



Madhusudan

Industries Ltd.

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ANNUAL REPORT
2004 - 05

MadhuraM[®]
Vanaspati and Edible Oils


Board of Directors

Shri Vikram Somany (Chairman)
 Shri Chandrakant C. 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) Vill. 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 Friday,
 the 2nd day of September, 2005 at the Registered Office.**

N o t i c e

Notice is hereby given that the Annual General Meeting of the Members of **MADHUSUDAN INDUSTRIES LIMITED** will be held at 11.30 a.m. on Friday, 2nd September, 2005 at the Registered Office of the Company at Rakhial Station - 382 315, Taluka Dehgam, Dist. Gandhinagar, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt Audited Profit and Loss Account for the year ended 31st March, 2005, and Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To appoint a director in place of Shri Sanjay C. Jhaveri, who retires by rotation and being eligible, offers himself for re-appointment.
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 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

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

Resolved that pursuant to Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, the consent of the Shareholders of the Company be and is hereby accorded to the Board of Directors of the Company ("The Board" which expression shall also include a committee thereof) to sell, lease, transfer and/or otherwise dispose off the whole or any part of the Company's undertakings comprising of the :

- Composite Edible Oils Processing Plant (Vanaspati plant/ Oil Mill/Solvent plant and Soap plant) located at Rakhial R.S., Taluka Dehgam, Dist. Gandhinagar-382 315, Gujarat,
- Solvent Extraction Plant located at 149, RIICO Industrial Area, Nimbahera - 312 601, Dist. Chittorgarh (Raj.).
- Wind Farm unit located at Vill. Patelka, Tal. Kalyanpur, Dist. Jamnagar, Gujarat

including land, buildings, plant & machinery and other assets or any part of assets to any party, all or any of the units as stated above from such date as the Board may decide, on such terms and conditions and in such form and in such manner and at such price as the Board of Directors of the Company may decide in the interest of the Company with full power and authority to the Board of Directors as they deem fit and to finalise and execute all documents as may be required in this connection and to do all such acts, deeds, matters and things as may be deemed necessary and/or expedient in its discretion for the aforesaid purposes.

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

RESOLVED that the Registered Office of the Company situated at Rakhial R.S., Tal. Dehgam, Dist. Gandhinagar (Gujarat) be shifted to 11/2/3, GIDC Industrial Estate, Nr. Jai Bhavani Glass Works, Kadi - 382 715, Dist. Mehsana, Gujarat and that the Secretary be instructed to notify the said change in the situation of the Registered Office to The Registrar of Companies, Gujarat in accordance with Section 146 of the Companies Act, 1956.

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

"RESOLVED THAT, in pursuance of the Clause 5 of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the consent of the Company be and is hereby accorded for voluntary delisting of the equity shares of the Company from The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Limited, Kolkata, where the equity shares are scarcely traded.

RESOLVED FURTHER THAT the equity shares shall continue to be listed at stock exchange having nationwide terminals viz. The Stock Exchange, Mumbai and therefore, as per provisions of the SEBI (Delisting of Securities) Guidelines, 2003, no exit opportunity need be given to the shareholders of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual, incidental or expedient for the aforesaid purpose."

By Order of the Board of Directors

Rakhial - 382 315
25th July, 2005

Himanshu Thakor
Company Secretary

* In respect of item Nos. 5 and 6 the approval of the members is being sought through postal ballot, as required u/s. 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 for which a separate ballot paper and other communication is circulated to the members along with this notice

N O T E S

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.
3. The Register of Members and Share transfer book of the Company will remain closed from 1st August, 2005 to 15th August, 2005 (both days inclusive)
4. The Board of Directors has not recommended any dividend for the year ended 31st March, 2005.

Annual Report 2004-05

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. 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.

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

Name of Director	Shri Sanjay C. Jhaveri	Shri Vikram Somany
Date of Birth	23.12.1952	26.08.1949
Date of appointment	26.09.2001	29.04.1974
Expertise in specified Functional areas	Industrialist having rich business experience	Industrialist
List of other Directorships held	Dalal Marketing Pvt. Ltd. Ahmedabad Chemicals Pvt. Ltd. Dalal Stock Holding Pvt. Ltd. Sphere Stock Holding Pvt. Ltd. Ideal Dyes Industries Pvt. Ltd. Orient Supply Agencies (Ahmedabad) Pvt. Ltd. Chinubhai Chimantlal Dalal Securities Pvt. Ltd. Wellknown Organizers Ltd.	Cera Sanitaryware Ltd. Madhusudan Fiscal Ltd. Asopalav Plantations Pvt. Ltd.
Chairman / Member of the Committees of the Board of the Companies on which he / she is a Director	—	—

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

Item No. 5

The production at Rakhial plant of the Company has been discontinued w.e.f. 21st October, 2004. It is unlikely that the operations can become viable in the present market conditions, and in view of the present Government policies. It is not possible even to recover the overheads of the unit in the current scenario. The plant at Nimbahera (Rajasthan) operates on a seasonal basis and as such it is not viable to run the plant only for part of the year and recover the expenses of the unit.

It is, therefore, proposed to sell, lease or dispose off both the plants, if the Company finds a buyer at the right price.

The Company's Wind Farm located at Vill. Patelka, Tal. Kalyanpur, Dist. Jamnagar was established as a captive power plant. The electricity generated at the said plant was used by the Company on captive basis for the Vanaspati Unit located at Rakhial R.S. Since the Rakhial unit is not in operation since 21st October, 2004, the Company could not utilize the electricity generated at the Wind Farm unit and the Company has got permission from the concerned Government authorities for the sale of electricity to the Gujarat Electricity Board. The Company is selling electricity generated at its Wind Farm unit to GEB w.e.f. 1.4.2005. As the unit at Rakhial is not in operation, it is proposed that Wind Farm unit be also disposed off. It is proposed that the sale proceeds to be received by the Company will be utilised to pay off its liabilities, and the balance, if any, after paying off its liabilities including secured and unsecured creditors, will be utilized by the Company for its trading activities.

Section 293(1) (a) of the Companies Act, 1956 provides that the Board of Directors shall not without the consent of the Company in general meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking(s) of the Company. Accordingly, sanction of the shareholders is sought to this resolution.

Your directors commend the resolution as per item no. 5 of the notice for passing by the members.

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

Item No. 6

The Registered Office of the Company is presently situated at Rakhial R.S., Tal. Dehgam, Dist. Gandhinagar about 60 KM away from Ahmedabad. The production at the Vanaspati plant located at Rakhial has been discontinued w.e.f. 21st October, 2004. As the Vanaspati plant at the Registered office address is unlikely to be operational in foreseeable future, it is proposed that the Registered office of the Company be shifted to 11/2/3, GIDC Industrial Estate, Nr. Jai Bhavani Glass Works, Kadi - 382 715, Dist. Mehsana, Gujarat.

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

None of your directors is concerned or interested in the said resolution,

Item No. 7

Presently, the Company's Equity Shares are listed on the following three stock exchanges in India.

1. The Stock Exchange, Ahmedabad;
2. The Stock Exchange, Mumbai; and
3. The Calcutta Stock Exchange Association Limited, Kolkata

With the extensive networking of The Stock Exchange, Mumbai (BSE) and extension of the BSE terminals to other cities as well, investors have access to online dealing in the Company's equity shares across the country. The bulk of the trading in the Company's equity shares takes place on the BSE and depth and liquidity of trading in the Company's equity shares on The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Ltd, Kolkata are very low.

The Company's equity shares are one of the script in which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors. In view of extremely low trading volumes, the benefits accruing to the investors by keeping the shares of the Company listed on The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Ltd., Kolkata are not commensurate with the costs incurred by the Company for continued listing on these Stock Exchanges.

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. Under these Guidelines a Company may delist from

stock exchange where its securities are listed provided that

the securities of the Company have been listed for a minimum period of 3 years on any stock exchange; and

an exit opportunity has been given to the investors at an exit price to be determined in accordance with 'book building process'. However, in cases where the securities of the Company continue to be listed on a stock exchange having nation wide trading terminals, i.e. BSE/NSC, exit opportunity need not be given.

The member's approval is sought by passing a special resolution for delisting of Company's equity shares from The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Ltd., Kolkata.

Your directors commend the resolution as per item no. 7 of the notice for passing by the members.

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

By Order of the Board of Directors

Rakhial - 382 315
25th July, 2005

Himanshu Thakor
Company Secretary

Annual Report 2004-05**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, 2005.

Performance

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

	Year ended March 31, 2005 (Rs. in lacs)	Year ended March 31, 2004 (Rs. in lacs)
Profit before Depreciation and Taxes and Exceptional Item	107.37	184.43
Deducting therefrom Depreciation of	—	142.75
Profit / Loss before tax & exceptional item	107.37	41.68
Deducting therefrom taxes of:		
- Current Tax	—	40.32
- Deferred Tax	—	(-) 32.85
Profit after tax and excluding Exceptional item	107.37	34.21
Less : Exceptional item	(-)73.89	—
Profit after tax including exceptional item	33.48	34.21
Add: Balance brought forward from previous year	21.16	2.11
Amount available for Appropriations	54.64	36.32
The proposed appropriations are:		
1. Proposed Dividend	—	13.44
2. Tax on Proposed Dividend	—	1.72
3. Debenture Redemption Reserve	—	—
4. Balance carried forward	54.64	21.16
	54.64	36.32

Edible Oil Units**1) Rakhial Unit**

It was apparent since last couple of years that the production of Vanaspati was becoming increasingly unviable. The continuation of the adverse policies of the Central Government with regard to the Edible Oil Industry provided no relief to your company already burdened with an ageing labour force and high overhead costs. The company was compelled to suspend production facilities at Rakhial from 21st October 2004 and this suspension continued till the end of the financial year on 31st March, 2005 and beyond. However, operations remained normal at the other units of the company.

Under the circumstances, the production of Vanaspati and Refined Oils during the year was 1,800 MT (9,496 MT in the previous year). De-oiled cake production was 12,123 MT (29,645 MT in the previous year). The production of Laundry Soap was 319 MT (1,327 MT in the previous year). The production of Expeller / Expander and Solvent Oils was 3,062 MT (7,537 MT in the previous year). After suspension of production, the company has endeavoured to capitalise on the strong brand loyalty of Vanaspati products (Madhuram, Madhuras & Mahak) and laundry soap (Ujala King). A total of 2,596 MT Vanaspati was imported from Malaysia and Sri Lanka

for marketing. To overcome taxation barriers in Rajasthan, 442 MT of Vanaspati was procured indigenously under the Company's brand name. Similarly, 441 MT laundry soap was also procured and marketed by us.

The marketing volumes were adversely affected and hence lower in the transition period, after suspension of production in October, 2004. The margins on laundry soap procured indigenously and marketed by us have been encouraging. Similarly, margins on imported Vanaspati are reasonable and have the potential to generate profits on increased volumes.

During the year under review, an amicable settlement was arrived at with the work force at Rakhial, majority of which have since voluntarily resigned in February/March, 2005, resulting in an exceptional expenditure to the tune of Rs 73.89 lacs.

The silver lining has been that consequent to the settlement, the overheads at Rakhial have reduced substantially. The benefits of this significant development would be reflected in the balance sheets of the future years.

2) Nimbahera Unit

The Nimbahera plant, which had extensively operated through out 2003-04, had become due for repairs and underwent major maintenance during the year. Further, after a very good crop season in the year 2003-04, the edible oil seeds market was rather subdued during the year under review. Owing to the above factors, the production activities could be carried out for only a limited period at Nimbahera. However, it is encouraging that the performance parameters of the plant showed significant improvements during the short period that it operated.

3) Power Unit

The generation this year was 24,97,453 units against 27,86,011 units last year, due to break-down of 3 wind mills in June-August, 2004 (high wind season).

Due to suspension of production at Rakhial, the Company has switched on to the option of selling power to the State Electricity Board from wheeling option, w.e.f. January 2005.

Management discussion and analysis report**(a) Industry Structure and Development**

Presently the Vanaspati Industry has reached a difficult phase as far as indigenous production is concerned. The situation can become conducive for restart of production, only if there is complete overhaul of the Central Government policies, especially with regard to duty free imports of Vanaspati from the SAARC Nations. The company can still derive some satisfaction that it tried to sustain production activities, absorbing losses, till it became impossible to do so.

To survive, the company turned to imports and trading activities, where a humble beginning has already been made. However, the company has the experience and expertise to survive through trading activities. The Power Unit is expected to perform better as the wind mills will operate in the high wind season, unlike in the previous year.

In addition, the Solvent plant at Nimbahera can operate normally as per the crop cycles. Since a major overhaul of the Solvent Extraction Plant has already been completed, the company is optimistic that the facilities at Nimbahera will be able to operate with improved process parameters and generate good profits. The timely onset of the monsoons and good initial rainfall provide additional reason to cheer.

(b) Opportunities and threat

The reduction in overhead costs, especially the manpower cost, offers an opportunity to restructure operations. The



company can now focus on its core strengths of trading and marketing. The company can leverage on strong brand loyalty and extensive market reach.

The threat crops up from small time entrepreneurs and importers, who could play havoc in the market with their 'fly by night' approach. The volumes of reputed brands may not pick up as virtually anyone can now become an importer & trader of vanaspati & edible oils.

(c) **Segment-wise/Product-wise performance**

The marketing efforts were the worst hit in this year of upheavals when the production had to be suspended in October, 2004. There was a period when there were no finished goods available to sell and the competition rushed in to fill the vacuum. The imports took time to be put in place and as a result the volumes could not pick up. The Nimbahera plant was under major maintenance during the year, which resulted in reduced production. Despite that the year ended with sales of 4,546 MT of Vanaspati, 3,680 MT of oils, 890 MT of laundry soap and 12,948 MT of DOC.

(d) **Outlook**

The fact that despite suspending production, the company is still maintaining its presence in the market speaks volumes about your company's resilience and the will to survive. The company has reoriented towards becoming a trading company and would explore other areas of diversification, growth and generating profit for its stake holders. The amicable settlement of the labour disputes and the massive reduction in workforce achieved consequent to the settlement augurs well for the future of the company.

(e) **Risks and concerns**

The industry is now dependent on imports more than ever before and hence is highly vulnerable to foreign exchange fluctuations and external factors. The company would now need to also watch out for small time operators who have become importers and the threat of such unscrupulous importers evading taxes and passing off cheaper and harmful non-edible fats like stearin as vanaspati is real.

(f) **Internal control system and their adequacy.**

The company has fully computerised its accounting system since many years which has proved versatile. The system of internal controls 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 development in Human Resources /Industrial Relations**

The company concluded an amicable settlement agreement with the authorised Union of the Company's workers, after it had to suspend its production at Rakhial. The settlement was a 'win-win' situation, where each worker had the authority to individually accept or reject the agreement concluded by the Union. The workers who accepted the settlement, resigned voluntarily and have since been paid all their dues as per the terms of the agreement. The company is now maintaining bare minimum staff and workers at Rakhial factory and to derive synergy, the accounts and support services have been shifted to Ahmedabad office.

At the Nimbahera factory, the labour situation continues to be normal.

The company continues to value its human resources and strives to nurture them, encouraging them to learn newer skills and assigning newer responsibilities.

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 a 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, 2005 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

Due to insufficient profit and non provision of depreciation for the year, your Directors have not recommended any dividend.

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.88.03 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, 2005 was Rs. 323.17 lacs. There are 9 Fixed Deposit holders with Rs.1,14,000/- of unclaimed / unrenewed deposits as on 31st March, 2005. 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. 733.02 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 of Rs. 37.61 lacs.

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 under review, Shri Sushil A. Dalal has resigned from the Board of Directors with effect from 9.11.2004

Your Board of Directors places on record its appreciation for the contribution made by him to the Company

Shri Sanjay C. Jhaveri and Shri Vikram Somany are due to retire by rotation and being eligible for re-appointment, offer themselves for re-appointment.

Annual Report 2004-05**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 re-appointment at the ensuing Annual General Meeting.

Auditors' observation

As per clause 6 of the auditors report, the auditors have observed that the Company has not provided depreciation of Rs. 141.04 lacs for the year ended 31st March, 2005.

Your directors state that as per note no. 5 of Schedule 18, the Rakhial unit of the Company was operational till 21st October, 2004. Most of the employees of this unit voluntarily resigned under an agreement. The amount of Rs. 73.89 lacs spent by the Company on this account is an exceptional expenditure. In view of this exceptional expenditure and partial use of assets at Rakhial unit, the Company has not provided Rs. 141.04 lacs as current year's depreciation.

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. Long pending labour disputes and litigation were resolved during the period under review.

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, GIC, NIA, NIC, UIIC, OIC and UTI Bank Ltd. and various departments of both State and Central Governments.

For and on behalf of the Board of Directors,

Kolkata
30th June, 2005

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, 2005.

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

	01.04.2004 to 31.03.2005	01.04.2003 to 31.03.2004
A. Power and Fuel Consumption		
1. Electricity :		
i. Purchased Unit (KWH)	11,29,120	34,41,905
Total Amount (Rs.)	66,51,913	1,75,63,355
Rate/Unit (Rs.)	5.89	5.10
ii. Own Generation		
Through Diesel Generator		
Unit (KWH)	8,866	65,237
Units/Ltr. of Diesel Oil	3.02	3.11
Cost/Unit (Rs.)	4.79	4.64
2. Coal :		
i. Lignite Coal Qty.(Tonnes)	1,359	4,439
Total Cost (Rs.)	18,53,800	58,34,070
Average Rate (Rs.)	1,365	1,314
ii. Fire Wood Qty. (Tonnes)	1,405	8,555
Total Cost (Rs.)	13,60,076	83,06,631
Average Rate (Rs.)	968	971
B. Consumption per unit (M.T.) of Production		
Product - Vanaspati		
Steam (M.T.)	1.92	2.10
Electricity (KWH)	307	258
Coal (Specify Quality) :		
Lignite (M.T.)	0.37	0.30
Others (Specify)		
Firewood (M.T.)	0.30	0.44

Technology Absorption

Form B : Nil

Total Foreign Exchange used and earned

Total foreign exchange used	: Rs. 1.132 lacs
Total foreign exchange earned	: Rs. Nil

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, 2005
(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
3. Holding Company's interest	: 100 % (Previous year 100 %)
4. The loss of Madhusudan Fiscal Limited for the year ended 31st March, 2005 (Net of Deferred Tax Asset / Liability).	: Rs.5,29,471/-
5. The loss for previous Financial Years since it became the Company's subsidiary.	: Rs.37,65,210/-
6. No adjustment has been made in the books of Madhusudan Industries Ltd. in respect of the said loss of Madhusudan Fiscal Limited.	

Himanshu Thakor
Company Secretary

Vikram Somany

Chairman

D. P. Goyal

Resident Director

Ahmedabad
30th June, 2005

Kolkata
30th June, 2005



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 two non-executive directors.

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

Non-executive directors are paid 1% commission on net profits, which is distributed equally among them. Due to inadequate profit for the year ended 31.03.2005 no commission was paid.

During the year, 8 Board Meetings were held – on 14.04.2004, 15.06.2004, 28.07.2004, 14.08.2004, 06.09.2004, 28.10.2004, 09.11.2004 and 18.01.2005.

None of the directors on the Board are members in more than ten committees and they do not act as Chairman 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	3	No	3	—
2.	Shri Chandrakant C. Dalal	Non-Executive Director	1	Yes	1	—
3.	Shri Sushil A. Dalal*	Non-Executive Director	3	Yes	1	—
4.	Shri Sanjay C. Jhaveri	Non-Executive Director	7	Yes	7	—
5.	Shri D.P. Goyal	Resident Director	8	Yes	2	—

* Resigned w e. f. 09.11.2004.

3) Audit Committee

The Audit Committee, which was reconstituted by the Board of Directors on 9th November, 2004 consist of 3 (three) directors, Shri Chandrakant C. Dalal – Chairman, Shri Sanjay C. Jhaveri and Shri D. P. Goyal. The Company Secretary is also Secretary to the Audit Committee. During the year under review, 4 (four) Committee Meetings were held on – 15.06.2004, 28.07.2004, 29.10.2004 and 18.01.2005.

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, which was reconstituted by the Board of Directors on 9th November 2004 consists of Shri Sanjay C. Jhaveri – Chairman, Shri Vikram Somany and Shri Chandrakant C. 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.

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 by him and his 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 31.03.2005**(I) Wholetime Director**

Name	Salary (Rs.)	Perquisites and Retirement benefits (Rs.)
Shri D.P. Goyal-Resident Director	8,70,000/-	6,36,225

The Company has entered into contract with the above director. His appointment is for a period of 3 years. The Wholetime 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 Wholetime Director at any time by giving three months notice in writing.

The Wholetime 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 Wholetime 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 31.03.2005, no commission was paid to the Non-Executive Directors. The details of remuneration paid to them during the year are as under:

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Name	Sitting Fees Paid (Rs.)
Shri Vikram Somany	6,000/-
Shri Chandrakant C. Dalal	2,000/-
Shri Sushil A. Dalal*	6,000/-
Shri Sanjay C. Jhaveri	14,000/-
Total	28,000/-

*resigned w.e.f. 9-11-2004

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.

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	-	Member
Shri Sanjay C. Jhaveri	-	Member
Shri D. P. Goyal	-	Member

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 31.03.2005, the Company had received 112 complaints / queries from the Shareholders.

All the complaints received from the Shareholders were resolved. There is no complaint pending as of 31.03.2005, 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 31.03.2005, 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
31.03.2004	30.09.2004	11.30 a. m.	Rakhial Station-382315, Tal. Dehgam Dist. Gandhinagar.
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.

No special resolutions were required to be put through postal ballot last year.

for sell, lease or dispose off undertaking(s) of the Company u/s 293 (1)(a) of the Companies Act, 1956 and shifting of the registered office of the Company from one place to another within the state, u/s. 146 of the Companies Act, 1956 shareholders approval is sought by voting through postal ballot.

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.
4. The Company uploads its financial results, shareholding pattern and other information on the EDIFAR website maintained by National Informatics Centre (NIC), which can be accessed through the website of the Securities and Exchange Board of India (SEBI) <http://www.sebi.gov.in>. These information are also uploaded by the Stock Exchange, Mumbai on the website <http://www.bseindia.com>.

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

Date and Time : 2nd September 2005: 11.30 a.m.

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

2. Financial Calendar 2005-06 (tentative)

Annual General Meeting : 3rd / 4th week of September, 2006

Results for quarter ending By last week of

June 30, 2005 : July 2005

September 30, 2005 : October 2005

December 31, 2005 : January 2006

Results for year ending : 3rd / 4th week of June 2006

March 31, 2006 (Audited)

3. **Book Closure date** : 1st August, 2005 to 15th August, 2005
(both days inclusive)

4. Dividend payment by the Company:

Due to insufficient Profit and non provision of depreciation for Current Year, Directors have not recommended any dividend.