



26th Annual Report 2001-2002



MADHYA PRADESH GLYCHEM INDUSTRIES LIMITED



SOPA 3rd Highest Exporter Award for the year 2000-2001



**SOPA 1st Certificate of Merit for Highest sale of
Soya Protein Concentrate for the year 2000-2001**

Board of Directors

Shri Kailash Chandra Shahra
 Shri Suresh Chandra Shahra
 Shri Manish Shahra
 Shri Ashok Trivedi
 Shri Ashok Phadnis
 Shri P. D. Nagar
 Shri P. S. Santhanakrishnan
 Shri Hemant Thakkar
 Shri Rakesh Khandelwal

- Chairman
- Managing Director
- Executive Director
- Whole Time Director

Company Secretary

Abhishek Singhai

Registered Office

610, Tulsiani Chambers,
 Nariman Point, Mumbai - 400 021

Works**Sal Unit**

Vill. Dobhi Distt. Mandla (M.P.)

Administrative & Corp. Office

201, Mahakosh House,
 7/5, South Tukoganj, Indore - 452 001

Food Processing Unit

Vill. Kamti Teh. Gadawara
 Distt. Narsinghpur (M.P.)

Registrar & Share Transfer Agent

Sarthak Global Limited
 Avanti House,
 170/10, Film Colony,
 R.N.T. Marg, Indore (M.P.) 452 001

Dairy (Milk Processing) Unit

Vill. Bilawali, Dewas Maksi Road,
 Dewas (M.P.)

Auditors

Ashok Khasgiwala & Co.
 Chartered Accountants
 317, Chetak Centre Annex,
 R.N.T. Marg, Indore (M.P.) 452 001

Haldia Unit*

Bijoyramchak Ward No.9,
 P.O. - Durgachak, Haldia
 Distt. East - Midnapore (W.B.)
 *under implementation

Bankers

Dena Bank
 Punjab National Bank
 Central Bank of India
 Oriental Bank of Commerce
 State Bank of Indore
 State Bank of Travancore
 State Bank of Bikaner & Jaipur
 Bank of India

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26th Annual General Meeting will be held at
 Sunville Deluxe Pavilion, Sunville Building, 9,
 Dr. Annie Besant Road, Worli, Mumbai-400 018
 on 20th September, 2002 at 12.30 p.m.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting Twenty Sixth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

(Rs.in Lacs)

	2001-02	2000-01
Sales and other Income	60,168.19	56,553.27
Gross Profit	835.12	758.96
Depreciation	213.09	192.11
Profit before Taxation	622.03	566.85
Prior period adjustment	8.59	----
Profit before tax	613.44	566.85
Provision for Taxation for the year	110.00	98.00
Provision for Deferred Taxation for the year	44.84	----
Add : Income tax adjustment for earlier years	10.11	(5.89)
Profit after Taxation	468.71	462.96
Balance brought forward from previous year	1,840.70	1,377.74
Amount carried to Balance Sheet	2,309.41	1,840.70

PREFERENTIAL ISSUE OF EQUITY SHARES

During the year under review, your Company issued 3598018 Eq. Shares of Rs. 10/- at price of Rs. 10/- per share on preferential basis in accordance with SEBI Guidelines prevailing at that time.

DIVIDEND

In view of the increased operations and keeping in view the implementation of new project at Haldia your Directors have decided to plough back the profits to meet increased capital requirement of the Company. Hence no dividend has been recommended for the year under review.

OPERATIONS

Despite continued difficult economic and business scenario, your company has achieved Sales and other income of Rs.60168.19 Lacs, reflecting an increase of 6.39% over the previous year. Profit after tax has also increased to 468.71 Lacs from Rs.462.96 Lacs during previous year.

The total value of exports for the year stands at Rs.7292 Lacs compared to Rs. 5453 Lacs, during the previous year, registering an increase of around 34%.

NEW PROJECT

In accordance with the strategic and perspective Corporate plans and in order to strengthen the reach, the Company is implementing a new composite unit comprising of 600 TPD Edible Oil Refinery and 150 TPD Vanaspati at Haldia (West Bengal). The project is expected to commence commercial production by September 2002.

AWARD & RECOGNITION

Once again the efforts of the Company has been recognised and for the second consecutive year the Company has been conferred with following awards from SOPA (The Soybean Processors Association of India) for the financial year 2000-2001.

1. 1st Certificate of Merit for Highest Sale of Soya Protein Concentrate.
2. 3rd Highest Exporter of Soybean Meal in Private Sector (Manufacturer Exporter).

PUBLIC DEPOSITS

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

INSURANCE

All properties and insurable interests of the Company including Building and Plant & Machinery have been adequately insured.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information as per section 217(1)(e) read with Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988 are given in the Annexure forming part of this Report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure to the Directors Report. However, as per section 219 of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Manager (Finance) at the Registered Office of the Company.

HUMAN RESOURCE & INDUSTRIAL RELATIONS

Industrial relations were harmonious throughout the year. The Board wishes to place on record their sincere appreciation to the co-operation extended by all employees in maintaining cordial relations.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report and Auditors' certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

DIRECTOR'S RESPONSIBILITY STATEMENT

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statement for the period under review. Pursuant to section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period under review, the Director hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards had been followed.
- (ii) Appropriate accounting policies have been selected and applied consistently and made judgments 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;
- (iii) Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken to the best of their knowledge and ability.
- (iv) The annual accounts have been prepared on a "going concern basis";

DIRECTORS

Shri Ashok Phadnis, Shri Hemant Thakkar & Shri Rakesh Khandelwal were appointed as Additional Directors by the Board pursuant to Section 260 of the Companies Act, 1956 and in exercise of the authority vested by the Company's Articles of Association. They shall vacate office at the ensuing Annual General Meeting. The Company has received notice(s) under Section 257 (1) alongwith the requisite amount of deposit from the members of the Company notifying their intention to propose the candidature of above persons.

Shri P.D. Nagar & Shri Ashok Trivedi, Directors of the Company retire by rotation in accordance with the provisions of the Articles of Association of the Company and being eligible offer themselves for reappointment.

AUDITORS

The Auditors M/s. Ashok Khasgiwala & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The notes referred to by the Auditors in their Report are self explanatory and hence do not require any explanation.

AUDIT COMMITTEE

The Company has a Audit Committee consisting of three non-executive directors of the Company viz. Shri P.S. Santhanakrishnan, Shri Kailash Chandra Shahra & Shri Ashok Phadnis. Shri Ashok Phadnis was appointed as member in place of Shri A.C. Patel, who has resigned from directorship during the year under review.

ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to all of the Company's employees for their enormous personal efforts as well as their collective contribution during the year. The Directors would also like to thank the shareholders, customers, suppliers, bankers, financial institutions and all other business associates for their continues support given by them to the Company and their confidence in the management.

For and on behalf of the Board of Directors

Dated : 28th August, 2002
Place : Indore

(KAILASH CHANDRA SHAHRA)
Chairman

ANNEXURE TO DIRECTORS' REPORT

Information as per section 217(1)(e) of the Companies Act, 1956 read with 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, 2002.

	Current Year 2001-02	Previous Year 2000-01
1. CONSERVATION OF ENERGY		
A. Power & Fuel Consumption		
1. Electricity		
(a) Units Purchased	78,41,559	67,19,294
Total Amount (Rs.)	3,62,89,434	2,99,31,271
Rate/Unit(Rs.)	4.63	4.45
(b) Own Generation		
Units produced	13,60,533	16,30,527
Total Amount (Rs.)	56,51,734	1,10,99,499
Rate / Unit (Rs.)	4.15	6.81
2. Coal		
Quantity (in MT)	20,051.660	16,951.700
Total Cost (Rs.)	3,56,69,579	2,84,57,821
Average Rate per MT (Rs.)	1,778.884	1,678.76
3. Furnace Oil		
Quantity in Ltrs	1,85,013	----
Total Cost (Rs.)	29,12,828	----
Rate Per Unit (Rs.)	15.74	----
B. Consumption per unit of production		
Electricity (Unit)	39.91	42.00
Furnace Oil (Ltrs)	5.95	0.00
Coal (MT)	0.087	0.086

2. TECHNOLOGY ABSORPTION

The Company is keeping pace with the developments in the Milk Processing and Solvent Extraction process and adapting its plants in line with these developments.

3. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the foreign exchange outgo was Rs.16675 Lacs (Previous Year Rs. 20343 Lacs) and the foreign exchange earning on exports was Rs.7292 Lacs (Previous year Rs. 5453 Lacs).

For and on behalf of the Board of Directors

Dated : 28th August, 2002
Place : Indore

(KAILASH CHANDRA SHAHRA)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Industry Structure and Developments**

It was another eventful year where the world has seen far more than the usual changes. For the Indian Economy, disappointment continued. Despite of a host of favourable factors such as lower interest rates, comfortable foreign exchange reserves, low inflation rate and a good monsoon, the economy failed to recover.

Seed Extraction & Oil Business : The performance of this industry was satisfactory. Of late, vegetable oil consumption is increasing faster than increase in population. As per the report of National Council of Applied Economic Research (NCAER), the Country's demand of edible oil is expected to more than double from the current levels in the next 15 years. This provides a good opportunity to expand the market.

Dairy Business : India is the largest producer of the milk in world with a production of 81 Million MT during 2001-02. The production of milk in India grew at the rate of about 4% during the last decade. However, the milk yield in India is substantially lower at 795 Kg per year per animal as against world's average of 2021 Kg per year per animal. Hence, there is enough potential for further growth.

Thus, the future performance of your Company would depend to a large extent on its ability to successfully introduce and market Refined Vegetable oil, Vanaspati & Dairy products. We are hopeful that through the combination of market developments and expansion activity, there will be healthy growth over the next few years.

Segment-wise or product-wise performance

Your Company has identified four business segments in line with the Accounting Standard on Segment Reporting. These are:

Oil	-	Crude Oil and Refined Oil
Dairy Products	-	Milk, Ghee, Milk Powder
Seed Extraction	-	All types of seed extraction.
Others	-	Pulses, Kerosene (SKO), Coal

The segment wise performance in detail is given in Schedule 20, note 15 to the audited accounts of the Company as available in this Annual Report.

Outlook

With our strong focus on core business activities and our competitive position, better performance is expected in the years to come.

In view of the encouraging demand for our products and in accordance with the strategic and perspective corporate plans, your Company is implementing a new composite unit comprising of Edible Oil Refinery and Vanaspati at Haldia (West Bengal). The project is expected to commence commercial production by September, 2002.

This project will enable us to optimise our distribution net work and increase volume across the length and breadth of the country.

Risk and concerns

Profitability may be affected on account of competition from existing and prospective manufacturers of the Company's products. The Company is exposed to risks from market fluctuation of foreign exchange and interest rate. Change in duty structure may affect adversely. The recession in Ghee prices over the last two years is also a cause of concern.

Increase in input costs, higher levies, changes in Govt. policies/laws of land, etc. may lead to time/cost overruns and may affect profitability of the ensuing Haldia project.

Internal control system and their adequacy

Your Company has good and effective internal control system for its various units in respect of efficiency of operations, financial reporting, proper recording and safeguarding of assets, compliance with applicable laws and regulations, etc.

The adequacy of the same has been reported by the statutory auditors of your Company in their report as required under the Manufacturing & Other Companies (Auditors Report) Order, 1988.

Financials

Despite a tough year for the Indian Economy, your Company has succeeded in achieving satisfactory results for 2001-2002.

Summarised Profit and Loss Account :

(in Rs. Lacs)

Highlights	2001-2002	2000-2001
Sales, Service charges and other income	60168.19	56553.27
Operating Expenses	58745.15	54941.59
Operating Profit (PBDIT)	1423.04	1611.68
Depreciation	213.09	192.11
PBIT	1209.95	1419.57
Interest	587.92	852.72
Profit Before Tax (PBT)	622.03	566.85
Taxation: current tax	110.00	98.00
Taxation : deferred tax	44.84	—
Prior period adjustment	8.59	—
Add : Income tax adjustment for earlier years	10.11	(5.89)
Profit after tax (PAT)	468.71	462.96

The sales and other income have been higher by 6.39 % to Rs. 60168.19 Lacs as compared to Rs. 56553.27 Lacs in the last year. Your Company has recorded export sales of Rs. 7291.76 Lacs for the year under review, as compare to Rs. 5452.59 Lacs for the previous year, registering an increase of around 33.73 %.

The Operating Profit is down by 11.71 % to Rs. 1423.04 Lacs. The increasing raw material prices of soyaseed, recession in Ghee prices, Low edible Oil prices, pressure on Export prices of DOC, stiff competition were some of the major factors behind the decreased operating profit.

Despite of the host of unfavorable factors, your Company has been able to increase its profitability and achieved net profit of Rs. 468.71 Lacs.

Material development in Human Resources / Industrial Relations front

Your Company considers the quality of its human resources to be most important asset and constantly endeavors to attract and recruit best possible talent. The number of people employed during the year was 228.

The industrial relations of the Company continue to remain harmonious and cordial with focus on improving productivity and quality.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute " forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY:

Corporate Governance is a system by which Companies are directed and controlled, to enhance the shareholders value in the long term. This system helps Companies to achieve long term partnership with its stakeholders and side by side achieving its goal.

CORNERSTONES of Corporate Governance philosophy can be outlined as:

- T**ransparency and Accountability
- R**esponsibility towards Shareholders
- U**lmost Good Faith
- S**ocial Responsibility
- T**rusteeship

Your Company believes that the main aim of Corporate Governance is to achieve high level of transparency and accountability with all its stakeholders together with meeting their aspirations. Also a Company can not perform efficiently in the long run without respecting interests of stakeholders and the society as a whole.

BOARD OF DIRECTORS:

The Company has a non-executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors, the number of Non-Executive Directors is more than 50% of the total number of Directors.

None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as specified in clause 49 of the Listing Agreement), across all the Companies in which he is a Director.

The name and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other Companies are given below:

COMPOSITION AND CATEGORY OF DIRECTORS

Name of the Director	Category	Attendance		No. of Directorship / Committee Positions held in other Public Companies		
		Board	Last AGM	Directorship	Committee Chairmanship	Committee Membership
Shri Kailash Chandra Shahra	Non -Executive	10	No	7	3	1
Shri Suresh Chandra Shahra	Executive	15	No	5	----	----
Shri Manish Shahra	Executive	13	No	4	----	----
Shri Ashok Trivedi	Executive	10	No	1	----	2
Shri P.D. Nagar	Non Executive	5	No	2	----	----
Shri P.S.Santhanakrishnan	Non Executive	10	Yes	7	2	4
Shri Ashok Phadnis*	Non Executive	5	N. A.	1	1	----
Shri A.C. Patel*	Non Executive	3	No	----	----	----
Shri Hemant Thakkar*	Non Executive	N.A.	N.A.	----	----	----
Shri Rakesh Khandelwal*	Non Executive	N.A.	N.A.	----	----	----

* Directors for part of the year.

DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Shri Ashok Phadnis, Shri Hemant Thakkar and Shri Rakesh Khandelwal were appointed as Additional Directors and liable to retire at the ensuing AGM. The Company has received notice(s) under section 257(1) along with the requisite amount of deposit from members of the Company notifying their intention to propose candidature of these persons.

Shri Ashok Phadnis is Bachelor of Engineering. Previously he was General Manager in Indore Co-operative Milk Federation. He has been instrumental in establishment of Milk Processing Plant of the Company. He is a Director and Chairman of Audit Committee of Sarthak Industries Limited.

Shri Hemant Thakkar is Bachelor of Arts and having Diploma in Business Management. He is having rich experience of Marketing and Distribution in Edible oil industry. He is not off the Board of any other Public Limited Company.

Shri Rakesh Khandelwal is a practicing Chartered Accountant with rich experience in Auditing and Project Finance. He is not on the Board of any other Public Limited Company.

Shri P.D.Nagar and Shri Ashok Trivedi retire by rotation and being eligible offer themselves for re-appointment. Shri P.D.Nagar is a Fellow member of Institute of Chartered Accountants of India and possess rich experience in Finance, Accounts and Taxation. He is Director in the following Public Limited Companies :

- Ruchi Soya Industries Limited
- National Steel & Agro Industries Limited

Shri Ashok Trivedi is Master of Arts and he is having 23 years of rich experience of in Edible oil, Solvent Extraction Industry and liasioning matters at various levels. Presently he is looking after Gadawara plant of the Company. He is Director in National Steels and Agro Industries Limited.

BOARD PROCEDURE

During the financial year 2001-02, the Board of Directors met on the following dates :9th April,2001, 30th April, 2001, 27th May, 2001, 2nd June, 2001, 23rd June, 2001, 28th July, 2001, 31st July, 2001, 3rd September, 2001, 20th October, 2001, 31st October, 2001, 19th November, 2001, 30th November, 2001, 10th December, 2001, 18th December, 2001, 27th December, 2001, 31st January, 2002, 21st March, 2002 and 23rd March, 2002. The gap between any two meetings did not exceed four months, as mentioned in clause 49. The dates of the meetings were generally decided in advance. Key information is placed before the Board of Directors to appraise Corporate Governance.

AUDIT COMMITTEE :

Brief description of terms of reference:

The terms of reference specified by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies (Amendment) Act,2000.

Composition of committee and attendance of members:

Constituted by the Board of Directors at its meeting held on 31st January, 2001. The Committee met five times during the year. The Company Secretary is secretary of the Committee. GM Finance is the permanent invitee to the Audit Committee. The attendance of the members at the meetings were as follows:

Name of the member	Status	No. of meetings attended
Shri P.S Santhanakrishnan	Chairman	5
Shri Kailash Chandra Shahra	Member	5
Shri Ashok Phadnis*	Member	1
Shri A.C.Patel*	Member	4

* Member for the part of the year

DETAILS OF REMUNERATION TO DIRECTORS :

Remuneration to Executive Directors

The terms of remuneration of Executive Directors has been fixed by Board of Directors and approved by shareholders.