any shareholder is pending with the Company for reply.

8. INSURANCE

All the insurable immovable as well as movable assets of the Company including stocks continued to be properly insured and all the insurance policies are in force as on the date of the report.

9. FIXED DEPOSITS

The Company has not accepted/renewed any deposits from the public/members during the year under review.

10. LISTING OF SHARES

The equity shares of the Company are continued to be listed and traded on :

- The Ludhiana Stock Exchange Association Limited, Ludhiana
- The Delhi Stock Exchange Association Limited, New Delhi
- The Stock Exchange, Mumbai

The listing fee for the year 2003 - 04 has been paid to the Stock Exchanges. However the Board of Directors has decided to delist the securities from Ludhiana & Delhi Stock Exchanges because of its infrequent trading, subject to the approval of the members.

11. AUDITORS AND AUDITORS' REPORT

M/s K K Kapoor & Associates, Chartered Accountants, Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Auditors' Report on the accounts is self-explanatory and no comments are required.

12. COST AUDITORS

The Central Government had directed the audit be carried out of the cost accounts maintained by the Company in respect of Chemicals by a qualified cost accountant. The Board subject to the approval of the Central Government has appointed M/s Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors, for the year 2003-04.

13. CHANGE OF THE NAME

The name of the Company has been changed from Trident Alco-Chem Limited to Industrial Organics Limited w.e.f. 5th December, 2002.

14. ENERGY CONSERVATION / TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Energy conservation continues to be an area of major emphasis in the Company. A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as Annexure I and forms part of the report.

15. INFORMATION ON PERSONNEL

The statement showing the particulars of the employees as required by the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is not given as no employee was in receipt of remuneration equal to or exceeding Rs. 24.00 lacs per annum, if employed for the full year or Rs. 2.00 lacs per month if employed for the part of the year.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Directors' Responsibility statement pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 is enclosed as Annexure II and forms part of the report.

17. ACKNOWLEDGEMENT

The Board of Directors of your Company are pleased to place on record their sincere gratitude and appreciation for the assistance and co-operation received from the Union Government, the Punjab Government, the Punjab State Industrial Development Corporation Limited, the Financial Institutions and the Company's Bankers, Members, Customers and Business Constituents.

Your Directors also express their appreciation and gratitude for the continued, devout, sincere and unstinted services rendered by the counsellors, co-ordinators and facilitators at all levels of operations for the success and progress of the Company.

For and on behalf of the Board

Place : Ludhiana **VARINDER GUPTA**
Dated : 28.06.2003 Managing Director

N C GUPTA
Chairman

**ANNEXURE I TO THE DIRECTORS' REPORT**

Information as per Section 217 (1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2003.

I. CONVERSATION OF ENERGY**1.1 Energy Conversation measures taken :**

- a) Atlas Copoco Air Compressor was installed to reduce the power consumption of Acetic Acid Plant.
- b) Cooling tower's headers are separated to control power norms.
- c) 200 KBAR Capacitor installed to save the power.
- d) Vacuum generation in Anhydride plant for utilisation of vent gases going wastage from Acetic Acid plant.

1.2 Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

- a) A new cooling tower with increased capacity of 3300 cubic meter to be installed.
- b) To save power, Dump Kettle to be installed in Acetic Acid & Ethyl Acetate plants.

1.3 Impact of measures taken at (1.1) and (1.2) above for reduction of energy consumption and consequent impact on the cost of production of goods :

These measures have been resulted in saving of power and steam consumption.

1.4 Total energy consumption and consumption per unit of production as per Form-A of the annexure in respect of industries specified in the schedule thereto.

Particulars	Unit	2002-03	2001-02
A. Power and Fuel Consumption			
1. Electricity			
a) Purchased Unit	KWH IN LACS	116.89	121.64
Total Amount	RS IN LACS	445.35	413.42
Rate / Unit	RS/KWH	3.81	3.40
b) Own Generation			
i) Through Diesel Generator			
Units	KWH IN LACS	5.62	17.19
Units per liter of HSD	KWH	3.42	3.47
Cost / Unit	RS/KWH	4.81	4.55
ii) Through Steam			
Turbine/Generator	KWH IN LACS	NIL	NIL
2. Coal		NIL	NIL
3. Furnace Oil	KL	855.12	762.35
4. Others/Interest Generation		NIL	NIL
B. Consumption per unit of production :			
Acetic Acid	KWH/MT	464	450
Ethyl Acetate	KWH/MT	210	220
Acetic Anhydride	KWH/MT	410	435
Ibuprofen	KWH/MT	7222	6026
Basic Chromium Sulphate	KWH/MT	177	236

II. TECHNOLOGY ABSORPTION

Efforts made in technology absorption as per Form B of the annexure :

FORM - B

Disclosure of particulars with respect to technology absorption.

1. Research & Development (R & D) :**a) Specific areas in which R & D is carried out by the Company :**

- 1) Modification & optimisation of Chemical Plant to increase the production capacity.
- 2) Reengineering of all plants to reduce breakdowns.
- 3) Automation of process to control the parameters.
- 4) New column installed in Ethyl Acetate to improve the quality of product.

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

Reduction in cost of production & improvement in the quality of the products.

c) Future plan of action :

The R & D team is pursuing other options to improve process parameters so as to reduce the product cost and is also looking forward for other value added products.

d) Expenditure on Research & Development :

Expenses incurred on R & D are booked in respective general accounting heads.

2. Technology Absorption, Adaptation & Innovation : Nil**3. Foreign Exchange Earnings & Outgo :**

(Rs in lacs)

Used	NIL
Earned	17.74

ANNEXURE II TO THE DIRECTORS' REPORT**Directors' Responsibility Statement**

Pursuant to provisions of section 217 (2AA) of the Companies Act, 1956 it is hereby confirmed that :

1. in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. 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 at the end of the financial year and of the profit or loss of the company for that period.
3. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. the directors had prepared the annual accounts on a going concern basis.

for and on behalf of the Board

Place : Ludhiana

VARINDER GUPTA

N C GUPTA

Dated : 28.06.2003

Managing Director

Chairman