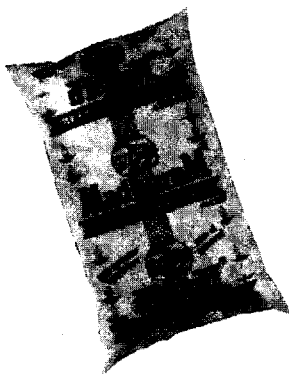


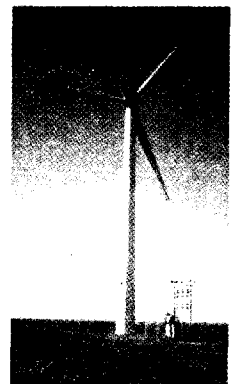


Madhusudan Industries Ltd.

ANNUAL REPORT
2003 - 2004



MadhuraM[®]
Vanaspati and Edible Oils




**Madhusudan
Industries Limited**
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.

Registered office

Rakhial Station - 382 315, Tal. 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 Thursday,
 the 30th day of September, 2004 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 Thursday, the 30th day of September, 2004 at the Registered Office of the Company at Rakhial Station - 382 315, Tal. 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, 2004 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 Chandrakant C. Dalal, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Sushil A. Dalal, who retires by rotation and being eligible, offers himself for reappointment.
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.
3. The Register of Members and Share transfer book of the Company will remain closed from 01.09.2004 to 30.09.2004 (both days inclusive)
4. The Board of Directors has recommended 5 % dividend on fully paid Equity Shares of Rs.5/- each for the year ended on 31.03.2004.
5. Members / Proxies should bring the attendance slip sent 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 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 16-8-2004 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, 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.

Rakhial - 382 315
4th August, 2004

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 or M/s. MCS Limited, Registrar and Share Transfer Agent.
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.
10. Brief resume of directors, who are proposed to be appointed / re-appointed at this meeting are given below:

Name of Director	Shri Chandrakant C. Dalal	Shri Sushil A. Dalal
Date of Birth	01.12.1923	01.02.1946
Date of appointment	21.03.1975	28.07.1984
Expertise in specific Functional areas	Administration & Finance	Share & Stock Broking and Finance
List of other Directorships held	Dalal Marketing Pvt. Ltd.	Caspian Broking (I) Pvt. Ltd.
Chairman / Member of the Committees of the Board of the Companies on which he / she is a Director	—	—

Annual Report 2003-2004**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, 2004.

Performance

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

	Year ended March 31, 2004	(Rs. in lacs) Year ended March 31, 2003
Profit before Depreciation and Taxes	184.43	149.98
Deducting therefrom Depreciation of	142.75	141.03
Profit / Loss before tax	41.68	8.95
Deducting therefrom taxes of:		
- Current Tax	40.32	27.20
- Deferred Tax	(-) 32.85	(-) 13.79
Profit / loss after tax	34.21	(-) 4.46
Add: Balance brought forward from previous year	2.11	49.81
Amount available for Appropriations	36.32	45.35
The proposed appropriations are:		
1. Proposed Dividend	13.44	20.16
2. Tax on Proposed Dividend	1.72	2.58
3. Debenture Redemption Reserve	—	20.50
4. Balance carried forward	21.16	2.11
	36.32	45.35

Edible Oil Unit

The production of Vanaspati and Refined Oils during the year was 9,496 MT (15,155 MT in the previous year). De-oiled Cake production was 29,645 MT (679 MT in the previous year). The production of Laundry Soap a by-product was 1,327 MT (1,400 MT in the previous year). The production of Expeller / Expander and Solvent Oil was 7,537 MT.

The year gone by has been one of mixed fortunes. While production in the Solvent Extraction Plants of the Company has been very good, that of Vanaspati has declined significantly. Bumper oilseeds harvest, resulting from a good monsoon, allowed operation of our Solvent Extraction plants both at Nimbahera & Rakhial. The company could also undertake large scale crushing of Seeds after almost three years at Rakhial unit.

The Vanaspati Industry continued to suffer immensely due to adverse policies introduced by the Central Government. The controversy of excise duty on branded Vs unbranded Vanaspati at the beginning of the financial year delivered a crushing blow to Vanaspati operations and we continued to reel under its impact through the year. The marketing operations of Vanaspati were further hampered due to adverse sentiments generated by the excise department's widespread investigation of our agents / dealers in all markets. The only good thing that happened due to re-imposition of excise duty on Vanaspati has been that it has enabled us to stake claim on our accumulated money credit. The department has disputed our right to utilize the accumulated money credit and the matter is now sub-judice. The operations of Laundry Soap have shown improvement as we have obtained exemption from payment of excise duty.

Power Unit

The current year was of low wind velocity. Consequently the total generation was 27,86,011 kwh against 35,64,152 kwh generated last year.

Management Discussion and Analysis Report**(a) Industry structure and development**

The Vanaspati industry continues in a state of despair due to a host of factors - mainly attributable to Central Government policies. The selective excise duty exemption and tax concessions provided to the new industries being established in the earthquake affected Kutch region is likely to make the operation of existing Vanaspati Units in the western region unviable. More hurdles were created by inclusion of criterion of 'Carotenoid Value' in CPO, for assessing of custom duty. This has increased the duty burden on Vanaspati Manufacturers importing CPO by around Rs. 1,700 per MT. The inequalities have been further accentuated by different yardsticks adopted by different customs authorities. While at Mumbai & Jamnagar ports, every consignment of 'Palm Oil' was passed at the lower duty of 65%, the authorities at Kandla Port have been levying a higher duty @ 70%. The current environment has made it difficult for law abiding, reputed industrial units like yours to compete, while providing ample opportunities to the unorganized sector to flourish.

We have survived the last financial year, by offsetting the hurdles in the Vanaspati Industry by better operations of our Solvent Plant & Oil Mill. The future for the Vanaspati industry now depends on the policies that the new Union Government is likely to adopt. The VMA and IVPA are consistently lobbying the Central Government to take measures to save the industry, by reducing customs duty on CPO from existing 70% to 25%, (as prevailing prior to March 2001) and reducing central excise on Vanaspati to Rs. 1,000/- per MT to bring it at par with the duty on Refined oils.

(b) Opportunities and threat

The imposition of Central Excise on Vanaspati has thrown open the opportunity for older Vanaspati units like ours to utilize its accumulated money credit. There seems a reasonable chance for this to happen. Further, with the change of Government at the Centre, coupled with the UPA Government's pro-poor and pro-rural economic policies, we are hopeful of a resolution of long pending issues that are being taken up by the VMA and IVPA, as Vanaspati is an agri-product, and is largely consumed by the poor. The current plight of the Vanaspati industry has also encouraged us to focus more than ever before on our other facilities like Oil Mill, Refinery and Solvent Plants.

The threat emerging from use of harmful, non-edible fats like stearin, being passed off as Vanaspati, by unscrupulous manufacturers in the unorganized sector still looms large. The problem of cheaper imports from Nepal and other SAARC countries has also remained unresolved.

(c) Segment-wise/Product-wise performance

As a result of non-compliance of laid down laws governing the production & sales of Vanaspati by the unorganized sector and inequalities like excise and / or sales tax exemptions to some units, Vanaspati prices continued to rule below parity. In spite of these adverse conditions, the company has been able to maintain its presence in most of its existing markets, albeit with a reduced market share.

The sales of our Vanaspati in Branded consumer packs could withstand the adverse market pressures better than the Bulk



packs. Thus, while the volumes of consumer packs remained nearly the same as the previous year, its contribution to the company's total sales of Vanaspati increased from 24% to 34%.

The beginning made during the previous year in manufacturing and selling refined oils, was further consolidated during the current year. Sales of Refined oils increased from 74 MT during 2002-03 to 1,696 MT during 2003-04. In addition, 6,332 MT of crude (expeller, expander & solvent extracted) oils was also sold during the current year.

(d) Outlook

We can take solace from the fact that we have managed to survive three difficult years, wherein, each succeeding year was worse than the preceding year. A good monsoon has been forecast for the current year. Further, it is reasonable to hope for pro-poor measures in the economy by the UPA Government, which are likely to result in favourable developments for the Vanaspati industry. Considering the fact that a large work force and capital investments are lying idle in many closed or sick Vanaspati units in the country, the constituents of the UPA and its allies such as the Left parties are likely to ensure that the Government initiates steps for revival of the industry. All in all, it is prudent and reasonable to hope that with the good wishes and patronage of our valued clients, and the continued support and faith reposed by the shareholders, we have put the worst behind us, and from here on, things may only improve.

The Company hopes to perform better in the current year by establishing new benchmarks in Vanaspati quality, vigorous marketing to make inroads in new markets and fully exploiting its other manufacturing facilities. Your Company has the flexibility to change product mix, as demanded by the market forces having a composite manufacturing plant and will judiciously leverage this inherent strength to post better results in the coming months.

(e) Risks and Concerns

The industry continues to remain heavily dependent on imports leaving it vulnerable to foreign exchange fluctuations and other external factors. Further India, already acknowledged as a Regional Power owing to foreign policy considerations - will not easily give in to the industry's demand to curb imports from Nepal and other SAARC countries. Hence, in the short term, the industry has to be prepared to survive in adverse circumstances. However, as mentioned earlier, the long-term prospects of your Company remains bright due to resilience generated by having invested in multi-dimensional, interlinked production facilities.

(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, 2004 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 Re.0.25 per share (previous year Re.0.375) on 53,75,000 Equity Shares of Rs. 5/- each fully paid for the year ended 31st March, 2004 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.1,331.85 lacs to the exchequer by way of Excise duty, Customs duty, Income tax, Sales tax and other fiscal levies.

Fixed Deposits

Fixed Deposits from the Public, outstanding as on 31st March, 2004 was Rs. 211.09 lacs. There are 5 Fixed Deposit holders with Rs. 78,000/- of unclaimed / unrenewed deposits as on 31st March, 2004. 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. 721.30 lacs.

Subsidiary Company

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

Finance

During the year under review, the company repaid loans / redeemed debentures of Rs.119.83 lacs to IDBI, GIC, NIAC, NIC, UIC and OIC.

Employees

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

Directors

Shri Chandrakant C. Dalal and Shri Sushil A. Dalal are due to retire by rotation and being eligible for reappointment, offer themselves for reappointment.

Annual Report 2003-2004**Auditors**

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

Insurance

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

Industrial Relations

The Company's relations with its employees remained by and large cordial during 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, IDBI, GIC, NIAC, NIC, UIC, OIC and UTI Bank Ltd. and various departments of both State and Central Governments.

For and on behalf of the Board of Directors

Ahmedabad
15th June, 2004

Vikram Somany
Chairman

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 year ended 31st March, 2004.

Conservation of Energy**Form - A (For Vanaspati Unit)**

1-4-2003 to
31-3-2004

1-4-2002 to
31-3-2003

A. Power and Fuel Consumption**1. Electricity :**

i. Purchased Unit (KWH)	34,41,905	33,70,522
Total Amount (Rs.)	1,75,63,355	1,80,85,696
Rate/Unit (Rs.)	5.10	5.37
ii. Own Generation		
Through Diesel Generator		
Unit (KWH)	65,237	1,83,050
Units/Ltr. of Diesel Oil	3.11	3.43
Cost/Unit (Rs.)	4.64	4.53

2. Coal :

i. Lignite Coal Qty.(Tonnes)	4,439	1,894
Total Cost (Rs.)	58,34,070	24,21,764
Average Rate (Rs.)	1,314	1,279
ii. Fire Wood Qty. (Tonnes)	8,555	9,781
Total Cost (Rs.)	83,06,631	83,66,222
Average Rate (Rs.)	971	855

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

Product - Vanaspati		
Steam (M.T.)	2.10	1.73
Electricity (KWH)	258	216
Coal (Specify Quality) :		
Lignite (M.T.)	0.30	0.12
Others (Specify) :		
Firewood (M.T.)	0.44	0.47

Technology Absorption

Form - B : Nil

Total Foreign Exchange used and earned

Total foreign exchange used	Rs. 1,693.48 lacs
Total foreign exchange earned	Rs. 464.11 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
2. Financial year of the Subsidiary Company ended on	: 31st March, 2004
— 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, 2004 (Net of deferred Tax Asset)	: Rs. 6,00,519/-
5. The loss for previous Financial Years since it became the Company's subsidiary	: Rs. 43,65,729/-
6. No adjustment has been made in the books of Madhusudan Industries Limited in respect of the said Profit/Loss of Madhusudan Fiscal Limited	

Narendra N. Patel
Company Secretary

Ahmedabad
15th June, 2004

Vikram Somany

Sushil A. Dalal

Sanjay C. Jhaveri

D. P. Goyal

Chairman

Director

Director

Resident Director



Annexure to the Directors' Report

CORPORATE GOVERNANCE REPORT

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

1) Company's Philosophy

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

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

2) Board of Directors

The Board comprises of a Chairman, one Whole time Director and three non-executive directors.

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

Non-executive directors are entitled to 1% commission on net profits, which is distributed equally among them. Due to inadequate profit for the year ended 31.03.2004 no commission was paid.

During the year, six Board Meetings were held - on 21.04.2003, 19.06.2003, 17.07.2003, 16.09.2003, 16.10.2003 and 30.01.2004.

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

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

Sr. No.	Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM	No. of other directorships	No. of Other Committee Memberships
1.	Shri Vikram Somany	Chairman	4	Yes	3	—
2.	Shri Chandrakant C. Dalal	Non-Executive Director	4	Yes	1	—
3.	Shri Sushil A. Dalal	Non-Executive Director	1	No	1	—
4.	Shri Sanjay C. Jhaveri	Non-Executive Director	6	Yes	7	—
5.	Shri D. P. Goyal	Resident Director	6	Yes	2	—

3) Audit Committee

The Audit Committee consists of 3 (three) independent directors, Shri Chandrakant C. Dalal - Chairman, Shri Sushil A. Dalal and Shri Sanjay C. Jhaveri. The Company Secretary is also Secretary to the Audit Committee. During the year 4 (four) Committee Meetings were held on - 19.06.2003, 17.07.2003, 16.10.2003 and 30.01.2004.

Terms of reference:

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

4) Remuneration Committee

The Remuneration Committee consists of Shri Sanjay C. Jhaveri - Chairman, Shri Chandrakant C. Dalal and Shri Sushil A. Dalal.

The Committee fixes the Remuneration of Executive / Whole time Directors, which include all elements of remuneration package i.e. salary, benefits, bonus, pension, retirement scheme, share options and such other benefits.

The Committee also decides the fixed component and performance linked incentives, performance criteria, service contracts, notice period, severance fees etc. of the remuneration package of working directors, as and when necessary. During the year one meeting was held on 19.06.2003.

5) Remuneration Policy

Remuneration of employees largely consists of basic remuneration and perquisites.

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

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

6) Details of remuneration for the year ended 31.03.2004

(i) Whole time Director

Name	Salary (Rs.)	Perquisites and retirement benefits (Rs.)
Shri D. P. Goyal - Resident Director	13,19,900/-	1,00,600/-

The Company has entered into contract with the above director. His appointment is for a period of 3 years. The Whole time Director may resign from the services of the Company by giving three months notice in advance. Similarly, the Company has the right to terminate the services of Whole time Director at any time by giving three months notice in writing.

The Whole time Director is also entitled to the benefits as per the rules of the Company which the other employees / executives of the Company are entitled to.

There are no Stock options available / issued to any director of the Company and this does not form a part of their contract with the Company.

The Whole time Director is not entitled to the sitting fees for attending the Board Meetings.

(ii) Non-Executive Directors

Remuneration by way of sitting fees for attending Board Meetings are paid to the non-executive directors. The non-executive directors are also entitled to a commission (to be distributed among them in equal proportion or in such proportion as the Board may determine from time to time) not exceeding 1% of the net profits. Due to inadequate profit for the year ended 31.03.2003, no commission was

Annual Report 2003-2004

paid to the Non-executive Directors. The details of remuneration paid to them during the year are as under:

Name	Sitting Fees Paid (Rs.)
Shri Vikram Somany	8,000/-
Shri Chandrakant C. Dalal	8,000/-
Shri Sushil A. Dalal	2,000/-
Shri Sanjay C. Jhaveri	12,000/-
Total	30,000/-

7) Share Transfer Committee

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

The Company has appointed M/s. MCS Limited, Ahmedabad, a SEBI registered Share Transfer Agent, as Registrar and Share Transfer Agent w.e.f. 01.03.2003.

8) Shareholders' / Investors' Grievance Committee

The Board has formed a Shareholders' / Investors' Grievance Committee consisting of the following directors:

Shri Chandrakant C. Dalal - Chairman, Shri Vikram Somany, Shri Sanjay C. Jhaveri and Shri D. P. Goyal.

All investor complaints, which cannot be settled at the level of Company Secretary and Compliance Officer, will be forwarded to the Shareholders' Grievance Committee for final settlement.

During the year ended 31.03.2004, the Company had received 145 complaints / queries from the Shareholders.

All the complaints received from the Shareholders were resolved. There is no complaint pending as of 31.03.2004, which is not attended / replied by the Company.

The Company confirms that there were no share transfers lying pending as on date, which were received upto 31.03.2004, and all requests for dematerialisation and rematerialisation of shares as on that date were confirmed / rejected into the NSDL / CDSL system.

9) General Body Meetings

The last three Annual General Meetings were held as under:

Financial Year ended	Date	Time	Venue
31.03.2003	24.09.2003	11.30 a. m.	Rakhial Station-382315, Tal. Dehgam, Dist. Gandhinagar.
31.03.2002	26.09.2002	11.30 a. m.	Rakhial Station-382315, Tal. Dehgam, Dist. Gandhinagar.
31.03.2001	26.09.2001	11.30 a. m.	Rakhial Station-382315, Tal. Dehgam, Dist. Gandhinagar.

No resolution was required to be put through postal ballot last year, neither it is proposed at ensuing Annual General Meeting.

10) Disclosures

1. There were no transactions of material nature with the directors or the management or their subsidiaries or relatives etc. during the year, which could have potential conflict with the interests of the Company at large.
2. There were no instances of non-compliance of any matter related to the capital market, during the last three years.

11) Means of Communication

1. Quarterly results are published in leading daily newspapers viz. Financial Express / Economic Times / Indian Express and a local language newspaper viz. Jai Hind / Loksatta / Financial Express. The annual results (annual reports) are posted to all the members of the Company.
2. Management Discussion & Analysis forms part of this annual report, which is also being posted to all the members of the Company.
3. The official news releases, if any, are given directly to the press.

12) General Shareholder Information**1. Annual General Meeting :**

Date and Time : 30th September, 2004 : 11.30 a.m.
Venue : Rakhial Station - 382 315, Tal. Dehgam Dist. Gandhinagar, Gujarat.

2. Financial Calendar 2004-05 (tentative) :

Annual General Meeting : 3rd / 4th week of September 2005

Results for quarter ending : By last week of

June 30, 2004 : July 2004

September 30, 2004 : October 2004

December 31, 2004 : January 2005

Results for year ending : 3rd / 4th week of June 2005
March 31, 2005 (Audited)

3. Book Closure date : 1st September, 2004 to 30th September, 2004 (both days inclusive)**4. Dividend payment by the Company :**

- Dividend for the year ended 31.03.2004 will be paid to the members whose names will appear on the register of members of the Company, on 1st September, 2004 after giving effect to all valid transfer of shares in physical form lodged with the Company on or before 31st August, 2004 at the end of business hours, and

- in respect of shares held in demat form, the members whose names appear on the statement of beneficial ownership furnished by NSDL and CDSL at the end of business hours on 31st August, 2004.

Dividend will be paid within 30 days from the date of approval by the members at the Annual General Meeting.

5. Listing on Stock Exchanges

The Company's shares are listed on the Ahmedabad, Mumbai and Calcutta Stock Exchanges and the listing fees for the year 2004-05 has been paid to the Stock Exchanges. Stock Code: The Stock Exchange, Mumbai : 515059.


6. Share price on The Stock Exchange, Mumbai.

Month	High (Rs.)	Low (Rs.)
April 2003	3.95	1.80
May 2003	4.00	2.80
June 2003	7.14	3.40
July 2003	7.20	5.01
August 2003	7.00	4.76
September 2003	6.10	3.20
October 2003	5.00	3.15
November 2003	5.50	3.67
December 2003	10.50	4.15
January 2004	8.60	5.75
February 2004	7.95	5.18
March 2004	7.95	4.50

7. Share Transfer

Entire Share Transfer work and dematerialisation / rematerialisation work is assigned to R & T Agent, M/s. MCS Limited, Ahmedabad, a SEBI registered Share Transfer Agent. Request for Share transfer, dematerialisation and rematerialisation should be sent directly to M/s. MCS Limited, 101, Shatdal Complex, 1st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad-380 009. Shareholders have option to open their accounts with either NSDL or CDSL as the Company has entered into agreements with both of these depositories.

13) Share Transfer System

The share transfer/s is normally effected within a period of 15-20 days from the date of receipt, provided the documents being complete in all respects. The Company has formed Share Transfer Committee of directors, which meets atleast once in a fortnight for effecting transfer of shares and other related matters.

14) Distribution of Shareholding as on 31.03.2004

Nominal Value of Shares (Rs.)	No. of Shareholders	No. of Shares
Upto 5,000	6701	942848
5,001 - 10,000	52	76587
10,001 - 20,000	17	48412
20,001 - 30,000	9	42369
30,001 - 40,000	6	40330
40,001 - 50,000	2	18004
50,001 - 1,00,000	6	102205
1,00,001 - 5,00,000	15	716698
5,00,001 - 10,00,000	5	767459
10,00,001 and above	6	2620088
Total	6819	5375000

15) Pattern of Shareholding as on 31.03.2004

Sr. No.	Category	No. of Shares	(%)
1.	NRI	1350	0.03
2.	Financial Institutions/ Banks	277717	5.16
3.	Mutual Funds	275	0.01
4.	Promoters	3137980	58.38
5.	Body Corporate	251053	4.67
6.	Others	1706625	31.75
	Total	5375000	100.00

16) Dematerialisation of Shares as on 31.03.2004

As on 31st March, 2004, 24.02 % of the Company's total shares representing 12,91,281 Shares were held in dematerialized form and the balance 75.98 % representing 40,83,719 shares were in paper form.

The ISIN Number in NSDL and CDSL is "INE 469C01023".

17) Locations

The Company's plants are located at the following places:

1. Rakhial Station - 382315, Tal. Dehgam, Dist. Gandhinagar, Gujarat.
2. Special Plot No.149, RIICO Industrial Area, Nimbahera, Dist. Chittorgarh, Rajasthan.
3. Patelka, Tal. Kalyanpur, Dist. Jamnagar, Gujarat.

18) Address for Correspondence

The Company's Registered Office is situated at Rakhial Station-382315, Tal. Dehgam, Dist. Gandhinagar, Gujarat. Shareholders' correspondence should be addressed either to the Registered Office of the Company as stated above and / or to the Corporate Office of the Company at "Madhusudan House", Opp. Navrangpura Telephone Exchange, Ahmedabad - 380 006 or to the Registrar and Share Transfer Agent, M/s. MCS Limited, 101, Shatdal Complex, 1st Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad-380 009.

AUDITORS' CERTIFICATE

We have examined the compliance of conditions of Corporate Governance by **Madhusudan Industries Limited**, for the year ended 31st March 2004, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances were pending for a period of one month against the company as per the records maintained by the Shareholders'/ Investor's Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Ahmedabad
15th June, 2004

Annual Report 2003-2004**Auditors' Report to the Shareholders of Madhusudan Industries Limited**

We have audited the attached Balance Sheet of **MADHUSUDAN INDUSTRIES LIMITED**, as at 31st March 2004 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- (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, subject to note no.6 of schedule 18 regarding money credit availed which is accounted on utilization, have been kept by the Company so far as appears from our examination of those books;
- (3) subject to note no.6 of schedule 18 regarding money credit availed which is accounted on utilization, in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (4) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- (5) As per the written representation made by the directors as on 31st March, 2004 and taken on record by the Board of Directors and the information and explanations given to us, none of the Directors is, as at 31st March, 2004, prima-facie disqualified from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (6) In our opinion and to the best of our information and according to explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at March 31, 2004, and
 - (b) in so far as it relates to the Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - (b) In case of Cash Flow Statement, of the cash flows for the year ended on that date.

Annexure to the Auditors' Report

As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we have annexed hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

1. In respect of its fixed assets:

- a. The Company has maintained proper records, showing full particulars including quantitative details and situation of its fixed assets on the basis of available information, other than furniture and fixtures.

- b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.

- c. In our opinion, there was no substantial disposal of fixed assets during the year, which would affect the going concern of the company.

2. In respect of its inventories :

- a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.

3. In respect of loans, secured or unsecured, granted or taken by the Company to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:

- a. The Company has granted loans to four parties aggregating to Rs. 45.95 lacs and taken loans from 5 parties aggregating to Rs. 253.64 lacs during the year.
- b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions are not prima facie prejudicial to the interest of the Company.
- c. In respect of loans granted by the Company to four parties, the amount has been repaid during the year. In respect of loans taken by the Company, the interest payments are regular and the principal amount is repayable on demand.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with its size of the Company and the nature of business for the purchase of inventory, fixed assets and also for sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.**5. In respect of transactions covered under Section 301 of the Companies Act, 1956:**

- a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5,00,000/- (Rupees Five Lacs Only) or more in respect of any party.

6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956 and Companies (Acceptance of Deposit) Rules, 1975 with regard to the deposits accepted from the public.