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**MadhuraM**<sup>®</sup>  
Vanaspati and Edible Oils

**ANNUAL REPORT**  
**2000-2001**

**Board of Directors**

Shri Vikram Somany	(Chairman-cum-Managing Director)
Shri Chandrakant C. Dalal	
Shri Sushil Kumar Bagla	
Shri Sushil A. Dalal	
Shri D. P. Goyal	(Resident Director)
Shri G. K. Loya	(Executive Director)
Dr. V. P. Shah	(Nominee of ICICI)

**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.

**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 Wednesday,  
the 26th day of September, 2001 at the Registered Office.**

**Annual Report 2000-2001****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 Wednesday, the 26th day of September, 2001 at the Registered Office of the Company at Rakhial Station, Taluka Dehgam, District Gandhinagar - 382 315, to transact the following business:

**ORDINARY BUSINESS**

1. To consider and adopt Audited Profit and Loss Account for the year ended 31st March, 2001 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 D.P. Goyal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri Chandrakant C. Dalal, 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 an ordinary resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company as the Board may direct on all or any of movable and immovable properties and such of the assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management / undertaking of the Company in certain events to or in favour of all or any of the Financial Institutions, Investment Institutions and their subsidiaries, Army Group Insurance Fund, Banks, Mutual Funds and other Bodies Corporate (hereinafter referred to as the 'lending agencies') / Trustees for the holders of debentures / bonds or other instruments to secure borrowings of the Company by way of loans / issue of debentures / bonds and / or other instruments which may be issued on a private placement basis or otherwise, not exceeding Rs.50 Crores which have been / are proposed to be obtained from, or privately placed with the lending agencies together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the trustees under the trust deed and to the lending agencies under their respective Agreements / Loan Agreements / Debenture Trust Deeds entered into / to be entered into by the Company in respect of the said borrowings.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the lending agencies / trustees or any of them, the documents, agreements or other writings for creating the mortgages / charges / hypothecations and to accept or make any alterations, changes, variations to or in the terms and conditions, notwithstanding that

the said documents, agreements and/ or writings may contain a provision empowering the lending agencies / trustees or any of them to takeover the management of the business and undertaking or concern or undertakings and / or concerns of the Company in certain events and to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

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 31 and other applicable provisions, if any, of the Companies Act, 1956 the existing Articles of Association of the Company be and is hereby altered in the following manner:

- a) In Article 3 of the Articles of Association the following shall be added at the end:
  - i) "Beneficial Owner" means "a person or persons", as defined in Clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.
  - ii) "Depository" means a depository, as defined under Clause (e) of sub-section (1) of Section 2 of the Depositories Act, 1996.
  - iii) "Depositories Act, 1996" shall include any statutory modification or re-enactment thereof for the time being in force.
  - iv) "Securities and Exchange Board of India" (SEBI) means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.
  - v) "Security" means such security as may be specified by SEBI, from time to time or security under the Depositories Act, 1996.
  - vi) Words and expressions used and not defined in "the Act" but defined in the Depositories Act, 1996 shall have the same meanings respectively assigned to them in the Depositories Act, 1996 as amended from time to time.
- b) The existing Article 3, be altered to read as follows:
 

"Members" shall mean Member(s) of the Company holding a share or shares of any class in the capital of the Company whose name is entered in the Register of Members and includes person(s) whose name(s) is / are entered as beneficial owner(s) of shares in the capital of the Company, in the records of the Depository.
- c) After Article 7, the following shall be added as Article 7A:

**Rights of Depositories and beneficial owners**

"Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner."



"Save as otherwise provided above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities which are held by a depository."

- d) The following be added at the end of Article 8:

"The Register of Members also includes the Register and Index of Beneficial Owners maintained by the depository under the Depositories Act, 1996."

- e) In Article 12 "Further Issue of Capital", the following shall be added at the end:

"Notwithstanding anything contained herein, the Company shall be entitled to dematerialise its shares, debentures and other securities pursuant to the Depositories Act, 1996 and to offer its shares, debentures and other securities for subscription in a dematerialised form."

"There would be no stamp duty on shares or securities being held in the dematerialised form in any medium as permitted by law including any form of electronic medium."

- f) In Article 25 "Share Certificate" the following shall be added at the end:

"Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise / rematerialise its shares, debentures and other securities pursuant to the Depositories Act, 1996."

- g) In Article 26 "Members right to certificate" the following shall be added at the end:

4) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise / rematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996 and any rules framed thereunder.

5) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed under the Depositories Act, 1996, issue to the beneficial owner the required certificates of securities.

6) All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153 and 372 / 372 A of the Companies Act, 1956 shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

- h) After Article 52, the following shall be added as Article 52A.

"Nothing contained in Section 108 of the Companies Act, 1956 or in the Articles which are inconsistent with the provisions of Depositories Act, 1996 shall apply to a transfer of securities effected by a transferor or transferee both of whom are entered as beneficial owners in the records of a Depository."

- i) In Article 81 "Register and Index of Debentureholders" the following shall be added at the end:

"When the debentures of the Company are dematerialised, "Debentureholder" means the person(s) whose name is entered in the Register of Debentureholders and includes person(s) whose name(s) is / are entered as beneficial owner(s) of debentures, in the records of the Depository."

- j) In Article 206 "service of documents on Company" the following shall be added at the end:

"Notwithstanding anything in the Companies Act, 1956 or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs".

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

RESOLVED THAT in supersession of earlier resolution passed by the members and in accordance with the provisions of section 293 (1) (e) and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby authorises the Board of Directors of the Company to contribute and subscribe on behalf of the Company to charitable and other funds / trusts not directly relating to the business of the Company or the welfare of its employees, any amount the aggregate of which will in any financial year, exceed Rs.50,000 (rupees fifty thousand only) or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the said Act, during the three financial years immediately preceding, subject to the maximum of Rs. 25,00,000 (rupees twenty five lacs only) or 5% of the Company's average net profits determined as aforesaid, whichever is greater.

By Order of the Board of Directors

Rakhial - 382 315  
30th July, 2001

**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 17.09.2001 to 26.09.2001 (both days inclusive) for the purpose of ascertaining the right of members to receive dividend for the year ended 31st March, 2001. Members whose names will appear on the Register of Members as on 17.09.2001 will be entitled to dividend for the year ended 31st March, 2001.
4. The Board of Directors has recommended 12% dividend on fully paid equity shares of Rs.10/- each for the year ended 31st March, 2001.
5. Members / Proxies should bring the attendance slip sent herewith duly filled-in for attending the meeting.

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6. 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.
7. 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 01.09.2001 with details of number of shares held, amount of dividend, L.F. No. and name of the person/ bank to whom the payment is to be made.
8. 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.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.****Item No.6**

To meet the long term fund requirements of the Company, from time to time, the Company is required to borrow money from the Financial Institutions, Investment Institutions, Army Group Insurance Fund, Banks, Mutual Funds and other Bodies Corporate as well as through the issue of debentures / bonds on a private-placement basis as set out in the Resolution. As security for these borrowings / issue of debentures / bonds, the Company is required to create mortgages and charges on movable and immovable properties of the Company as may be necessary under the terms of the borrowings / issue of debentures / bonds which will rank on pari passu basis with the existing charges created by the Company.

In terms of Section 293(1)(a) of the Companies Act, 1956, it is necessary for the Company to obtain approval of the members before creation of the mortgages and / or charges in favour of the lending agencies / trustees as one of the conditions of these borrowings may provide a right to the lending agencies to take over the management/ undertaking of the Company in certain events.

It is, therefore, proposed to obtain the approval of the members for creating such mortgages / charges / hypothecations on the movable and immovable properties of the Company in favour of the lending agencies as set out in resolution at item No. 6 of the notice.

Your directors commend the resolution for passing by the members.

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

**Item No.7**

Consequent to the enactment of the Depositories Act, 1996, and Securities and Exchange Board of India (SEBI) making it compulsory for trading of Company's shares in dematerialised form w.e.f. April

30, 2001, the Company has signed agreements with National Securities Depository Limited and Central Depository Services (India) Limited making the Company's equity shares available for dematerialisation.

The Depositories Act, 1996 has amended some of the provisions of the Companies Act, 1956, and the Securities Contracts (Regulation) Act, 1956 pertaining to the issue, holding, transfer and dealing in shares and other securities and issue of relevant certificates to facilitate implementation of the Depository System. The Articles of Association of the Company is proposed to be amended as set out in the notice to reflect these provisions.

**Inspection of Documents**

A copy of the Memorandum and Articles of Association and the Agreements entered into by the Company with National Securities Depository Limited and Central Depository Services (India) Limited are available for inspection at the registered office of the Company between 10.00 a.m. to 1.00 p.m. on any working day prior to the date of the meeting.

Your directors commend the resolution for passing by the members.

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

**Item No.8**

The Company is authorised by its Articles to subscribe to charitable and other funds, not directly relating to the business of the Company or the welfare of its employees. By virtue of Section 293(1)(e) of the Companies Act, 1956, the maximum amount which can be so subscribed in any financial year is Rs.50,000/- (rupees fifty thousand only) or 5% of the Company's average net profits as determined in accordance with the Sections 349 & 350 of the Companies Act, 1956, during the immediately preceding three financial years of the Company, whichever is greater.

Section 293(1)(e) permits such subscription in excess of these limits if the shareholders approve such excess limits. At the Annual General Meeting held on 29th October, 1987 the Board of Directors was authorised to make such donations upto a limit of Rs. 5,00,000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 & 350 of the Companies Act, 1956, during the immediately preceding three financial years, whichever is greater. In present conditions, the limit is too low, as such it is proposed to increase the same upto Rs. 25,00,000/- or 5% of the Company's average net profits as determined in accordance with Sections 349 & 350 of the Companies Act, 1956, during the immediately preceding three financial years, whichever is greater.

Your directors commend the resolution for passing by the members.

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

By Order of the Board of Directors

Rakhial - 382 315  
30th July, 2001

**Narendra N. Patel**  
Company Secretary




**MAIDHUSUDAN**  
INDUSTRIES LIMITED

## 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, 2001.

### Performance

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

	Year ended March 31, 2001 (Rs. in lacs)	Year ended March 31, 2000 (Rs. in lacs)
Profit before depreciation & taxes	588.25	528.05
Deducting therefrom depreciation of	367.41	331.65
Profit before tax	220.84	196.40
Deducting therefrom taxes of	41.25	44.50
Profit after tax	179.59	151.90
Add : Balance brought forward from previous year	47.00	446.00
Less : Loss on Shares sold of Subsidiary Company	—	497.15
Add : Amount transferred from Investment Allowance (utilised) Reserve	53.45	15.72
Amount available for Appropriations	280.04	116.47
The proposed appropriations are :		
1. Proposed Dividend	64.50	53.75
2. Tax on Proposed Dividend	6.58	11.83
3. Debenture Redemption Reserve	42.00	—
3. General Reserve	65.36	3.89
4. Balance carried forward	100.00	47.00
	280.04	116.47

### Ceramic Division

The production of Sanitaryware was 12,678 MT against 12,557 MT in the Previous Year. Sales were 10,954 MT as against the last year sales of 11,940 MT. The earthquake, which struck the State of Gujarat on 26th January 2001, badly affected the production and sales for the remaining period of the year resulting in decrease in sales and production. Apart from this the recession in construction activities also affected the sales.

The modernisation project undertaken last year was complete in the year under review. Its impact in improving the efficiencies in the plant and in quality of wares will be felt in the current year.

CERA became the first Sanitaryware Company in the country, introducing one piece WC called COLOGNE & the product has received overwhelming response from our esteemed customers.

The Company intends to focus on further improvement of the plant's efficiencies and introduction of new design of sanitarywares.

### Edible Oil Division

#### Vanaspati Unit

The production of Vanaspati and Refined Oil during the year was 15,737 MT (19,573 MT in the previous year). The De-oiled Cake production was 15,841 MT (13,404 MT in the previous year).

The sluggish condition in the domestic edible oil market continued throughout the year. The excessive imports of oils not only rendered processing of oils and oil-seeds unremunerative, but also started affecting the demand for locally processed oils including Vanaspati. The general recessionary conditions in the market & severe drought

in Rajasthan and Gujarat led to reduced purchasing power and consumption. Apart from this the havoc created by the earthquake in Gujarat disrupted trade & business for almost 2 months which resulted in much lower offtake of the finished products.

With a view to provide relief to the local industry the Government increased the import duty to 75% from the earlier 25%, in the budget for F. Y. 2001-2002.

A forecast of a normal monsoon for the year 2001-2002, should result into a better income for the farm sector and thus better consumer demand for vanaspati.

### Power Unit

The current year was a good year in terms of wind velocity. Consequently the total generation was 43,73,408 kwh against 42,21,294 kwh generated last year.

## Management Discussion and Analysis Report

### (a) Industry Structure and Developments

#### Ceramic Division

The housing construction activities in the country determine the growth prospects for ceramic division. 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 and doling out freebies to trade and consumers.

The launch of new and innovative models like Cologne WC has been well accepted in the market and has helped the brand maintain its numero uno position as an image leader.

#### Edible Oil Division

The Vanaspati Industry is part of overall edible oil economy comprising of oil millers, solvent plants, refineries and vanaspati plants. In each segment of the industry there are large number of players, capacity utilization is put at around 35%.

In recent times a trend is emerging whereby smaller plants have started working on job work basis for established brands and large players.

Imports of Crude and Refined Oils have increased substantially destabilizing the dynamics of local industry and agriculture. New policy regime in terms of increased duty on imported oils by Government of India has been attempted to restore the balance.

Production of local oilseeds is showing a decline whereas the imports are increasing year after year. Last 5 years data is given below :

Year	Production of Oilseeds(MT—Lacs)	Import of oils (MT—Lacs)
1996-97	243.80	17.50
1997-98	213.20	20.83
1998-99	247.50	43.93
1999-00	208.70	44.95
2000-01	176.10	First half year up by 22.4%

### (b) Opportunities and Threats

#### Ceramic Division

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 décor, etc. are factors favourable to the growth.

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

On the high value segment, with the removal of QR with effect from 1st April, 2001, import of sanitaryware is done by many traders, reportedly with under-invoicing and thereby paying lesser/negligible customs duty, and this may be an impediment to domestic manufacturers.

**Edible Oil Division**

In the emerging scenario specialised products for specific usage for niche market offer some opportunities for the existing vanaspati units.

An immediate major threat seems to be in terms of CPO imports being allowed for refining. The end product thereof resembles in appearance with vanaspati.

**(c) Segment-wise / Product-wise Performance****Ceramic Division**

Sales:	2000-2001 Qty. (M.T.)	1999-2000 Qty. (M.T.)
- Big Pieces	10,780.23	11,779.34
- Small Pieces	173.94	160.31
<b>Total</b>	<b>10,954.17</b>	<b>11,939.65</b>

Several new products launched in high value segment, has helped CERA maintain its sales in value terms, though there has been drop in volumes.

**Edible Oil Division**

Local production of oil seeds is declining. As a result local production of edible oils is also declining. At the root of such a scenario lies the cheap imports.

On account of lower prices prevailing over the last two years, the overall demand for edible oils is expanding. But vanaspati demand at the consumer end is not expanding in the same fashion, on account of availability of cheaper substitutes. Bakery segment continues to be a major institutional segment for vanaspati. In this segment a new trend has started in terms of speciality production, catering to niche markets.

Despite the said developments edible oil division has withstood the adverse conditions and has been operating reasonably well due to pragmatic and conservative policy of the management.

**(d) Outlook****Ceramic Division**

The prospects for coming years look bright. The division has entrusted the task to the professors of Indian Institute of Management, Ahmedabad for study for improving its marketing teeth and production efficiency.

An extensive marketing survey is also underway based on which future marketing, advertising and communication strategies will be formulated.

**Edible Oil Division**

The outlook for the future is mainly dependent upon the Government policies related to imports of edible oils, the severe recessionary conditions prevailing in the economy and the impact of severe drought being felt on consumer demand in the States

of Gujarat and Maharashtra. Vanaspati as a product is in the decline phase of product life cycle. Therefore, in the short term and long term the outlook can be described as uncertain for the vanaspati industry.

The VMA (Vanaspati Manufacturers Association) has been repeatedly representing at the Government level and pleading with the Government to evolve policies to restrict the adverse impact of cheap imports and unlimited dumping of cheap vanaspati from Nepal. With a near normal monsoon predicted by the IMD and the efforts being made by the VMA for a favourable policy regime, improvement in demand is expected.

**(e) Risks and Concerns****Ceramic Division**

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

**Edible Oil Division**

The biggest risk is in terms of continuation of the present Government policies.

Presently the dependence on imported oils for vanaspati production is to the tune of 85%. Sudden sharp depreciation of the currency and any further deterioration in the economic climate and dependence on monsoon can be cited as other key risk areas.

**(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 and 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, and the result is apparent that there has been no major workers' problem in the Company for the last 5 years. 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 including at all the five works is 1,623.

**Corporate Governance**

Though Corporate Governance compliance is not mandatory for the Company, till March 31, 2002, 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.

**Directors' 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:


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- 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, 2001 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.1.20 per share on 53,75,000 equity shares of Rs.10/- each fully paid. (Previous Year Re.1) for the year ended 31st March, 2001, to be paid subject to approval by the members at the ensuing Annual General Meeting.

#### Redemption of Debentures

The Company has redeemed the third and final instalment of Rs.15/- per PCD of 15% Partly Convertible Debentures (Part-B, Non-Convertible Portion) on 08.01.2001.

#### 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.932.91 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 31.03.2001 was Rs.169.21 lacs. There are 21 Fixed Deposit holders with Rs.1.09 lacs of unclaimed / unrenewed deposits as on 31st March, 2001. 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.1782 lacs.

#### Subsidiary Company

The particulars required Under Section 212 of the Companies Act, 1956 in respect of the subsidiary company viz. Cera Leasing Finance & Industries Limited is appended.

#### Finance

During the year under review, the Company repaid loans of Rs.460.03 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, 2001 is annexed.

#### Directors

Sarva Shri D. P. Goyal and Chandrakant C. Dalal are due to retire by rotation and being eligible for re-appointment, offer themselves for re-appointment.

During the year Shri Shashikumar Somany & Shri Sharad Somany have resigned as directors. Your directors place on record the deep sense of appreciation for the guidance and constructive approach provided by them during their tenure as directors of the Company.

#### Auditors

The shareholders are requested to appoint Auditors for the year 2001-2002 and fix their remuneration at the ensuing Annual General Meeting.

#### Cost Auditors

The Company has appointed Cost Auditors pursuant to direction from the Department of Company Affairs for Vanaspati and Soap businesses.

#### Insurance

The Company has adequately insured all its properties including Plant and Machinery, Buildings 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 BOB, ICICI Bank Limited, IDBI, IIBI, IREDA, GIC & its Subsidiaries and various departments of both State and Central Governments.

For and on behalf of the Board of Directors

Ahmedabad  
8th June, 2001

**Vikram Somany**  
Chairman-cum-Managing Director

### 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, 2001.

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)
Names of employees employed for part of the year and were in receipt of remuneration of not less than Rs.1,00,000 per month :						
1.	Shri Vikram Somany (51)	Chairman-cum Managing Director	9,60,378	B.Sc. FBIM (U.K.) (27)	01-08-2000	Not Applicable

#### 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.
- Above employee is not a relative of any director of the Company.



## Annual Report 2000-2001

## 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, 2001.

1-4-2000 to  
31-3-2001

1-4-1999 to  
31-3-2000

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

## A. Power and Fuel Consumption

1. Electricity:		
i. Purchased		
Unit(KWH)	38,17,520	31,78,850
Total Amount (Rs.)	2,02,88,062	1,62,03,946
Rate/Unit(Rs.)	5.31	5.10
ii. Own Generation		
Through Diesel Generator		
Unit(KWH)	2,03,815	3,75,750
Units/Ltr.of Diesel Oil	3.01	3.30
Cost/Unit (Rs.)	4.87	3.09
2. Coal :		
i. Lignite Coal		
Qty.(Tonnes)	2,024	5,266
Total Cost (Rs.)	23,67,798	64,02,507
Average Rate (Rs.)	1,170	1,216
ii. Fire Wood		
Qty.(Tonnes)	7,337	4,987
Total Cost (Rs.)	59,56,972	42,20,310
Average Rate (Rs.)	812	846
iii. G. N. Husk		
Qty. (Tonnes)	60	95
Total Cost (Rs.)	50,918	80,628
Average Rate (Rs.)	849	848

## B. Consumption per unit (M.T.)of Production

Product - Vanaspati		
Steam(M.T.)	1.56	1.45
Electricity(KWH)	222	155
Coal (Specify Quality) :		
Lignite (M. T.)	0.11	0.23
Others (Specify) :		
Firewood (M. T.)	0.41	0.22
G. N. Husk	0.00	0.00

## FORM - B

## Research and Development (R &amp; D)

1. 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 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.

2. Benefit derived as a result : With the introduction of new sources 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, this has resulted in substantial savings.
3. Future plan of action : The Company is further strengthening its R & D wing and continuously working on development of new body for achieving higher efficiency.

## 4. Expenditure on R &amp; D :

- a. Capital : Rs. NIL
- b. Recurring : Rs. 13,63,684/-
- c. Total : Rs. 13,63,684/-
- d. Total R & D Expenditure : 0.12% as a percentage of Total Turnover

## Technology Absorption, Adaptation &amp; Innovation

1. Efforts in brief made towards : The Company has imported technology absorption, technology for casting of the adaptation and innovation wares on Beam Casting Machines and firing of wares in fully automated shuttle kiln. The process of absorption of technology is on.
2. Benefits derived as a result of : The Company is trying to the above efforts e.g. Product absorb technology given by improvement, cost reduction, M/s. Thermic Designs Ltd. & product development, import M/s. Laeis Heimsoth GMBH. 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 : West Germany, UK & Italy.
- b. Year of Import : 1995-96, 1999-2000 & 2000-2001
- c. Has technology been fully absorbed : Yes, the fuel efficient Kiln, Electrostatic glazing system & lifting Battery casting are working successfully. During this period the Company has commissioned Beam Casting Machines and Shuttle Kiln imported from UK and Germany respectively.
- d. If not fully absorbed areas : The technology of Beam Casting is being absorbed. where this has not taken place, reasons therefore : There are certain technical problems, which are to be rectified by supplier. We expect them to complete the and future plans of action same within a short period.

## FORM - C

## Total Foreign Exchange used and earned

Total foreign exchange used	: Rs. 2,009.17 Lacs
Total foreign exchange earned	: Rs. 289.77 Lacs


**MADHUSUDAN**  
INDUSTRIES LIMITED

**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, 2001
3. (i) Number of Shares in Subsidiary held by Madhusudan Industries Limited on the above date : 12,90,000 (Previous year 12,90,000) Equity Shares of Rs.10/- each.
- (ii) Holding Company's interest : 100% (Previous year 100%)
4. The loss of Cera Leasing Finance & Industries Limited for the year ended 31st March, 2001. : Rs. 26,66,675/-
5. The loss for previous Financial Years since it became the Company's subsidiary. : Rs.13,14,043/-
6. No adjustment has been made in the books of Madhusudan Industries Limited in respect of the said loss of Cera Leasing Finance & Industries Limited.

**Narendra N. Patel**  
Company Secretary

Ahmedabad  
8th June, 2001

<b>Vikram Somany</b>	Chairman-cum-Managing Director
<b>Chandrakant C. Dalal</b>	Director
<b>Sushil A. Dalal</b>	Director
<b>Dr. V. P. Shah</b>	Director
<b>D. P. Goyal</b>	Resident Director
<b>G. K. Loya</b>	Executive Director

**Significant Accounting Policies**

- |   |  |
|---|--|
| <p>★ <b>Basis of Accounting</b><br/>The Company prepares its financial statements on accrual basis in accordance with generally accepted accounting principles.</p> <p>★ <b>Sales</b><br/>Sales include excise duty and net of discounts and sales-tax.</p> <p>★ <b>Research &amp; Development</b><br/>Revenue expenditure is charged as an expense. Capital expenditure is included in fixed assets and depreciated at applicable rates.</p> <p>★ <b>Provision for Retirement Benefits</b><br/>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.</p> <p>★ <b>Fixed Assets &amp; Depreciation</b></p> <p>(a) 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 availed on the assets.</p> <p>(b) 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.</p> <p>(c) Depreciation for the year has been provided at the rates and in the manner specified in Schedule-XIV of the Companies Act, 1956 as under :</p> <ol style="list-style-type: none"> <li>1. On Plant &amp; Machinery and Electric Plant &amp; Installation on straight line method.</li> <li>2. On other assets on written down value method.</li> </ol> <p>(d) Leasehold land is amortised over the period of lease. In respect of other assets taken on lease, the value thereof is</p> | <p>not capitalised, but the contracted lease rentals are charged to revenue on accrual basis.</p> <p>(e) The value of discarded Plant and Machinery has been written down to the lower of net book value and net realisable value.</p> <p>★ <b>Inventories</b><br/>Inventories are valued as under :</p> <ol style="list-style-type: none"> <li>a) Stock-in-Process - at cost.</li> <li>b) Raw Materials (including in transit) - at cost.</li> <li>c) Finished Goods - at cost or market value whichever is lower.</li> <li>d) Stores, Chemicals &amp; Coal, etc. - at cost.</li> <li>e) By-Products - at realisable value.</li> </ol> <p>★ <b>Investments</b><br/>Investments are stated at cost.</p> <p>★ <b>Foreign Currency Transactions</b><br/>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.</p> <p>★ <b>Borrowing Cost</b><br/>Borrowing costs that are attributable to the acquisition or construction of assets are capitalised as part of the cost of such assets.</p> <p>★ <b>Taxation</b><br/>The provision for tax is based on the estimated assessable profits of the company computed in accordance with the Income Tax Act, 1961.</p> <p>★ <b>Contingent Liabilities</b><br/>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.</p> |
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