



Annual Report
2001-2002



Madhusudan Oils And Fats Limited

**Board of Directors**

Shri Vikram Somany (Chairman)
 Shri D. P. Goyal
 Shri S. C. Kothari
 Shri S. A. Trivedi

Bankers

Bank of Baroda
 ICICI Bank Ltd.

Auditors

M/s. H. V. Vasa & Co.,
 Chartered Accountants,
 B-2, "Usha Kiran", Opp. Khanpur Gate,
 Ahmedabad - 380 001.

Registered office

9, GIDC Industrial Estate, Kadi-382 715,
 Dist. Mehsana, Gujarat. India.

Works

- 1) 9, GIDC Industrial Estate, Kadi - 382 715, Dist. Mehsana, Gujarat.
- 2) Lamba, Tal. Kalyanpur, Dist. Jamnagar, Gujarat.

Corporate Office

"Madhusudan House", Opp. Navrangpura Telephone Exchange, Ahmedabad - 380 006.

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Annual General Meeting at 11.30 a.m. on Friday,
 the 27th day of September, 2002 at the Registered Office.

Annual Report 2001-2002**Directors' Report**

To
The Members,

The Directors have pleasure in submitting the Annual Report together with the Statement of Accounts of your Company for the year ended 31st March 2002.

Performance

The summary of your Company's financial performance is given below:

	Year ended March 31, 2002 (Rs. in lacs)
Profit before Depreciation and Taxes	282.86
Deducting therefrom Depreciation of	199.27
Profit before tax	83.59
Deducting therefrom taxes of	
- Current Year	6.50
- Deferred Tax	31.95
Profit after tax	45.14
Add: Balance brought forward from previous year	—
Amount available for Appropriations	45.14
The proposed appropriations are:	
1. Proposed Dividend	32.25
2. General Reserve	2.89
3. Balance carried forward	10.00
Total	45.14

Note : Previous year's figures are not available as the Company had acquired Ceramic Division of Madhusudan Industries Limited w.e.f. 01.04.2001, pursuant to the Order of Hon'ble Gujarat High Court dated 30-10-2001.

Sanitaryware Unit

The production of Sanitarywares was 12,177 MT against 12,678 MT in the Previous Year. Sales were 11,941 MT as against the last year sales of 10,954 MT. Exports were 1,658 MT i.e. 13.89% of the total sales. The increase in export was 25.82% of FOB value.

The Company intends to focus on further improvement of the plant's efficiencies and introduction of new designs of sanitarywares and in this direction the Company called various specialists including a foreign consultant in the field of Sanitarywares and utilized their services to improve upon the process losses and overall yield.

Power Unit

The current year was of low wind velocity. Consequently the total generation was 9,12,321 kwh against 3,16,109 kwh generated last year (December 2000 to March 2001).

Management Discussion and Analysis Report**(a) Industry Structure and Developments**

The housing construction activities in the country determine the growth prospects for ceramic business. The growth of unorganized sector in sanitaryware has been a key factor in the stagnation of growth of manufacturers in the organized sector. There has also been cut-throat competition amongst organized sector manufacturers, resulting in price wars, but the Company has been able to withstand the competition.

The Company has launched through its trading division Plastic Cisterns and Seat Covers, which boosted the bottomline of the Company.

(b) Opportunities and Threats

The growth of housing construction activities gives ample opportunity for growth of this division. Easy availability of housing loans, nuclear family culture, awareness about importance of bathroom decor, etc. are factors favourable to the growth.

On the other hand, mushrooming small-scale manufacturers, who are at a price-advantage because of the unequal government levy system existing in the country, enabling them circumvent excise duty, sales tax, etc., pose a threat to the rapid growth of the division in low value segment. While these small-scale manufacturers churn out sanitaryware of inferior quality and not conforming to any standard, the government not only loses revenue but even the customers are losers in the long run.

(c) Segment-wise / Product-wise Performance

Sales:	2001-2002	2000-2001
- Sanitarywares	11,941 MT	10,954 MT
- Trading Items	Rs. 455 lacs	Rs. 285 lacs

Several new products launched in high value segment, has helped "CERA" maintain its sales in value and quantity terms.

(d) Outlook

The outlook for building industry appears to be bright in the coming year. The infrastructure projects have seen growth during the months of April and May 2002. The market sentiment has also changed and it appears that with the forecast of a good monsoon, the housing activities will spurt. The Company is also taking steps for further improving its products and reducing process losses.

(e) Risks and Concerns

While the downturn in market has affected all manufacturers, the company has been able to keep afloat because of the brand image of "CERA".

(f) Internal control Systems and their adequacy

The Company has an adequate system of Internal Control relating to purchase of stores, raw materials, plant & machineries, equipments & various components and for the sale of goods commensurate with the size of the Company and nature of business.

The system of Internal Control of the Company is adequate keeping in mind size and complexity of Company's business. Systems are regularly reviewed to ensure effectiveness.

(g) Financial Performance with respect to Operational Performance is discussed in the main part of the Report.**(h) Material Developments in Human Resources / Industrial Relations.**

Human relationship has been close to heart of the management. It has been an on going exercise under which the Senior Management Personnel keep close co-ordination with the employees and the workers. At the middle management level too, the Superiors hold regular meetings at the floor level with the workers to understand the working problems. In order to further strengthen the human behaviour, the management is considering to organise HRD training at the floor level for supervisors and workers. In order to motivate the employees, various incentive schemes have been in operation.

The number of employees employed by the Company is 1187.



Madhusudan Oils And Fats Limited

Corporate Governance

Pursuant to clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance has been included in this Annual Report as separate section.

Director's Responsibility Statement

In compliance of Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000, the directors of your Company confirm:

- that the applicable accounting standards have been followed in the preparation of final accounts and that there are no material departures;
- that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2002 and of the profit of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the 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;
- that the annual accounts have been prepared on a going concern basis.

Dividend

Your Directors recommend the dividend of Rs. 0.60 per share on 53,75,014 Equity Shares of Rs.5/- each fully paid. (Previous Year Rs. NIL) for the year ended 31st March, 2002, to be paid subject to approval by the members at the ensuing Annual General Meeting.

De-merger / Scheme of Arrangement

A Scheme of Arrangement between Madhusudan Industries Limited (MIL) and the Company i.e. Madhusudan Oils and Fats Limited (MOFL) for demerger of Ceramic Division of MIL to the Company was approved by the Hon'ble Gujarat High Court on 30.10.2001. As per the Order of Hon'ble Gujarat High Court, the Company has issued 53,75,000 Equity Shares of Rs.5/- each fully paid to the Shareholders of MIL in the ratio of one Equity Share per every Equity Share held by them.

Energy Conservation, Technology Absorption, R & D Cell and Foreign Exchange Earnings & Outgo

The details required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are annexed to this report.

Exchequer

The Company has contributed Rs.800.36 lacs to the exchequer by way of excise duty, customs duty, income tax, sales tax and other fiscal levies.

Fixed Deposit

Fixed Deposits from the Public, out-standing as on 31.03.2002 was Rs.63.44 lacs. There are 2 Fixed Deposit holders with Rs.12,000/- of unclaimed / unrenewed deposits as on 31.03.2002. The Company on the basis of the working results during the year under review, can accept deposits from the Public as well as from the shareholders to the extent of Rs.668.72 lacs.

Pursuant to the Scheme of Arrangement and transfer of erstwhile Ceramic Division of Madhusudan Industries Limited to the Company,

Fixed Deposits of Rs.68.57 lacs have also been transferred. However, after the Order of Hon'ble Gujarat High Court, the Company has repaid Fixed Deposits amounting to Rs.5.13 lacs till 31.03.2002.

Finance

During the year under review, the Company repaid loans of Rs.362.42 lacs to Financial Institutions and Government of Gujarat.

Employees

The Company has no employee as specified under Section 217(2A) of the Companies Act, 1956, hence, there is no information required to be provided in this regard.

Directors

Shri N. K. Maheshwari resigned as Director w.e.f. 27.11.2001 and Shri G. K. Loya resigned as Director as well as Executive Director w.e.f. 15.05.2002, who were appointed as Additional and Executive Directors w.e.f. 27.11.2001. Your Board places on record its appreciation for the contributions made by them.

Shri Vikram Somany and Shri S. A. Trivedi were appointed as additional directors w.e.f. 27.11.2001 and 21.12.2001 respectively. Additional directors hold office upto the date of ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Shri S. C. Kothari is due to retire by rotation and being eligible for re-appointment, offers himself for the same.

Auditors

M/s. H. V. Vasa & Co., Statutory Auditors of the Company retire at the end of forthcoming AGM and being eligible offer themselves for reappointment. The Board recommends their reappointment at the ensuing Annual General Meeting.

Insurance

The Company has adequately insured all its properties including Plant and Machinery, Building and Stocks.

Industrial Relations

The Company's relations with its employees were generally cordial during the year. However, the plant operations were temporarily suspended due to labour unrest between 6th April to 30th April 2002. Due to continuous cordial relations of the Company with its employees for last several years and intervention of Labour Department, Government of Gujarat brought a better understanding. The plant operations were normalized from 1st May 2002 and a new wage agreement has also been executed for the period of 4 years with the Workers.

The Company has taken adequate steps for the health and safety of its employees, as required under the Gujarat Factories Rules, 1963.

Appreciation

Your directors thank the Financial Institutions and Bankers for extending timely assistance in meeting the financial requirements of the Company. They would also like to place on record their gratitude for the co-operation and assistance given by BOB, ICICI Bank Limited, IDBI and various departments of both State and Central Governments.

For and on behalf of the Board of Directors

Ahmedabad
28th June, 2002

Vikram Somany
Chairman

Annual Report 2001-2002**Annexure to the Directors' Report**

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the period ended 31st March 2002.

FORM - A

Energy Conservation - Not Applicable

FORM - B**Research and Development (R & D)**

1. Specific areas in which R & D is carried out : The Company's Research & Development Unit is recognized by the Department of Scientific and Industrial Research, Government of India, since 1993. It has been constantly developing new body and glaze composition. There has been considerable improvement in wares quality also. It has also taken up the job for substitution of imported colours.
2. Benefit derived as a result : With the introduction of new sources and import substitution of raw materials and colours the cost of wares has come down. Further the Company has developed indigenous sources of Plaster of Paris as against imported plaster and this has resulted in saving substantially.
3. Future plan of action : To minimize imports by developing substitution in India for better inventory management and cost reduction.
4. Expenditure on R & D
 - a) Capital : Rs. NIL
 - b) Recurring : Rs. 20,43,848/-
 - c) Total : Rs. 20,43,848/-
 - d) Total R & D Expenditure as a percentage of total turnover : 0.48%

Technology Absorption, Adaptation & Innovation

1. Efforts in brief made towards technology absorption, adaptation and innovation.
 2. Benefits derived as a result of the above efforts e.g. Product improvement, cost reduction, product development, import substitution etc.
- The Company hired foreign consultant from Germany, who extensively worked at our works. It helped the Company in reducing process losses.
3. In case of imported technology (Imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.
 - a) Technology imported : UK & Italy
 - b) Year of import : 1999-2000 & 2000-2001
 - c) Has technology been fully absorbed : Yes, technology has been fully absorbed.
 - d) If not fully absorbed areas where this has not taken place, reasons therefore and future plans of action : Not Applicable

Total Foreign Exchange used and earned

Total foreign exchange used	: Rs. 113.75 lacs
Total foreign exchange earned	: Rs. 367.87 lacs



Annexure to the Directors' Report

CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement of the Stock Exchanges)

1) Company's Philosophy

The Company believes in the practice of good Corporate Governance and acting as a good corporate citizen.

The spirit of Corporate Governance has been prevailing in the Company. The Company believes in the values of transparency, professionalism and accountability. The Company recognises the accountability of the Board and importance of its decisions on its customers, dealers, employees, shareholders and with every individual, who come in contact with the Company.

2) Board of Directors

The Board comprises of a Chairman, and three non-executive directors.

The Company did not have any pecuniary relationship or transactions with the non-executive directors during the period under review.

During the year, nine Board Meetings were held on 21.06.2001, 17.07.2001, 07.09.2001, 13.09.2001, 27.11.2001, 21.12.2001, 26.12.2001, 30.01.2002 and 23.02.2002.

None of the directors on the Board are members in more than ten committees and they do not act as Chairman of more than five committees across all companies in which they are directors.

The composition of directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also number of other directorships and committee memberships are given below:

Sl. No.	Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other directorships	No. of Other Committee Members
1.	Shri Vikram Somany *	Chairman	1	N.A.	3	—
2.	Shri D. P. Goyal	Non-Executive Director	9	Yes	2	—
3.	Shri G. K. Loya **	Whole-time Director	2	N.A.	—	—
4.	Shri N. K. Maheshwari***	Non-Executive Director	5	Yes	2	—
5.	Shri S. C. Kothari	Non-Executive Director	9	Yes	1	—
6.	Shri S. A. Trivedi ****	Non-Executive Director	1	N.A.	—	—

* Appointed w.e.f. 27.11.2001.

** Appointed w.e.f. 27.11.2001 and resigned w.e.f. 15.05.2002

*** Resigned w.e.f. 27.11.2001.

**** Appointed w.e.f. 21.12.2001.

3) Audit Committee

The Audit Committee was formed on 21.12.2001. The Audit Committee consists of 3 (three) independent directors, namely Chairman Shri S. C. Kothari, Shri D. P. Goyal and Shri S. A. Trivedi. During the year, only one Audit Committee Meeting was held i.e. on 30.01.2002.

Terms of reference:

The role and terms of reference of the Audit Committee cover the matters specified for Audit Committees under Clause 49 of Listing Agreement and Section 292A of the Companies Act, 1956.

4) Remuneration Committee

The Company has formed a Remuneration Committee on 02.05.2002.

The Committee consists of Chairman Shri S. C. Kothari, Shri D. P. Goyal and Shri S. A. Trivedi.

The Committee will fix the Remuneration of Whole-time Directors, which includes all elements of remuneration package i.e. salary, benefits, bonus, pension, retirement scheme, share options and such other benefits.

The Committee will also decide the fixed component and performance linked incentives, performance criteria, service contracts, notice period, severance fees etc. of the remuneration package of working directors, as may be necessary.

5) Remuneration Policy

Remuneration of employees largely consists of basic remuneration and perquisites.

The component of the total remuneration varies for different grades and is governed by Industry pattern, qualifications and experience of the employee, responsibilities handled by him and his individual performance, etc.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognise their contribution, to retain talent in the organisation and accord merit.

6) Details of remuneration for the year ended 31.03.2002**(i) Whole-time Director(s)**

Name	Salary (Rs.)	Perquisites and retirement benefits (Rs.)
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Shri G. K. Loya *	6,72,000/-	3,42,191/-
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Executive Director

* Resigned w.e.f. 15.05.2002.

(ii) Non-Executive Directors

Non-Executive Directors are not paid any sitting fees for attending the meeting of Board of Directors, neither they have been paid any other remuneration by way of commission or otherwise.

7) Share Transfer Committee

In accordance with Clause 49 para VI(D) of the Listing Agreement of the Stock Exchanges, the Board had delegated the powers of share transfers to the Share Transfer Committee. In order to expedite the process of share transfers/ transmissions/ split/ consolidation, the Committee meets at least once in a fortnight.