



✓	BEC	✓
✓	DTY	✓
✓	DIV	✓
✓	AC	✓
✓	SHI	✓

ANNUAL REPORT
1997-98

REPORT



MAH-HUSUDAN INDUSTRIES LIMITED


MADHUSUDAN
INDUSTRIES LIMITED

Board of Directors

Shri Vikram Somany	(Chairman)
Shri Shashi Kumar Somany	
Shri Chandrakant C. Dalal	
Shri Sushil Kumar Bagla	
Shri Sushil A. Dalal	
Shri Sharad Somany	
Shri M. L. Modi	(Executive Director)
Shri D. P. Goyal	(Resident Director)
Dr. V. P. Shah	(Nominee of ICICI)

Bankers

Bank of Baroda
ICICI Banking Corporation Ltd.

Auditors

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

Cost Auditors

Shri B. L. Tholiya
M/s. Tholiya & Co., Cost Accountants,
Room No. 76, 1st Floor, Bombay Mutual Bldg.,
Sir Phirozshah Mehta Road, Mumbai - 400 001.

Registered office

Rakhial Station, Taluka Dehgam,
Dist. Gandhinagar - 382 315, Gujarat, India.

Works

- 1) Rakhial Station, Tal. Dehgam, Dist. Gandhinagar - 382 315, Gujarat.
- 2) 9, GIDC Industrial Estate, Kadi, Dist. Mehsana - 382 715, Gujarat.
- 3) Special Plot No. 149, RILCO Industrial Area, Nimbahera, Dist. Chittorgarh, Rajasthan.
- 4) Patelka, Tal. Kalyanpur, Dist. Jamnagar, Gujarat.
- 5) Lamba, Tal. Kalyanpur, Dist. Jamnagar, Gujarat.

Corporate Office

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

Contents	Page No.
Notice	1
Directors' Report	6
Auditors' Report	11
Balance Sheet	12
Profit & Loss Account	13
Schedules 1 to 18	14
Cash flow statement	24
General Business Profile	25
Annual Report - Madhusudan Ceramics Industries Limited	26
Annual Report - Cera Leasing Finance & Industries Limited	40

**Annual General Meeting at 11.30 a.m. on Friday
the 10th day of July, 1998 at the Registered Office.**



MADHUSUDAN
INDUSTRIES LIMITED

Notice

NOTICE is hereby given that the Annual General Meeting of the Members of MADHUSUDAN INDUSTRIES LIMITED will be held at 11.30 a.m. on Friday, the 10th day of July, 1998 at the Registered Office of the Company at Rakhial Station, Taluka Dehgam, Dist. Gandhinagar to transact the following business :

Ordinary Business

1. To consider and adopt Audited Profit and Loss Account for the year ended 31st March, 1998 and Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To declare Dividend on Equity and Preference Shares.
3. To appoint a Director in place of Shri Chandrakant C. Dalal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Sushil Kumar Bagla who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

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

RESOLVED THAT in modification to the earlier resolutions passed at the General Meetings of the Company and subject to the provisions of Section 370 and other enabling provisions if any, of the Companies Act, 1956 consent of the Company be and is hereby granted :

- (a) to the Board of Directors for advancing any loan or loans to any body or bodies corporate from time to time, provided that the aggregate of all the loans so made and/or to be made to all the bodies corporate should be as per the limits prescribed under Section 370 of the Companies Act, 1956 for the time being in force and which can be so made with or without approval of the Central Government.
- (b) to the Board of Directors giving any guarantee or guarantees and/or providing any securities on behalf of the Company in connection with any loan made by any person to or to any other person by any body corporate or bodies corporate pursuant to section 370 of the Companies Act, 1956 for the time being in force.
7. To consider and if thought fit, to pass with or without modification the following resolution as a Special resolution.

RESOLVED THAT the approval of the Company be and is hereby granted to allow the investment in shares/convertible debentures by Non-Resident Indians (NRIs)/Overseas Corporate Bodies (OCBs) upto 30% of the total paid-up Equity Capital of the Company on repatriable basis.

RESOLVED FURTHER THAT the members of the Company do not have any objection to NRIs/OCBs purchasing shares/convertible debentures through Stock Exchange upto 30% of the Paid-up Equity Capital of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to obtain necessary permission from the concerned authorities and to do all such acts, deeds, matters and things as may be necessary or desirable for implementing this resolution and also authorised to settle any question, difficulty or doubt that may arise in this regard as the Board may in its absolute discretion deem fit.

8. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary resolution.

RESOLVED THAT approval of the members be and is hereby accorded in terms of Sections 198, 268, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for the re-appointment of and for the remuneration payable to Shri Dharam Prakash Goyal as Resident Director and designated as President - cum - Resident Director of the Company for a period from 01/07/1998 to 30/06/2000 in terms of agreement entered into by the Board of Directors of the Company with Shri Dharam Prakash Goyal.

RESOLVED FURTHER THAT Resident Director is not liable to retire by rotation till he enjoys the position of Resident Director.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter and vary the terms and conditions of the said appointment and/or agreement in such a manner in terms of sections 198, 268, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 being in force as may be agreed between the Board of Directors and Resident Director.

RESOLVED FURTHER THAT the Resident Director, is also entitled to the benefits as per the rules of the Company, which the other employees of the Company are entitled to apart from remuneration as Resident Director.

RESOLVED FURTHER THAT Shri Dharam Prakash Goyal, Resident Director re-appointed herein above be and is hereby continued as an "Occupier" as defined under section 2 of the Factories Act for all the units of the Company.

9. To consider and if thought fit, to pass with or without modification the following resolution as a special resolution.

RESOLVED THAT in accordance with the provisions of Section 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, Memorandum and Articles of Association of the Company and subject to the approval of the Government of India (GOI), Reserve Bank of India (RBI) and subject also to the guidelines issued by Securities and Exchange Board of India (SEBI) and consents, permissions and sanctions of such other appropriate authorities, Institutions or Bodies as may be necessary consent, authority and approval of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter called "The Board", which term shall be deemed to include any committee which the Board may constitute to exercise its powers including the powers conferred by this resolution) to create, issue, offer and allot Equity Shares, Fully Convertible Debentures, Partly Convertible Debentures and/or Warrants with right to subscribe to Equity Shares in the Company and/or any one or more of such securities and/or other instruments as may be permissible from time to time with or without warrants to such Companies and persons of the Promoter group, their friends, relatives, nominees, associates and associate Companies as the Board may in its absolute discretion decide, for or which upon conversion of such

Annual Report 1997-98

securities or on such exercise of rights of all warrants so issued or allotted could give rise to the issue of an aggregate number of 53,00,000 Equity Shares in the Company within 18 months from the date of issue of warrants or such other instruments, when the right to acquire Equity Shares is exercised and in such manner and upon such terms and conditions as the Board in its absolute discretion deem fit. Issue of Equity shares to take place on exercise of the rights at such price not being lower than Rs. 24/- per share.

RESOLVED FURTHER THAT the Securities/Warrants be offered to the persons as aforesaid by offering document/s including provision therein that the right to acquire Equity Shares will be exercised not exceeding 18 months from the date of issue of warrants or such other instruments and if not exercised within that period shall be deemed to have been lapsed.

RESOLVED FURTHER THAT out of the 53,00,000 warrants/securities not exceeding 21,00,000 warrants/securities be offered to Non-Resident Indians (NRIs) / Overseas Corporate Bodies (OCBs) on repatriation basis and balance to the Resident Indians and Non-Resident Indians (NRIs) / Overseas Corporate Bodies (OCBs) on non-repatriation basis and same no. of equity shares be issued on exercise of right to subscribe equity shares. In case promoters / promoter group exercise their right for lesser number of warrants than 53,00,000 offered, Non-Resident Indians (NRIs) / Overseas Corporate Bodies (OCBs) will be allotted equity shares not exceeding 40 % or such other percentage as may be permitted by law on repatriation basis and balance to the Resident Indians and NRIs/OCBs on non-repatriation basis of the total equity shares to be issued to the promoters/ promoter group.

RESOLVED FURTHER THAT the price of Rs. 2.40 per warrant or such other instrument being at least 10% of the price fixed for the conversion of warrants or such other instruments into equity shares be charged for the issue/allotment of warrants or such other instruments from the Promoters.

RESOLVED FURTHER THAT in the event of the Company making a Bonus issue of Shares or Rights issue of shares/Debentures of rights attached to the shares on exercise of rights attached to the warrants, the warrant holders shall be entitled to all Rights or Bonus and/or Right Debentures in such proportion as may be decided by the Board at any time after the date of issue of the warrants subject to such conditions as the Board may deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Equity Shares, as may be required to be issued and allotted upon exercise of rights as referred above or as may be necessary in accordance with the terms of the offering and all such shares to rank pari passu with the existing Equity Shares of the Company, except that with regard to any dividend in respect of the Company's financial year in which such new Equity Shares are allotted, it shall be eligible for pro-rata dividend to the amount actually paid upon it and proportionate to the period during which it is held in that financial year beginning from the date of allotment of that shares.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for the aforesaid issue of Securities including warrants, if necessary,

creation of such mortgages and/or charges in respect of the Bonds/ Debentures on the whole or any part of the undertaking of the Company under section 293(1)(a) of the Companies Act, 1956 and to approve, settle and execute such documents or writings as they may consider necessary or proper or incidental to this resolution with power to settle any question, difficulty or doubt that may arise in regard to any such issue and allotment as it may in its absolute discretion deem fit.

10. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary resolution.

RESOLVED THAT authorised capital of the Company be and is hereby increased from Rs. 10,50,00,000 (Rupees Ten Crores Fifty Lacs only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs.10/- each and 50,000 (Fifty Thousand) Redeemable Cumulative Preference Shares of Rs.100/- each to Rs. 13,00,00,000 (Rupees Thirteen Crores only) divided into 1,30,00,000 (One Crore Thirty Lacs) Equity Shares of Rs.10/- each and Clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company be altered accordingly,

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

RESOLVED THAT pursuant to the provisions of Section 94 and any other applicable provisions, if any of the Companies Act, 1956 clause V namely capital clause of the Memorandum of Association of the Company be and is hereby substituted as under.

"The authorised share capital of the Company is Rs. 13,00,00,000/- (Rupees Thirteen Crores only) divided into 1,30,00,000 (One Crore Thirty Lacs) Equity shares of Rs.10/- (Rupees ten) each. "

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

" RESOLVED THAT pursuant to the provisions of Section 31 and any other applicable provisions, if any of the Companies Act, 1956 Article 5 of the Articles of Association of the Company be and is hereby substituted as under."

"The authorised share capital of the Company is Rs. 13,00,00,000/- (Rupees Thirteen Crores only) divided into 1,30,00,000 (One Crore Thirty Lacs) Equity shares of Rs.10/- (Rupees ten) each subject to increase or reduction in accordance with the regulations of the Company and legislative provisions for the time being in force in this behalf and with power to divide the share capital for the time being into equity share capital, Preference share capital or any other type of share capital as may be permitted by law and to attach thereto respectively the Preferential, qualified or special rights, privileges or conditions."

30th May, 1998

Regd. Office :

Rakhial Station, Tal. Dehgam,
Dist. Gandhinagar - 382 315,
Gujarat.

By Order of the Board of Directors
Narendra N. Patel
Company Secretary


MADHUSUDAN
INDUSTRIES LIMITED

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Members are requested to notify immediately the change of address, if any, to the Company.
3. The Register of Members and Share transfer book of the Company will remain closed from 16-07-1998 to 31-07-1998 (both days inclusive) for the purpose of ascertaining the right of members to receive dividend for the year ended 31st March, 1998. Members whose names will appear on the register of Members as on 31-07-1998 Will be entitled to dividend for the year ended 31st March, 1998.
4. Members/ Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
5. Members are requested to send their queries atleast ten days before the date of the meeting so that the information can be made available at the meeting.
6. As per the provisions of Section 205 of the Companies Act, 1956 the dividend can be paid to the bankers of the Member or any other authorised person. The Members who want to make the Payment of dividend to any other person or banker may send the authority to the Company on or before 16-07-1998 with details of number of shares, amount of dividend, L.F. No. and name of the person/ bank to whom the payment is to be made.
7. Unpaid dividend upto the year 1993-94 has been transferred to the General Revenue Account of the Central Government. Any member who has to prefer a claim of dividend for any of the years including and prior to the year 1993-94 may approach the Company for relevant formats etc. for such claim.
8. The Board of Directors have recommended a dividend of 11% on fully paid Preference shares of Rs. 100/- each and 16% on fully paid Equity Shares of Rs. 10/- each for the year ended 31st March, 1998.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item No. 6

Special resolutions were passed by the Company in the general meetings held on 30/1/87, 29/10/87 and 29/12/88 consenting to the Board of Directors of the Company for making loans or providing guarantee, security etc. to body/bodies corporate within the limits laid down u/s 370 of the Companies Act, 1956 as it existed at that time without the approval of Central Government, subsequently the said limits has been revised by the Central Government by amending the relevant provisions of the Companies Act 1956. Now it is proposed that the Board of Directors be authorised to make any loans to body/ bodies corporate as per the limits laid down u/s 370 of the Companies Act, 1956. They may also be authorised to make loans and/ or provide guarantees, securities etc. in excess of the limits laid down u/s 370 of the Companies Act, 1956 with the approval of Central Government. The same is necessary in view of changing scenario of Indian Economy in view of globalisation. It is also required as the Company proposes to enter into joint venture with foreign collaborators in both of its divisions viz. Edible oil division and Ceramic division.

The board commends passing of the resolution as per item No. 6 of the notice for your approval.

None of your directors is in any way concerned or interested in the said resolution.

Item No. 7

The Reserve Bank of India has permitted Non-Resident Indians (NRIs)/ Overseas Corporate Bodies (OCBs) to purchase Shares/ Convertible Debentures of Indian Company through Stock Exchanges on repatriation basis. Each NRI/ OCB can purchase shares up to 1% of the total paid up capital of the company, however aggregate investment in Shares/ Convertible Debentures of the Company purchased through Stock Exchanges by all NRIs/ OCBs is restricted to 5% of the total paid up capital of the company. The Reserve Bank of India has now raised the said limit to 30% of the paid up capital, if members of the Company pass the resolution at General Meeting of the company. In view of the proposed joint ventures in both the divisions of the Company, your directors think it, desirable that necessary resolution be passed by the members of the Company at the General Meeting to have NRI/ OCB investment upto 30 % of the paid up capital of the Company.

The board commends the passing of the resolution as per item no. 7 of the notice for your approval.

None of your directors is in any way concerned or interested in the said resolution.

Item No. 8

Shri Dharam Prakash Goyal was appointed as Resident Director of the Company for a period 20/11/1996 to 30/06/1998. His term expires on 30/06/1998.

Shri Dharam Prakash Goyal has been re-appointed as Resident Director and designated as President - cum - Resident Director of the Company for a period from 01/07/1998 to 30/06/2000 by the Board of Directors at their meeting held on 15/05/1998, subject to approval of the members of the Company at the general meeting. Shri Dharam Prakash Goyal as Resident Director shall discharge every duty and function subject to the superintendence, direction and control of the Board of Directors of the Company. The terms and conditions of the re-appointment are in conformity with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956. The Company has entered into agreement on 25/05/1998 with Shri Dharam Prakash Goyal for his re-appointment as Resident Director.

Shri Dharam Prakash Goyal shall not be liable to retire by rotation till he enjoys the position of Resident Director.

However, Shri Dharam Prakash Goyal shall not exercise the following powers as Resident Director.

- (a) make calls on shareholders in respect of moneys unpaid on the shares of the Company;
- (b) issue debentures and
- (c) except as may be specifically delegated by the Board under Section 292 of the Companies Act, 1956 invest the funds of the Company or make loans and borrow moneys.

The agreement between the Company and Shri Dharam Prakash Goyal contains the following main terms and conditions.

Annual Report 1997-98

1. Period of Agreement : 01/07/1998 to 30/06/2000.

2. Remuneration

- I) **Salary** : Rs. 45,000/- per month w.e.f. 01/04/1998 and Rs. 50,000/- per month w.e.f. 01/04/1999. However, it is subject to revision within the maximum limit prescribed under schedule XIII of the Companies Act, 1956.

II) **Perquisites**

Category - A

- a) **Accommodation** : Free furnished housing accommodation or house rent allowance as may be mutually agreed by both the parties.
- b) **Facilities of gas, electricity, water and furnishings** : The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per Income-tax Rules, 1962. This shall however, be subject to a ceiling of 10% of the salary of the appointee.
- c) **Medical benefit** : Medical reimbursement for self and family subject to one month's salary in a year or three months salary over a period of three years.
- d) **Leave Travel Concession** : For self and family once in a year to and fro any place in India in accordance with the Rules of the company.
- e) **Club Fees** : Annual fees of club subject to a maximum of two clubs. This will not include admission and life membership fee.
- f) **Insurance** : Personal Accident Insurance of an amount annual premium of which does not exceed Rs.4,000/-
- g) **Bonus** : As per Rules of the Company as applicable to other executives/employees of the Company.

Category - B

- a) **Contribution to Provident Fund, Superannuation Fund or Annuity Fund** : These will not be included in the computation of the ceiling of the perquisites to the extent these either singly or put together are not taxable under Income-tax Act, 1961.
- b) **Gratuity** : Gratuity payable in accordance with the company's scheme thereof as applicable to other officers of the company subject to a maximum of half month's salary for each completed year of service.

Category - C

- a) Free telephone facility at residence. Personal long distance calls on telephone will be billed by the company to the appointee.
- b) Free use of Car with driver for company's work only. The use of car for private purpose shall be billed by the company to the appointee.

The Resident Director is also entitled to the benefits as per the rules of the Company which the other employees/executives of the Company are entitled to apart from remuneration as Resident Director.

3. The terms and conditions of the said re-appointment and / or agreement may be altered and varied from time to time by the Board as it may, in its discretion deem fit, within the maximum amount payable to the Resident Director in accordance with schedule XIII to the Companies Act, 1956 or any amendments made thereafter in this regard.

4. If at any time the Resident Director ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Resident Director.

5. If at any time the Resident Director ceases to be Resident Director of the Company for any cause whatsoever, he shall cease to be a Director of the Company.

6. If at any time the Resident Director ceases to be in the employment of the Company for any cause whatsoever, he shall cease to be a Director and/ or Resident Director of the Company.

7. This may be treated as an abstract of the Agreement between the Company and Shri Dharam Prakash Goyal u/s 302 of the Companies Act, 1956.

The Copy of Agreement entered into with Shri Dharam Prakash Goyal is open for inspection at the registered office of the Company during the office hours on any working day.

The Board of Directors commend the passing of the resolution as per item no. 8 of the notice.

Except Shri Dharam Prakash Goyal none of your Directors is concerned or interested in the said resolution.

Item No. 9

The Company intends to have foreign joint venture partners in both its divisions viz. Edible Oil Division and Ceramic Division with a view to upgrade the technology and face the challenges in the coming times in view of the globalisation of the economy. The Promoters feel that if the company does not act right now it will be very difficult to remain competitive in the global scenario. Foreign technology could come in the company only by way of joint venture, since the foreign collaborators have now stopped giving technology on one time payment or royalty basis. The company is negotiating with some parties for the same.

Presently, the Share capital of the Company is 53,75,000 equity shares. The company further intends to allot 53,00,000 equity shares/warrants to the Promoters on preferential basis, since the funds will be required in the Company for Capital expenditures in the joint venture.

The joint venture partner would like to have round about 50% equity in the company. The present holding of Promoters is 57.43% in the Company, balance being held by Financial Institutions and the Public at large. It is therefore, necessary to increase the holding of the Promoters in the existing company itself. It is the intention to increase the equity stake to 78.57 % for the Promoters so that when the joint venture partner comes, suitable percentage could be offered by the Promoters to the joint venture partners and balance 20% could be acquired by way of Public offer. The price of the Public offer will be the same, which will be offered to the Promoters by the joint venture partner so that the institutions and minority shareholders are also benefited accordingly.

The price of equity shares to be subscribed by the Promoters will be decided as per present SEBI guidelines not being less than Rs. 24/- per equity share.

The present shareholding pattern of the Company and future shareholding pattern after the proposed preferential allotment of 53,00,000 warrants/equity shares are as under:


MADHUSUDAN
INDUSTRIES LIMITED

Sr. No.	Name	Present Holding		No. of warrants/ Equity shares proposed to be issued	After proposed Issue*	
		No. of shares	% of the present capital		No. of warrants/ Equity shares	% of the post issue capital*
1.	Dev Holdings Ltd.	247754	4.61	---	247754	2.32
2.	Madhusudan Holdings Ltd.	440600	8.20	---	440600	4.13
3.	Mercury Investments Ltd.	476130	8.86	40000	516130	4.83
4.	Nippon Commercial Co.Ltd.	29429	0.55	---	29429	0.28
5.	Rekha Commercial Ltd.	136115	2.53	250000	386115	3.62
6.	Suvinay Trading & Invest. Co. Ltd.	129710	2.41	250000	379710	3.56
7.	Trisure Promotions & Tradings Ltd.	211650	3.94	250000	461650	4.32
8.	Vikram Investment Co. Ltd.	486810	9.06	600000	1086810	10.18
9.	Venugopal Holdings Ltd.	31694	0.59	---	31694	0.30
10.	Anjalika Somany	133550	2.49	990000	1123550	10.53
11.	Devpriya Somany	91050	1.69	48000	139050	1.30
12.	Deepshikha Khaitan	19558	0.36	---	19558	0.18
13.	Sharad Somany	84300	1.57	72000	156300	1.46
14.	Smiti Somany	85010	1.58	350000	435010	4.08
15.	Shashi Kumar Somany	160860	2.99	1500000	1660860	15.56
16.	Vikram Somany	164410	3.06	650000	814410	7.63
17.	Vidush Somany (Minor)	158100	2.94	300000	458100	4.29
	Total	3086730	57.43	5300000	8386730	78.57

* On exercise of right to subscribe equity shares against warrants.

Pursuant to the proposed preferential allotment :

- there will be no change in the Board of Directors of the Company,
- there will be a change in the voting rights of the Promoters/ Promoter Group/NRIs as indicated above.
- there will be no change in the control of the company.

The certificate of the Statutory Auditors of the Company, certifying that the preferential issue of warrants/ equity shares is being made in accordance with prevailing guidelines of SEBI, will be available for inspection by the members at the place of the meeting.

All other documents referred to in the Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company during office hours on any working day.

The consent of the members is being sought pursuant to the provisions of Section 81, 81(1A) and other enabling provisions, if any, of the Companies Act, 1956, the provisions of the Listing Agreement executed with the Stock Exchanges and as per SEBI's prevalent guidelines for issue of preferential warrants/equity shares to the Promoters. The Listing Agreement provides inter alia that the company in the first instance should offer all shares/debentures and securities to be issued by the company for subscription on prorata basis to the existing equity shareholders unless the shareholders in general meeting decide otherwise.

The said Special Resolution, if passed, shall have the effect of allowing the Board of Directors, on behalf of the company, to issue and allot securities/warrants otherwise than on prorata basis to the existing members.

The board commends passing of the resolution as per item No. 9 of the notice for your approval.

Shri Vikram Somany, Chairman, Shri Shashi Kumar Somany and Shri Sharad Somany, Directors of the company, who are also members of the Promoter Group, may be deemed to be concerned or interested in the resolution, as it relates to the issue of securities to the Promoters Group, except them no other Director is in any way concerned or interested in the resolution.

Item No. 10,11 & 12

The Authorised Capital of the Company presently, stands at Rs. 10,50,00,000 (Rupees Ten Crores Fifty Lacs Only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs. 10/- each and 50,000 (Fifty Thousand) Redeemable Cumulative Preference Shares of Rs. 100/- each. The Company proposes to issue 53,00,000 Preferential warrants/equity shares to the promoters group with an option to subscribe for equity shares, and if opted by the promoters will result in addition of 53,00,000 equity shares of Rs. 10/- each. Hence, the paid up capital after conversion of warrants into equity shares will be 1,06,75,000 equity shares of Rs. 10/- each.

In view of above, your directors recommend to increase the authorised share capital of the Company from Rs. 10,50,00,000 (Rupees Ten Crores Fifty Lacs Only) to Rs. 13,00,00,000 (Rupees Thirteen Crores Only) divided into 1,30,00,000 equity shares of Rs. 10/- each.

Consequent upon the increase in the share capital of the Company, the Clause V namely Capital Clause of Memorandum of Association of the Company and Article 5 of the Articles of Association of the Company require alteration, pursuant to the provisions u/s 94 and 31 respectively of the Companies Act, 1956 and any other provision as may be applicable, so as to reflect the increase in the authorised share capital.

The Board of Directors commend the passing of the resolutions as per item no. 10,11 and 12 of the notice for your approval.

None of your Directors is in any way concerned or interested in the said resolutions.

30th May, 1998

Regd. Office :

Rakhial Station, Tal. Dehgam,
Dist. Gandhinagar - 382 315,
Gujarat.

By Order of the Board of Directors
Narendra N. Patel
 Company Secretary

Annual Report 1997-98

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, 1998.

Performance

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

	Year ended March 31, 1998 (Rs. Lacs)	Year ended March 31, 1997 (Rs. Lacs)
Profit before depreciation & taxes	702.08	770.27
Deducting therefrom Depreciation of	306.89	308.25
Profit before tax	395.19	462.02
Deducting therefrom taxes of	40.00	45.46
Profit after tax	355.19	416.56
Adding transfers from Investment Allowance (utilised) Reserve	0.00	17.28
Balance brought forward from previous year	250.00	225.00
Amount available for appropriations	605.19	658.84
The proposed appropriations are:		
1. Debenture Redemption Reserve	45.94	45.94
2. Capital Redemption Reserve	5.00	0.00
3. Proposed Dividend	86.55	108.05
4. Corporate Dividend Tax	8.65	0.00
5. General Reserve	184.05	254.85
6. Balance carried forward	275.00	250.00
	605.19	658.84

Dividend

Your Directors recommend the following Dividend for the year ended 31st March, 1998 to be paid, subject to approval by the Members at the ensuing Annual General Meeting.

(A) Preference Shares:

Rs.11/- per share on 5,000 11% Redeemable Cumulative Preference Shares of Rs.100/- each fully paid. (Previous Year Rs.11/-)

(B) Equity Shares:

Rs. 1.60 per share on 53,75,000 Equity Shares of Rs.10/- each fully paid. (Previous Year Rs.2/-)

Operations in retrospect

Edible Oil Division

The production of Vanaspati and Refined Oils during the year was 19,618 MT (20,408 MT in previous year) and Sales were 20,247 MT (20,539 MT in previous year). Sluggish conditions prevailed in the Oil Market for most part of the year. The overall recession also had its impact on the demand. The Division is continuing its efforts to improve its overall performance.

The De-Oiled Cake production was 34,544 MT against 31,269 MT last year. The Solvent Extraction industry as a whole continued to suffer on

account of poor capacity utilisation, a result of limited availability of raw material. This year the condition became worse on account of damage to Soyabean and Rapeseed Crops due to unseasonal rains at the time of harvest. The sluggishness in demand of DOC of Indian Origin, on account of turmoil in the South East Asian markets compounded to the problems of the Industry. The company is making efforts to achieve better capacity utilization of its Solvent Plants in the coming years.

Power Division

The 2.5 MW power plant at Patelka generated 32,65,476 units during the year against 31,25,479 units generated during the previous year.

During the year under review 4 WTGs of 250 KW each of NEPC make were purchased from M/s. Gujarat Gas Company Limited. The units generated during the period January'98 to March'98 are 1,54,082. The Company will be entitled for Sales Tax incentive of Rs.160 lacs

Ceramic Division

Sanitaryware and Tiles units

Your Company continues to be first and the only sanitaryware manufacturer with ISO 9002 certification - the international recognition for quality system.

The production of sanitaryware was 10,821 MT against 10,721 MT in the previous year. Sales were higher by 12.88% in value terms at 11,623 MT against 11,254 MT in the previous year. While the growth in the domestic market continued to be low, the increase in exports more than offset any adverse impact - a proof of confidence in your company's products in the international market. The Company's products are being exported in large volumes to the highly quality conscious U.S. market and are very well accepted by the U.S. Consumers. The company is continuing its efforts to further improve the quality. Further, during the year, your company introduced new product lines/models in the market that were received well.

The production of Tiles was 3,833 MT against 5,571 MT in the previous year. Sales were 3,523 MT against 4,943 MT last year.

The Company has continued with the process of continuous improvement in the plant efficiencies and addition of balancing equipment to improve capacity utilisation.

Redemption of Preference Shares

The Company has redeemed 5000, 11% Redeemable Cumulative Preference Shares on 31-03-1998.

Issue of Preferential Warrants

The company intends to have foreign joint venture partners in its both Divisions viz. Edible Oil Division and Ceramic Division with a view to upgrade the technology and face the challenge in the coming times in view of the globalisation of the economy. Foreign technology could come in the company only by way of equity in the joint venture participation.

The present holding of the Promoters is 57.43% in the company, balance being held by Financial Institutions and the Public at large. It is, therefore, necessary to increase the holding of the Promoters by way of issue of Preferential Equity Shares/Warrants to the Promoters and their Group Companies as per prevailing SEBI guidelines so that when the joint venture partner comes in, the holdings of the Promoters and joint venture partner remain at suitable levels.


MADHUSUDAN
INDUSTRIES LIMITED

Capital Expenditure

The Company incurred Capital expenditure of Rs.281.74 lacs towards capital expenditure at its Ceramic, Edible Oil and Power Divisions.

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

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

Exchequer

The Company has contributed Rs.797 lacs to the Exchequer by way of Excise Duty, Sales Tax and other fiscal levies.

Fixed Deposit

Fixed Deposits from the Public, outstanding as on 31-3-1998 is Rs.101.74 lacs. There are 56 Fixed Deposit holders with a total of Rs.7,96,000/- of unclaimed/unrenewed deposits as on 31st March, 1998. Since then, the Company had paid/renewed a sum of Rs.32,000/- to 6 persons. 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. 17,71,89,495/-.

Subsidiary Companies

The particulars required Under Section 212 of the Companies Act, 1956 in respect of the Subsidiary Companies viz. Cera Leasing Finance & Industries Limited and Madhusudan Ceramics Industries Limited are appended.

Finance

During the year under review, the Company repaid a sum of Rs.579.70 lacs as loans to Financial Institutions.

Personnel

Information as per Sub Section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31st March, 1998 is annexed.

Exports

Exports of the Edible Oil and Ceramic Divisions were of Rs.21.82 crores consisting of Rs.16.22 crores of De-oiled Cake and Rs.5.60 crores of Sanitarywares.

Directors

Sarvashri Chandrakant C. Dalal and Sushil Kumar Bagla are due to retire by rotation and being eligible for re-appointment offer themselves for re-appointment.

Auditors

The shareholders are requested to appoint Auditors for the year 1998-99 and fix their remuneration 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 remained cordial throughout the year.

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 ICICI, BOB, ICICI Banking Corporation Limited, IIBI, UTI, IREDA, GIC, GEDA and various departments of both State and Central Governments.

For and on behalf of the Board of Directors

Ahmedabad
15th May, 1998

Vikram Somany
Chairman

Annual Report 1997-98

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, 1998.

1-4-97 to
31-3-98

1-4-96 to
31-3-97

FORM - A (For Vanaspati Unit-Edible Oil Division)

A. Power and Fuel Consumption

1. Electricity:

i. Purchased		
Unit(KWH)	84,95,730	1,06,16,540
Total Amount (Rs.)	3,55,12,699	3,65,68,472
Rate/Unit(Rs.)	4.18	3.44
ii. Own Generation		
Through Diesel Generator		
Unit(KWH)	3,02,010	1,73,253
Units/Ltr. of Diesel Oil	3.14	3.40
Cost/Unit (Rs.)	2.77	2.60

2. Coal:

i. Lignite Coal		
Qty.(Tonnes)	15,457	14,846
Total Cost (Rs.)	1,87,91,242	1,60,15,517
Average Rate (Rs.)	1,216	1,078
ii. Steam Coal		
Qty.(Tonnes)	72	439
Total Cost (Rs.)	1,66,405	10,91,418
Average Rate (Rs.)	2,311	2,484

3. Others/Internal Generation:

B. Consumption per unit of Production

a. Product - Vanaspati & Solvent Oil		
Steam(M.T.)	2.32	1.99
Electricity(KWH)	*	473
Coal (Specify quality)		
Steam Coal	0.52	0.44
Firewood	-	-

* Electricity consumption per unit of production is not comparable for the current year because of outsourcing of Hydrogen Gas.

FORM - B

Research and Development (R & D)

- Specific areas in which R & D is carried out : The Company's Research & Development Unit of Ceramic Division is recognised by Department of Scientific & Industrial Research, Government of India, since 1993. It has successfully developed the body and glaze compositions for fast firing tunnel Kilns. It is continuously working on further improvement of Glaze quality. It has also engaged itself in

2. Benefit derived as a result

finding new sources of raw materials of good quality. During the year it has taken up the job of improving the quality of Plaster of Paris.

With the introduction of new sources of raw materials and colours the cost of colours has come down. Further, with the commissioning of POP project the company shall get superior quality of Plaster which, in turn, shall improve the quality of products and the recoveries.

3. Future plan of action

The plans are being made to further upgrade the R & D facilities.

4. Expenditure on R & D :

a. Capital	Rs. Nil
b. Recurring	Rs. 10,06,241/-
c. Total	Rs. 10,06,241/-
d. Total R & D Expenditure as a percentage of total turnover	0.05%

Technology Absorption, Adaptation & Innovation

- Efforts in brief made towards technology absorption, adaptation and innovation : R & D Chief visited Thailand for improvement in the quality of Plaster of Paris.
- Benefits derived as a result of the above efforts e.g. Product improvement, cost reduction, product development, import substitution, etc. : There is improvement in quality.
- In case of imported technology (Imported during the last five years reckoned from the beginning of the financial year) following information may be furnished
 - Technology imported : West Germany, UK & Italy.
 - Year of Import : 1992-93/94-95/95-96
 - Has technology been fully absorbed : Yes, the fuel efficient kiln and Electrostatic glazing system & lifting Battery casting are working successfully.
 - If not fully absorbed areas where this has not taken place, reasons therefore and future plans of action : Not Applicable

FORM - C

Total Foreign Exchange used and earned

Total foreign exchange used	Rs. 127.98 Lacs
Total foreign exchange earned	Rs. 2181.83 Lacs