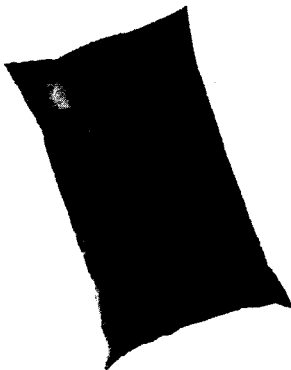




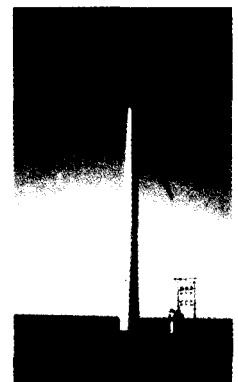
# **Madhusudan Industries Ltd.**

**ANNUAL REPORT  
2002-2003**

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




**Board of Directors**

Shri Vikram Somany (Chairman)  
 Shri Chandrakant C. Dalal  
 Shri Sushil A. Dalal  
 Shri Sanjay C. Jhaveri  
 Shri D. P. Goyal (Resident Director)

**Bankers**

Bank of Baroda

**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 - 382 315, Taluka Dehgam,  
 Dist. Gandhinagar, Gujarat.

**Works**

- 1) Rakhial Station - 382 315, Tal. Dehgam, Dist. Gandhinagar, Gujarat.
- 2) Special Plot No. 149, RIICO Industrial Area, Nimbahera, Dist. Chittorgarh, Rajasthan.
- 3) Patelka, Tal. Kalyanpur, Dist. Jamnagar, Gujarat.

**Corporate Office**

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

**Registrar & Share Transfer Agent**

MCS Limited,  
 101, Shatdal Complex, 1st Floor,  
 Opp. Bata Show Room, Ashram Road,  
 Ahmedabad - 380 009.

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**Annual General Meeting at 11.30 a.m. on Wednesday  
 the 24th day of September, 2003 at the Registered Office.**



### 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 24th day of September, 2003 at the Registered Office of the Company at Rakhial Station - 382 315, Taluka Dehgam, District Gandhinagar, to transact the following business:

#### ORDINARY BUSINESS

1. To consider and adopt Audited Profit and Loss Account for the year ended 31st March, 2003 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 Vikram Somany, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri D. P. Goyal, 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 approval of the members be and is hereby accorded in terms of Sections 198, 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 of 3 years w. e. f. 01.07.2003 in terms of agreement entered into by the Board of Directors of the Company with Shri Dharam Prakash Goyal."

"RESOLVED FURTHER THAT Resident Director will be liable to retire by rotation."

"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, 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."

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

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

Rakhial - 382 315  
 4th July, 2003

#### 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 or M/s. MCS Ltd., Registrar & Share Transfer Agent.
3. The Register of Members and Share transfer book of the Company will remain closed from 16.09.2003 to 24.09.2003 (both days inclusive).
4. The Board of Directors has recommended 7.5% dividend on fully paid Equity Shares of Rs.5/- each for the year ended 31st-March, 2003.
5. Members / Proxies should bring the attendance slip send herewith duly filled in for attending the meeting.
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 Shareholders 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 01.09.2003 with details of number of shares held, amount of dividend, L.F. No. / DPID and name of the person/ bank to whom the payment is to be made.
8. Unpaid / Unclaimed dividend upto the year 1993-94 had been transferred to the General Revenue Account of the Central Government. Unpaid / Unclaimed Dividend, Share application money received and due for refund and matured deposits unclaimed and unpaid for a period of seven years have been transferred to the Investor Education and Protection Fund pursuant to the provisions of Section 205C of the Companies Act, 1956. Shareholders are requested to note that no claim shall lie against the Company or the said fund in respect of any amounts which were unclaimed and unpaid for a period of seven years and transferred to the fund.
9. Shareholders holding shares in electronic Form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of change in such Bank details. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

**Annual Report 2002-2003**

10. Brief resume of directors, who are proposed to be appointed / re-appointed at this meeting, is given below :

Name of Director	Shri Vikram Somany	Shri D. P. Goyal
Date of Birth	26.08.1949	19.09.1948
Date of appointment	29.04.1974	20.11.1996
Expertise in specific Functional areas	Industrialist having rich business experience	Marketing & Administration
List of other Directorships held	M/s. Cera Sanitaryware Ltd. M/s. Madhusudan Fiscal Ltd. M/s. Asopalav Plantations Pvt. Ltd.	M/s. Gujarat Soaps Ltd. M/s. Cera Sanitaryware Ltd.
Chairman / Member of the Committees of the Board of the Companies on which he / she is a Director	—	M/s. Cera Sanitaryware Ltd.

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

**Item No. 6**

Shri Dharam Prakash Goyal was appointed as Resident Director of the Company for a period of three years w. e. f. 01.07.2000, which came to an end on 30.06.2003.

Shri Dharam Prakash Goyal has been re-appointed as Resident Director and designated as President-cum-Resident Director of the Company for a period of 3 years w. e. f. 01.07.2003 by the Board of Directors at their meeting held on 19.06.2003, subject to the approval of members of the Company at the General Meeting. Shri Dharam Prakash Goyal as Resident Director of the Company will 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 an agreement on 25.06.2003 with Shri Dharam Prakash Goyal for his re-appointment as Resident Director.

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

- make calls on shareholders in respect of moneys unpaid on the shares of the Company;
- issue debentures, and
- 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 :

- Period of Agreement : 01.07.2003 to 30.06.2006.
- Remuneration
  - Salary : In the range of Rs.72,500 — Rs.1,00,000 per month. Rs.72,500/- per month w.e.f. 01.04.2003. However,

it is subject to revision within the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time. The next increment of salary will be due w. e. f. 01.04.2004.

The Board or Committee thereof, in its absolute discretion will fix within the range stated above the salary payable to the Resident Director depending on the performance of the Resident Director, the size of operations, profitability and other relevant factors annually.

**II) Perquisites :**

**Category - A**

- Accommodation :** Free furnished housing accommodation or house rent allowance as may be mutually agreed by both the parties.
- 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.
- Medical benefit :** Medical reimbursement including Mediclaim for self and family subject to one month's salary in a year or three months' salary over a period of three years.
- 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.
- Club Fees :** Annual fees of club subject to a maximum of two clubs. This will not include admission and life membership fee.
- Insurance :** Personal Accident Insurance of an amount annual premium of which does not exceed Rs.6,000/-.
- 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 and a mobile phone. 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.

**Others**

- a) The Resident Director is also entitled to the benefits as per the rules of the Company, which the other executives / employees of the Company are entitled to.
  - b) The remuneration as aforesaid shall be paid to Shri Dharam Prakash Goyal, Resident Director also in the event of absence or inadequacy of Profit in any financial year during the tenure of his appointment.
  - c) He will not be entitled to Sitting Fee for attending the meetings of the Board of Directors or Committee(s) thereof.
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 remuneration payable to the Resident Director in accordance with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any amendments made thereafter in this regard from time to time.
  4. If at any time Shri Dharam Prakash Goyal ceases to be a Director of the Company for any cause whatsoever, he will cease to be the Resident Director.
  5. If at any time Shri Dharam Prakash Goyal ceases to be in the employment of the Company for any cause whatsoever, he will cease to be a Director and Resident Director of the Company.
  6. Resident Director may resign from the service of the Company by giving three months notice in advance. Similarly, the Company has the right to terminate the service of Resident Director at any time by giving three months notice in writing.
  7. This may be treated as an abstract of the terms 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 between 11.00 a.m. to 1.00 p.m upto the date of ensuing Annual General Meeting.

Appointment and remuneration payable to Shri Dharam Prakash Goyal is approved by the Remuneration Committee by a resolution at the meeting held on 19.06.2003.

Your directors commend the resolution as per item No.6 of the notice for passing by the members.

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

**Statement as required under the notification GSR 38(E), dated 16th January 2002.**

(For Item No. 6 of Annual General Meeting Notice)

**I. General Information :**

- (1) Nature of Industry : Manufacturing of Vanaspathi Ghee including Oil Refinery, Soap and Solvent Extraction at Rakhial Unit, Solvent Extraction Plant at Nimbahera (Rajasthan), Captive Non-Conventional Energy.
- (2) The commercial production began in the year 1945.
- (3) Certainly, the Company is not a new Company.
- (4) Financial Performance:

(Rs. in lacs)

Particulars		Audited for the year ended 31.03.2003
1	Net Sales / Income from operations	7,412.35
2	Other Income	211.79
3	Total Expenditure	7,305.26
	a) Increase/decrease in stock in trade	144.50
	b) Consumption of raw materials	5,683.25
	c) Staff Cost	256.18
	d) Other expenditure	1,221.33
4	Operating Profit	318.88
5	Interest	168.90
6	Gross Profit	149.98
7	Depreciation	141.03
8	Profit (+)/Loss (-) before tax	8.95
9	Provision for taxation	
	- Current	27.20
	- Deferred	(-) 13.79
10	Net Profit (+)/Loss (-)	(-) 4.46
11	Paid-up equity share capital (Face Value Rs. 5/- each)	268.75
12	Reserves excluding revaluation reserves (as per balance sheet)	1,773.06
13	Basic and diluted EPS (in Rs.)	(-) 0.08
14	Aggregate of Non-promoter Shareholding	
	- No. of shares	22,37,020
	- Percentage of shareholding	41.62

**Note :** The Board of Directors has recommended dividend of 7.5% on Equity Shares of Rs.5/- each fully paid for the year 2002-03.

- (5) Exports of Goods on F.O.B. basis during the financial year 2002-03 of the Company was Rs.87.57 lacs.
- (6) The Company has no foreign investments or collaborations.



**Annual Report 2002-2003****II. Information about the appointee :****(1) Background Details :**

Shri Dharam Prakash Goyal, Professional Director, is an alumni of I.I.M., Ahmedabad, having vast experience in Edible Oil Business and he is actively involved in framing the Corporate Policies of the Company. He has been with the organization for more than 25 years.

**(2) Past Remuneration :**

In the year 2002-03 Shri Dharam Prakash Goyal was paid a remuneration of Rs. 12,15,578/-.

**(3) Recognition or awards : Nil****(4) Job profile and his suitability :**

Resident Director is responsible for managing the affairs of the Company subject to the superintendence, control and direction of the Board of Directors and Chairman. His experience in the field of marketing & administration and long association with the Company is quite helpful to the Company. Due to his experience in oil trade and valued guidance the Company could survive stiff competition and overcome the worst period of Vanaspati Industry.

**(5) Remuneration proposed : As per the terms of the Agreement dated 25.08.2003, the Company proposes to pay remuneration in the scale of Rs.72,500 — Rs.1,00,000 p.m. to Shri Dharam Prakash Goyal, for the next 3 years, which will also be a minimum remuneration in case of no profit or inadequate profit of the Company.****(6) The comparative remuneration payable to Executive Director in similar industries is quite higher in comparison to what has been proposed in the present case. The remuneration proposed is quite moderate.**

Shri Dharam Prakash Goyal along with his relatives holds 75 Equity Shares of the Company.

**(7) Shri Dharam Prakash Goyal has no pecuniary relationship directly or indirectly with the Company or with the managerial personnel.**

(b) Oil mix for vanaspati has changed to predominant use of Crude Palm Oil. We were refining the oil chemically, which was leading to very high process losses.

(c) Failure of monsoon and severe fall in oilseed production led to large disparities in running the Solvent Extraction Plant. The Nimbahera unit practically remained closed throughout the year.

(d) Very high wage cost vis-à-vis other competing units is also one of the reasons for higher costs & lower margins.

**(2) Steps taken or proposed to be taken for improvement :**

(a) We have set up a Physical Refinery apart from automating certain manufacturing process which should result in substantial saving in the manufacturing cost.

(b) We have offered VRS for reducing the cost of excessive work force.

(c) We have recently introduced different qualities of Vanaspati under four new brands to meet the needs of consumers in different segments. This will increase our market penetration and volumes in the future.

**(3) Expected increase in productivity and profit in measurable terms :**

(a) With the commissioning of Physical Refinery in April 2003, our process losses are expected to reduce substantially.

(b) Our volume of sales has already started showing an upward trend during the first two months of the current year.

(c) This, coupled with the ongoing exercise in reducing the manufacturing cost should result in better profits.

**IV. Disclosures :****(1) Remuneration Package :**

It is as stated in Explanatory Statement of Item No. 6 of the Notice of Annual General Meeting.

**(2) The Company has made all necessary disclosures in the Directors' Report under a separate Corporate Governance Report, which is attached, with the Annual Report for the year 2002-03.****III. Other Information****(1) Reasons of loss or inadequate profits :**

(a) The spread between the cost of raw oils and finished products realization, which was averaging at about 30% during the previous five years, reduced to 20% during 2002-2003. This aberration left practically very little scope to cover manufacturing costs. Judicious exploitation of the trading opportunities during the year, helped to avoid the possible losses.

Rakhial - 382 315  
4th July, 2003

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



## 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, 2003.

### Performance

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

	Year ended March 31, 2003 (Rs. in lacs)	Year ended March 31, 2002 (Rs. in lacs)
Profit before Depreciation and Taxes	149.98	115.50
Deducting therefrom Depreciation of	141.03	143.19
Profit / Loss before tax	8.95	(-) 27.69
Deducting therefrom taxes of:		
- Current Tax	27.20	21.50
- Deferred Tax	(-) 13.79	(-) 25.88
Profit / loss after tax	(-) 4.46	(-) 23.31
Add: Balance brought forward from previous year	49.81	100.00
Amount available for Appropriations	45.35	76.69

The proposed appropriations are:

1. Proposed Dividend	20.16	26.88
2. Tax on Proposed Dividend	2.58	—
3. Debenture Redemption Reserve	20.50	—
4. Balance carried forward	2.11	49.81
	45.35	76.69

### Edible Oil Units

The production of Vanaspati and Refined Oil during the year was 15,155 MT (13,056 MT in the previous year). The De-oiled Cake production was 679 MT (16,350 MT in the previous year). The production of Laundry Soap a by product was 1,400 MT as against 1,408 MT in the previous year.

The Vanaspati Industry continued to operate under adverse conditions for the entire financial year. While the monsoons failed for the third year in a row, cheap imports of Vanaspati from Nepal continued unabated. This resulted in an Unprecedented Squeeze on the spread between raw oil cost and finished product realisation. Towards the end of the year, Excise Duty @ 8% was imposed on Vanaspati in the Union Budget. To compound the matters further, for the first time a distinction was made between 'Branded' and 'Unbranded Vanaspati' in the Excise tariff structure, engulfing the Vanaspati Industry in an unprecedented turmoil. The war in Iraq and its impact on the world oil markets and the market sentiments proved to be like the proverbial last straw on the Camel's back.

It is, therefore, a matter of satisfaction that in such adverse and demanding environment, the Company not only increased production by 16% but posted 18% higher sales. More importantly, the Company also undertook modernisation and commissioned a Physical Refinery apart from automating certain manufacturing processes incurring a

capital expenditure of Rs 109.15 lacs during the year 2002-03. The Company had to mobilise all its resources to conserve, consolidate and survive this difficult year.

Failure of monsoon and severe fall in oil seed production led to large disparities in running the Solvent Extraction Plant. The Nimbahera unit practically remained closed throughout the year.

### Power Unit

The wind velocity was excellent in the current year, particularly the first six months. As a result, the total generation was 35,64,152 kwh against 28,06,587 kwh generated last year.

### Management Discussion and Analysis Report

#### (a) Industry structure and development

The overall condition of Vanaspati Industry went from bad to worse. The declining trend of the previous years in capacity utilisation continued. The monthly production of Vanaspati in the Country during the year 2002-03 was only 90,000 MT as against 1,40,000 MT in the previous year. Out of 214 units, only 85 units are operating at sub-optimal capacities.

The Company has survived this difficult year due to its resilience, flexibility to innovate in uncertain circumstances and sharp business acumen. The Company has the strength and wherewithal to exploit the opportunities that are emerging due to the changed economic policies ushered in by the Union budget with respect to Vanaspati Industry.

#### (b) Opportunities and threat

The provisions of Union Budget 2003-04 have thrown up challenges as well as opportunities. While imposition of 8% Excise Duty on Vanaspati posed the biggest threat, subsequent reduction in Excise to Rs.1.25 per kg. has provided some relief. At the same time there are positive developments. The increase in Basic Custom Duty on Vanaspati, from 30% to 100%, while retaining the effective rate at 30%, gives hope that the Government might come to Industry's rescue when volume of Vanaspati imports reaches threatening levels. The reduction in Basic Custom Duty on RBD Palm Oil and RBD Palmolein, from 85% to 70% may adversely impact the Vanaspati markets. The turmoil created by distinction made between "Branded and Unbranded Vanaspati" has since been removed by imposition of Excise Duty at the production stage.

After having experienced deficient rainfall for the last 3 years, by law of averages, one feels optimistic about oil seed production during the current year. Nimbahera Unit is maintained in readiness to start production as soon as oil seed crop starts arriving in the market.

The reduced supply of Vanaspati from Nepal has opened up markets of Northern India - especially in UP for the Indian Vanaspati. Your Company had in an astute move, already activated a sales depot at Agra and is now making inroads into UP markets.

While our Easy Bake brand is doing well, our share of market in the premium category has been declining due to influx of cheaper brands in the markets. To counter this, we have launched Mahek brand Vanaspati, which has met with an encouraging response.

We have also exploited our inherent strength of a composite plant and have started producing and marketing Refined Oil in bulk. This will help overcome the threat posed by changing consumer preference towards refined oils.

**Annual Report 2002-2003****(c) Segment-wise / Product-wise performance**

Sales turnover continues to show a positive growth, with the year 2002-03 sales at 15,038 MT showing a growth of 18%, over the previous year's sales at 12,640 MT.

The Company has introduced four different products in a comprehensive response to the needs of consumers in different segments. The Company has also made a beginning by manufacturing and selling Refined oils and has sold 74 MT of Refined Crude Palm Oil during the month of March 2003.

The sales in bulk packs accounted for 75% of the total sales, of which 46% went to institutional consumers such as bakeries & confectioneries. The balance 29% was sold to markets for direct consumption.

The consumer-packs sales were 25%, indicating a growing trend in shift from consumption of Vanaspati to Refined oils by retail consumers.

**(d) Outlook**

Having survived two difficult years 2001-02 & 2002-03, the Company is reasonably optimistic about the future. A good monsoon is also expected which should help revive demands in the market.

We have imparted synergy to our marketing operation by launching Refined Oils in bulk apart from marketing Vanaspati in PVC Jars of distinctive designs. We have also incorporated changes in our labels to make it stand out in plethora of brands currently in the market.

It is reasonable to expect that external environment in the coming years would be more conducive for industrial growth than the previous two financial years. The Company hopes to turn around in the current year and has adopted a new logo, which is representative of the Company's hope and aspirations for the future.

**(e) Risks and Concerns**

The persistent efforts by the industry and the VMA have resulted in a number of positive developments for the entire industry. However, the industry continues to remain heavily dependent on imports, leaving it vulnerable to foreign exchange fluctuations and external factors like tension on borders and war-like scenario in any part of the world. The success or failure of crops in major oil producing nations also needs to be constantly monitored by the industry.

**(f) Internal Control System and their Adequacy**

The Company has fully computerized the accounting system of purchase of stores, raw-materials, plant and machineries, sales of goods, payment of salary and wages etc. and has put in place an adequate system of internal control.

The system of internal control of the Company is commensurate with the size and complexity of the company's business. In addition, the operations are subject to periodic internal audit by independent Auditors.

**(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**

The Company values its Human Resources and strives to nurture them as part of the Company's philosophy. Close coordination and interaction at all levels is constantly encouraged. It is noteworthy that the turnover of the workforce continues to be amongst the lowest in the industry as well as in the region.

**Corporate Governance**

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

**Directors' Responsibility Statement**

In compliance of Section 217 (2AA) of the Companies Act, 1956, Directors of your Company confirm:

- that the applicable accounting standards have been followed in the preparation of final accounts and that there are no material departures;
- that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2003 and of the profit / loss of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis.

**Dividend**

Your Directors recommend the dividend of Rs.0.375 per share (previous year Rs. 0.50) on 53,75,000 Equity Shares of Rs.5/- each fully paid for the year ended 31st March 2003, to be paid subject to approval by the members at the ensuing Annual General Meeting.

**Energy Conservation, Technology Absorption 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. 1,870.07 lacs to the exchequer by way of excise duty, Customs duty, Income tax, Sales tax and other fiscal levies.

**Fixed Deposit**

Fixed Deposits from the Public, outstanding as on 31st March 2003 was Rs. 188.63 lacs. There were 4 Fixed Deposit holders with Rs.25,000/- of unclaimed / unrenewed deposits as on 31st March 2003. 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.714.63 lacs.

**Subsidiary Company**

The particulars required Under Section 212 of the Companies Act, 1956 in respect of the Subsidiary Company viz. Madhusudan Fiscal





Limited (Before 18.12.2002 Cera Leasing Finance & Industries Limited) is appended.

## Annexure to the Directors' Report

### Finance

During the year under review, the Company repaid loans of Rs. 50.55 lacs to IDBI.

### Employees

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

### Directors

During the year, Shri Sushil Kumar Bagla has resigned from the Board w.e.f. 19.02.2003. Moreover, Shri Vikram Somany, Chairman-cum-Managing Director has resigned as Managing Director w.e.f. 02.08.2002. Now he is the Non-Executive Chairman of the Company.

Your Board of Directors places on record its appreciation for the contributions made by them to the Company.

Shri Vikram Somany and Shri D. P. Goyal are due to retire by rotation and being eligible for re-appointment, offer themselves for re-appointment.

### Auditors

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

### Cost Auditors

The Company has appointed M/s. Tholiya & Associates as 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 Ltd., IDBI, GIC, NIA, NIC, UIIC, OIC, UTI Bank Ltd. and various departments of both State and Central Governments.

Ahmedabad  
19th June, 2003

For and on behalf of the Board of Directors  
**Vikram Somany**  
Chairman

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 2003.

1-4-2002 to 1-4-2001 to  
31-3-2003 31-3-2002

### FORM - A (For Vanaspati Unit)

#### A. Power and Fuel Consumption

##### 1. Electricity :

##### i. Purchased

Unit (KWH)	33,70,522	35,69,620
Total Amount (Rs.)	1,80,85,896	1,92,46,235
Rate/Unit (Rs.)	5.37	5.39

##### ii. Own Generation

##### Through Diesel Generator

Unit (KWH)	1,83,660	1,84,671
Units/Ltr. of Diesel Oil	3.43	3.18
Cost/Unit (Rs.)	4.53	5.71

##### 2. Coal :

##### i. Lignite Coal

Qty.(Tonnes)	1,894	2,789
Total Cost (Rs.)	24,21,764	35,66,832
Average Rate (Rs.)	1,279	1,279

##### ii. Fire Wood

Qty. (Tonnes)	9,781	8,054
Total Cost (Rs.)	83,66,222	64,93,182
Average Rate (Rs.)	855	806

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

##### Product - Vanaspati

Steam (M.T.)	1.73	1.83
Electricity (KWH)	216	247
Coal (Specify Quality) :		
Lignite (M.T.)	0.12	0.18
Others (Specify) :		
Firewood (M.T.)	0.47	0.43

### FORM B - Not Applicable

#### Total Foreign Exchange used and earned

Total foreign exchange used	: Rs. 2,588.41 lacs
Total foreign exchange earned	: Rs. 87.57 lacs

# 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 Fiscal Limited**  
(Before 18-12-2002 Cera Leasing Finance & Industries Limited)
2. **Financial year of the Subsidiary Company ended on.** : 31st March, 2003
  - 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.
3. **Holding Company's interest.** : 100% (Previous year 100%)
4. **The profit of Madhusudan Fiscal Limited for the year ended 31st March, 2003 (Net of deferred Tax Asset)** : Rs. 27,39,163/-
5. **The loss for previous Financial Years since it became the Company's subsidiary.** : Rs. 71,04,892/-
6. **No adjustment has been made in the books of Madhusudan Industries Limited in respect of the said loss of Madhusudan Fiscal Limited.**

**Narendra N. Patel**  
Company Secretary

Ahmedabad  
19th June, 2003

**Vikram Somany** Chairman  
**Chandrakant C. Dalal** Director  
**Sanjay C. Jhaveri** Director  
**D. P. Goyal** Resident Director

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