



ANNUAL REPORT
1998-99

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MADHUSUDAN 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 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

M/s. Tholiya & Associates, 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, RIICO 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.

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Annual General Meeting at 11.30 a.m. on Tuesday,
the 28th day of September, 1999 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 Tuesday, the 28th day of September, 1999 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, 1999 and Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To declare dividend on Equity Shares.
3. To appoint a director in place of Shri Sushil A. Dalal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri Sharad Somany 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 pursuant to the provisions of Section 16, 17 and other applicable provisions if any, of the Companies Act, 1956, clause 5 of the objects clause of the Memorandum of Association which read as "To grow agricultural and other produce" be deleted.
7. 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 309(4) and other applicable provisions, if any of the Companies Act, 1956 a sum not exceeding 1% p.a. of the net profits of the Company calculated in accordance with the provisions of Sections 198, 349 and 350 of the Companies Act, 1956 be paid to and distributed among the directors not in whole time employment of the company in such manner, as the Board of Directors may from time to time determine and in default equally in each financial year of the company for a period of 5 years, commencing from 1st April, 1998 and upto 31st March, 2003.

16th August, 1999

Regd. Office :

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

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

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 16-09-1999 to 28-09-1999 (both days inclusive) for the purpose of ascertaining the right of members to receive dividend for the year ended 31st March, 1999. Members whose names will appear on the register of Members as on 16-09-1999 will be entitled to dividend for the year ended 31st March, 1999.
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 Shareholder or any other authorised person. The Shareholders who want to make the payment of dividend to any other person or banker may send the authority to the Company on or before 1-09-99 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 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 15% on fully paid Equity Shares of Rs. 10/- each for the year ended 31st March, 1999.

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

Item No. 6

The Reserve Bank of India had permitted the issue of warrants to Promoters of the Company, which includes Non-Resident Indians (NRIs) / Overseas Corporate Body (OCB). The Reserve Bank of India permitted to issue, not exceeding 21,00,000 warrants to the NRIs / OCBs. The issue of warrants was approved by the members at the Annual General Meeting held on 10th July, 1998. The Company agreed with the Reserve Bank of India that it will delete clause 5 of the objects clause of the Memorandum of Association which read as "To grow agricultural and other produce". As such Memorandum of Association be altered accordingly.

Your directors commend the 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

Section 309(4) of the Companies Act, 1956, provides that in the case of the directors who are not in the Whole-time employment of the Company, the members, may by Special Resolution, authorise the payment of commission for a period of five years.

Taking into account the increase in the responsibilities shouldered by the directors, it is proposed that the directors other than the Whole Time Directors be paid commission not exceeding 1% of the net profits of the Company, calculated in accordance with the provisions of the Companies Act, 1956 in the manner set out in the resolution. This amount will be distributed among all or some of the non Whole Time Directors in such manner, as the Board of Directors may from time to time determine and in default equally, in each financial year.

Your directors commend the passing of the resolution as per item no. 7 of the notice for your approval.

All the directors except Shri D.P. Goyal, may be deemed to be interested or concerned in the said resolution.

16th August, 1999

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 1998-99**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, 1999.

Performance

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

	Year ended March 31, 1999 (Rs. Lacs)	Year ended March 31, 1998 (Rs. Lacs)
Profit before depreciation & taxes	648.17	702.08
Deducting therefrom Depreciation of	315.35	306.89
Profit before tax	332.82	395.19
Deducting therefrom taxes of	55.00	40.00
Profit after tax	277.82	355.19
Balance brought forward from previous year	275.00	250.00
Amount available for appropriations	552.82	605.19
The proposed appropriations are:		
1. Debenture Redemption Reserve	-	45.94
2. Capital Redemption Reserve	-	5.00
3. Proposed Dividend	80.62	86.55
4. Corporate Dividend Tax	8.87	8.65
5. General Reserve	17.33	184.05
6. Balance carried forward	446.00	275.00
	552.82	605.19

Dividend

Your directors recommend the dividend of Rs.1.50 per share on 53,75,000 Equity Shares of Rs.10/- each fully paid. (Previous Year Rs.1.60) for the year ended 31st March, 1999, to be paid subject to approval by the members at the ensuing Annual General Meeting.

Operations in retrospect**Edible Oil Division**

The production of Vanaspati and Refined Oils during the year was 18,997 MT (19,618 MT in the previous year). The De-Oiled Cake production was 37,342 MT (34,544 MT in the previous year).

The domestic oil market continued to remain unstable and reeled under excessive inflow of imported oils. The market of De-Oiled Cake remained subdued due to depressed prices and limited demand from international markets. The Company has tried to cope with the hardtimes faced by the Vanaspati and Solvent Extraction Industries.

While continuing its efforts to improve capacity utilisation, the Company ventured into direct imports of oils. The first lot was imported for captive consumption at the Company's Vanaspati Plant. In future it intends to import for trading purposes as well.

Power Unit

The year under review witnessed unforeseen catastrophe due to a cyclone on June 9, 1998 which caused heavy damage to all the 14 WTGS at both the Windfarms of the Company at Patelka and Lamba. 4

WTGS at Lamba and 10 WTGS at Patelka recommenced operations in September and November, 1998 respectively. The unit lost peak generation of power from June to August, 1998 and consequently the total generation was 20,14,910 kwh against 34,19,558 kwh generated last year.

Ceramic Division**Sanitaryware and Tiles units**

Production and sale of Sanitaryware were 10,592 MT and 11,418 MT respectively against 10,821 MT and 11,623 MT respectively in the previous year. The export of Sanitaryware was higher by 44% in comparison of previous year. Various cost effective measures are being taken in the plant with a view to improve the bottomline. The company is in the process of installing captive power DG set of 1.52 MW in the current year based on natural gas. Balancing equipments are also being added in order to remove bottlenecks in the existing plant, which should improve the quality of product and increase the production of high value items. R & D department is also being strengthened by installing various equipments worth Rs.70 lacs.

The production of Tiles was 1554 M.T. against 3833 M.T. in previous year.

Redemption of Debentures

The Company has redeemed 1st instalment of Rs.10/- per PCD of 15% Partly Convertible Debentures (Part-B, Non Convertible Portion) on 08.01.1999 and 2nd instalment of Rs.10/- will be due on 08-01-2000.

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.816.44 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 31-03-1999 were Rs.56.91 lacs. There are 31 Fixed Deposit holders with Rs.1,48,000 of unclaimed/unrenewed deposits as on 31st March, 1999. Since then, the Company had paid/renewed a sum of Rs.19,000 to 3 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. 18,40,92,487.

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.

The Company, promoter of its subsidiary company Madhusudan Ceramics Industries Limited, agreed to sell its entire holding (50.76%) in it in the current year. It ceased to be the subsidiary of the Company from 30-06-1999.

The Company had given Corporate Guarantees for Term Loans/NCDs of Rs. 28.40 Crores, given by ICICI and GIIC to MCIL. ICICI has since released the same for Rs. 26 Crores.


MADHUSUDAN
 INDUSTRIES LIMITED

Finance

During the year under review, the Company repaid loans of Rs.379.20 lacs 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, 1999 is annexed.

Exports

Exports of the Edible Oil and Ceramic Divisions were Rs.2200.23 lacs consisting of Rs.1391.25 lacs of De-Oiled Cake including third party exports and Rs.808.98 lacs of Sanitarywares including exports of Rs.548.61 lacs to U.S.A.

Directors

Sarvashri Sushil A. Dalal and Sharad Somany are due to retire by rotation and being eligible for re-appointment offer themselves for re-appointment.

The term of Shri M.L. Modi, Executive Director of the Company expired on 30.06.1998 and since then he has retired. Your Directors place on record the deep sense of appreciation for the valuable services rendered by Shri M.L. Modi during his long association with the Company.

Auditors

The members are requested to appoint Auditors for the year 1999-2000 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.

Stock Exchange Listing

Equity Shares and Partly Convertible Debentures (Part-B, Non Convertible Portion) are listed on The Ahmedabad Stock Exchange, Kamdhenu Complex, Opp. Shahjanand College, Panjrapole, Ahmedabad - 380 015, The Stock Exchange-Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and The Calcutta Stock Exchange Association Limited, 7, Lyons Range, Calcutta - 700 001. The Company has paid Annual Listing Fee to each of the above Stock Exchanges for the year 1998-99 and 1999-2000.

Y2K Measures

The Production Process of any units of the Company is not dependent on year 2000 compliance. For other areas the Company has taken necessary steps to ensure Y2K compliance for its Hardware/Software.

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

For and on behalf of the Board of Directors

Ahmedabad
28th July, 1999

Vikram Somany
Chairman

Annual Report 1998-99

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, 1999.

1-4-98 to
31-3-99

1-4-97 to
31-3-98

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

A. Power and Fuel Consumption

1. Electricity:

i. Purchased

Unit(KWH)	42,94,170	84,95,730
Total Amount (Rs.)	2,06,39,129	3,55,12,699
Rate/Unit(Rs.)	4.81	4.18

ii. Own Generation

Through Diesel Generator

Unit(KWH)	1,20,919	3,02,010
Units/Ltr. of Diesel Oil	2.95	3.14
Cost/Unit (Rs.)	3.34	2.77

2. Coal:

i. Lignite Coal

Qty.(Tonnes)	11,808	15,457
Total Cost (Rs.)	1,53,29,991	1,87,91,242
Average Rate (Rs.)	1,298	1,216

ii. Steam Coal

Qty.(Tonnes)	-	72
Total Cost (Rs.)	-	1,66,405
Average Rate (Rs.)	-	2,311

iii. Fire Wood

Qty.(Tonnes)	1,721	-
Total Cost (Rs.)	12,39,944	-
Average Rate (Rs.)	721	-

B. Consumption per unit of Production

a. Product - Vanaspati

Steam(M.T.)	1.74	2.32
Electricity(KWH)	168	** 370
Coal (Specify Quality)		
Steam Coal / Lignite	0.45	0.52
Others (Specify)		
Firewood	0.07	-

** Electricity consumption per unit of production is not comparable for the current year because of purchase of Hydrogen Gas from market. Electricity consumption in the last year included power requirement for Hydrogen gas generation.

FORM - B

Research and Development (R & D)

1. Specific areas in which R & D is carried out

The Company's Research & Development Unit 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

2. Benefits derived as a result

quality. It has also engaged itself in 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 Company has already placed orders for supply of R & D Equipments worth Rs.71.00 lakhs in order to strengthen its R & D unit further.

4. Expenditure on R & D :

a. Capital	: Rs. 4,46,371
b. Recurring	: Rs. 15,46,783
c. Total	: Rs. 19,93,154
d. Total R & D Expenditure as a percentage of Total Turnover	: 0.45%

Technology Absorption, Adaptation & Innovation

1. Efforts in brief made towards : NIL 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.

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	: 1994-95 & 95-96
c. Has technology been fully absorbed	: Yes, the fuel efficient kiln and Electrostatic glazing system & lifting Battery casting are working successfully.

d. If not fully absorbed areas : Not Applicable where this has not taken place, reasons therefore and future plans of action

FORM - C

Total Foreign Exchange used and earned

Total foreign exchange used	: Rs. 299.20 Lacs
Total foreign exchange earned	: Rs. 1619.43 Lacs


MADHUSUDAN
INDUSTRIES LIMITED

Annexure to the Directors' Report

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 1999.

Sr. No.	Name & Age (Years)	Designation/ Nature of Duties	Remuneration (Rs.)	Qualifications & Experience (Years)	Date of commencement of employment	Last Employment, Name of employer, post held and period. (Years)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
A : Names of Employees employed throughout the year and were in receipt of remuneration of not less than Rs.6,00,000 during the year:						
1.	Shri Goyal D.P. (50)	Resident Director	7,96,716	M.A.(Economics) P.M.A.(IIMA) (27)	16-03-77	Wipro Ltd. Area Sales Manager (4)
2.	Shri Kothari S.C. (55)	Chief Executive (Projects)	7,38,646	B.Com.,LL.B., FCA (33)	01-06-85	CCDC Construction Pvt.Ltd. (1)
B : Names of Employees employed for part of the year and were in receipt of remuneration of not less than Rs.50,000 per month						
1.	Shri Modi M.L. (68)	Executive Director	6,95,753	B.Com.LL.B., FBIM (London) (45)	01-06-79	Orient General Industries Ltd. Senior Executive (1)
2.	Shri Sarda P.K. (47)	Sr. Vice President (Sanitaryware)	2,79,344	B.E. (Metallurgical) (25)	05-01-95	Wood Crafts Products Ltd. General Manager (2)

Notes

- Gross remuneration as above includes Salary, Company's contribution to Provident Fund, Superannuation Fund, Leave Encashment, Leave Travel reimbursement, Medical expenses reimbursement, House Rent Allowance, Housing Accommodation and Monetary value of perquisites calculated in accordance with the provisions of Income Tax Act, 1961 and Rules made thereunder.
- None of the above employees is a relative of any director of the Company.

Significant Accounting Policies

Sales

Sales include excise duty and net of discounts and sales-tax.

Research & Development

Revenue expenditure is charged as an expense. Capital expenditure is included in fixed assets and depreciated at applicable rates.

Provision for Retirement Benefits

Contribution to Provident and Superannuation Funds are made at applicable rates. Provisions for unutilised leave due to employees and contribution to approved Gratuity Fund is made on the basis of Actuarial Valuation.

Fixed Assets & Depreciation

- Fixed Assets are stated at cost. Cost is inclusive of freight, duties, levies and any directly attributable cost of bringing assets to their working condition for intended use, and net off modvat credits available on the assets.
- Assets acquired under hire purchase instalment credit scheme, the cost of asset is capitalised while the annual financial charges at equated instalments are charged to revenue.
- Depreciation for the year has been provided at the rates and in manner specified in Schedule-XIV of the Companies Act, 1956 as under :
 - On Plant & Machinery and Electric Plant & Installation on straight line method.
 - On other assets on written down value method.

- Lease hold land is amortised over the period of lease. In respect of other assets taken on lease, the value thereof is not capitalised, but the contracted lease rentals are charged to revenue on accrual basis.

Inventories

Inventories are valued as under :

- Stock-in-Process - at cost.
- Raw Materials (including in transit) - at cost.
- Finished Goods - at cost or market value whichever is lower.
- Stores, Chemicals & Coal, etc. - at cost.
- By-Products - at realisable value.

Investments

Investments are stated at cost.

Foreign Currency Transactions

Accounts Receivable in foreign currency are either represented by bills of exchange, which, in many cases, are immediately discounted with bankers, or accounted at realised amounts.

Taxation

The provision for tax is based on the estimated assessable profits of the company computed in accordance with the Income-Tax Act, 1961.

Contingent Liabilities

Contingent liabilities wherever material are provided for and Contingent liabilities not provided for in the accounts are referred to by way of notes to the accounts.

Annual Report 1998-99

Annexure to the Directors' Report
Statement of Holding Company's Interest in Subsidiary Company

Statement pursuant to Section 212 of the Companies Act, 1956

1. Name of the Subsidiary : Cera Leasing Finance & Industries Limited
2. Financial year of the Subsidiary Company ended on : 31st March, 1999
3. (i) Number of Shares in Subsidiary held by Madhusudan Industries Limited on the above date. : (1) 3,00,000 (Previous year 3,00,000) Equity Shares of Rs.10/- each.
(2) 99,000 (Previous year 99,000) 10% Non-Cumulative Redeemable Preference Shares of Rs.100 each
- (ii) Holding Company's interest : 100% (Previous year 100%)
4. Loss of Cera Leasing Finance & Industries Ltd. for the year ended 31st March, 1999. : Rs.9,77,618/-
5. Loss up to current year (including previous years) since it became the Company's subsidiary. : Rs.15,54,088/-
6. No adjustment has been made in the Books of Madhusudan Industries Limited in respect of the said Loss of Cera Leasing Finance and Industries Limited.

Ahmedabad
28th July, 1999

Vikram Somany	Chairman
Chandrakant C. Dalal	Director
Sharad Somany	Director
Dr. V. P. Shah	Director
D. P. Goyal	Resident Director

Annexure to the Directors' Report
Statement of Holding Company's Interest in Subsidiary Company

Statement pursuant to Section 212 of the Companies Act, 1956

1. Name of the Subsidiary : Madhusudan Ceramics Industries Limited
2. Financial year of the Subsidiary Company ended on : 31st March, 1999
3. (i) Number of Shares in Subsidiary held by Madhusudan Industries Limited on the above date. : 84,00,000 (Previous year 84,00,000) Equity Shares of Rs.10/- each.
- (ii) Holding Company's interest : 50.76% (Previous year 50.76%)
4. Loss of Madhusudan Ceramics Industries Limited for the year ended 31st March, 1999. : Rs. 4,81,58,507/-
5. Loss up to current year (including previous years) since it became the Company's subsidiary. : Rs. 10,41,46,654/-
6. No adjustment has been made in the Books of Madhusudan Industries Limited in respect of the said loss of Madhusudan Ceramics Industries Limited.

Note: The Company ceased as subsidiary of Madhusudan Industries Limited w.e.f. 30-6-1999.

Ahmedabad
28th July, 1999

Vikram Somany	Chairman
Chandrakant C. Dalal	Director
Sharad Somany	Director
Dr. V. P. Shah	Director
D. P. Goyal	Resident Director


MADHUSUDAN
 INDUSTRIES LIMITED

Auditors' Report to the Members

We have audited the attached Balance Sheet of **MADHUSUDAN INDUSTRIES LIMITED**, as at 31st March, 1999 and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto and report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts, as required by law, have been kept by the Company so far as appears from our examination of those books.
3. The Balance Sheet and Profit and Loss Account comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
4. The said Balance Sheet and Profit & Loss Account are in agreement with the books of accounts.
5. The report on the Accounts of the branches, audited by the other Auditors has been forwarded to us and the same has been considered by us in our report.
6. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with the annexed schedules and the notes thereon give the information required by the Companies Act, 1956 in the manner so required and gives a true and fair view;
 - (a) in the case of Balance Sheet of the state of Company's affairs as at 31st March, 1999 and
 - (b) in the case of Profit & Loss Account of the profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by Central government, on the basis of such checks as we considered appropriate and according to information and explanations given to us, we further report that;

- (1) (a) The Company has maintained proper records, showing full particulars, including quantitative details and situation of its fixed assets, other than furniture and fixtures.
- (b) The Fixed Assets have been physically verified by the management during the year and we have been informed that no material discrepancies were found on such verification.
- (2) None of the Fixed Assets have been revalued during the year.
- (3) (a) The stocks of finished goods, stores, spare parts, raw and packing materials of the Company at all its locations have been physically verified by the management during the year.
- (b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The discrepancies noticed on physical verification of stocks as compared to book records were not material and these have been properly dealt with in the books of accounts.
- (d) In our opinion, valuation of stocks of finished goods, stores, spare parts and raw and packing materials has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- (4) The Company had taken unsecured loan from the subsidiary company in respect of which the rate of interest and other terms and conditions of such loan are not prejudicial to the interest of the company. The company has not taken any other loan, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (5) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 and/or to the companies under the same management as defined under sub section (1B) of section 370 of the Companies Act, 1956.
- (b) The parties to whom loans and advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest. The Company has given interest free loans and advances to its employees and they are repaying principal amounts as stipulated.
- (6) In our opinion, there is an adequate internal control procedure commensurate with its size and the nature of business, for purchase of stores, raw and packing materials including components, plant and machinery equipments and other similar assets and for the sale of goods.
- (7) According to the information given to us, there are no purchase of goods and material during the year aggregating Rs.50,000 or more in value from any firm or company or other parties in which directors are interested as listed in the register maintained under section 301 of the Companies Act, 1956. The company has sold goods, during the year to its subsidiary company in excess of Rs. 50,000 and the prices received are reasonable having regard to the prevailing market prices for such goods and materials.
- (8) The Company has a system of determining unserviceable or damaged stores, raw and packing materials and finished goods on the basis of technical evaluation and on the aforesaid basis, in our opinion, adequate amounts have been written off such stocks in the accounts.
- (9) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975.
- (10) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scraps, where applicable and significant.
- (11) In our opinion, the Company's present internal audit system is commensurate with its size and the nature of business.
- (12) On the basis of the records produced, we are of the opinion that, prima facie, the Cost Records and Accounts of vanaspathi and soap units prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 have been maintained. However, we are not required to carry out and have not carried out any detailed examination of such accounts and records.
- (13) The Company has regularly deposited Provident Fund dues and generally been regular in depositing Employees' State Insurance dues during the year, with the appropriate authorities.
- (14) There was no amount outstanding on 31st March, 1999 in respect of undisputed income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty which were due for more than six months from the date they became payable.
- (15) During the course of our examination of the books of accounts, carried out in accordance with the generally accepted auditing practices we have not come across any personal expenses which have been charged to Profit & Loss Account, nor have we been informed of such cases by the management.
- (16) The Company is not a sick industrial company within the meaning of clause (0) of section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.
- (17) In respect of trading activities, damaged goods have been determined at the time of physical verification consequential adjustments, which were not significant, have been made in the accounts.

For and on behalf of
H. V. Vasa & Co.
 Chartered Accountants
Tushar H. Vasa
 Proprietor

Ahmedabad
 28th July, 1999

Annual Report 1998-99

Balance Sheet as at 31st March, 1999

			31-3-99		31-3-98
	Schedule	Rs.	Rs.	Rs.	Rs.
I. Sources of Funds					
1. Shareholders' Funds					
(a) Share Capital	1A	5,37,50,000		5,37,39,700	
(b) Capital Warrants	1B	1,27,20,000		-	
(c) Reserves & Surplus	2	47,29,03,917		45,40,16,006	
			53,93,73,917		50,77,55,706
2. Loan Funds					
(a) Secured Loans	3	18,58,53,204		18,54,22,923	
(b) Unsecured Loans	4	8,19,18,270		7,26,62,813	
			26,77,71,474		25,80,85,736
Total -			80,71,45,391		76,58,41,442
II. Application of Funds					
1. Fixed Assets	5				
(a) Gross Block		67,72,95,288		66,39,03,924	
(b) Less : Depreciation		26,88,22,596		24,25,69,948	
(c) Net Block		40,84,72,692		42,13,33,976	
(d) Capital Work-in-progress		31,64,737		18,88,837	
			41,16,37,429		42,32,22,813
2. Investments	6		10,65,18,695		10,92,85,216
3. Current Assets, Loans & Advances					
(a) Inventories	7	22,45,54,848		24,61,97,395	
(b) Sundry Debtors	8	12,36,35,313		10,46,26,354	
(c) Cash & Bank Balances	9	3,10,50,243		3,36,37,745	
(d) Other Current Assets					
Interest accrued on deposits		2,74,313		3,16,598	
(e) Loans & Advances	10	7,16,82,012		3,90,30,155	
		45,11,96,729		42,38,08,247	
Less : Current Liabilities & Provisions					
(a) Liabilities	11	13,81,16,930		17,16,45,738	
(b) Provisions	12	2,47,65,914		1,98,37,039	
		16,28,82,844		19,14,82,777	
			28,83,13,885		23,23,25,470
Miscellaneous Expenditure			6,75,382		10,07,943
(To the extent not written off or adjusted)					
Total			80,71,45,391		76,58,41,442
Notes forming part of the Accounts	18				

As per our report of even date attached :

For and on behalf of

H. V. Vasa & Co.
Chartered Accountants
Tushar H. Vasa
Proprietor

Narendra N. Patel
Company Secretary

Vikram Somany

Chairman

Chandrakant C. Dalal

Director

Sharad Somany

Director

Dr. V. P. Shah

Director

D. P. Goyal

Resident Director

Ahmedabad
28th July, 1999

Ahmedabad
28th July, 1999