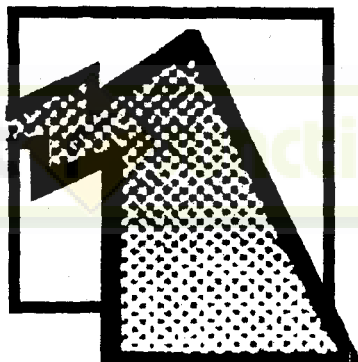


13th Annual Report

2004-2005

milestone



MILESTONE ORGANIC LIMITED

Board of Directors

Mr. Raghvibhai P. Patel	Chairman
Mr. Rayjibhai P. Patel	Director
Mr. Vinodbhai M. Makadia	Director
Mr. Anantrai M. Patel	Director
Mr. Bharatbhai D. Patel	Director

AUDITORS :

BHARAT PARIKH & ASSOCIATES
CHARTERED ACCOUNTANTS
VADODARA (GUJARAT)

**BANKERS :**

STATE BANK OF INDIA
MANDVI BRANCH
VADODARA (GUJARAT)

Regd. Office/FACTORY/ADMINISTRATIVE OFFICE :

PLOT # 106 & 108, Ekalbara,
TAL. Padra-391 440, Dist. : VADODARA
PHONE : +91 - 2662 - 223391, 221405, 221166.

13th Annual Report

Milestone Organic Limited

DIRECTOR'S REPORT

To.

The Members.

MILESTONE ORGANIC LIMITED

Your Directors have the pleasure in presenting the 13th Annual Report of the company together with the Audited Statement of Accounts for the year ended on 31st March 2005.

1. FINANCIAL RESULTS

Particulars	Current Year (Rs. In Lacs)	Previous Year (Rs. In Lacs)
Sales and Other Income	166.97	523.84
Loss before Depreciation Interest and Tax	(143.36)	(0.95)
Depreciation	47.68	48.15
Interest	6.11	11.32
Loss before tax	(197.15)	(53.59)
Prior Year Expenditure	0	(7.02)
Loss after adjustment	(197.15)	(60.61)
Income Tax	0.00	0.00
Net loss for the period carried to Balance Sheet (197.15)		(60.61)

2. **OPERATIONS** : The Company has suffered losses during the year inspite of the best efforts on the part of management, which could not be avoided. The major factor to this effect is adverse market condition. Further, the non-moveable stock lying with the company since long time has lost its strength/purity which has resulted in decrease in its market value, which has resulted in increase losses substantially. The effect is that the net loss of the company has been increased beyond 50% of the paid up capital and free reserves of the company and the company become potentially sick company.

3. **DIVIDEND** : The Directors do not recommend any dividend in the absence of profits during the year under review.

4. **DEPOSITS** : Fixed Deposits received and paid during the year under review were Rs. 4.25 Lacs and Rs.10.75 lacs respectively. There are no overdue deposits.

5. **MANAGEMENT DISCUSSION AND ANALYSIS** : A separate report on Management Discussion and Analysis pursuant to clause 49 of the listing agreement entered with stock exchanges is enclosed as a part of the director's report.

6. **REPORT ON CORPORATE GOVERNANCE** : Pursuant to clause 49 of the listing agreement entered with stock exchanges, a separate section on Corporate Governance in the annual report of the company is attached to the annual report.

7. **DIRECTORS** : Shri Vinod M. Makadia and Shri Anantrai M. Patel, the Directors of the Company, retire by rotation at the forthcoming Annual General Meeting and are eligible offers themselves for re-appointment. The Board recommends their re-appointment.

8. **DIRECTORS' RESPONSIBILITY STATEMENT** : Pursuant to Section 217 (2AA) of the Companies Act, 1956, the directors hereby confirm :

- That in the preparation of the Annual Accounts for the year ended 31st March 2005, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the year under review;
- That the Directors have taken proper and sufficient care 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; and
- That the Directors have prepared the Annual Accounts for the year ended 31st March, 2005 on a going concern basis.

9. **AUDITORS** : M/s. Bharat Parikh & Associates.. Chartered Accountants, Baroda Auditors of the Company shall retire at the conclusion of the ensuing Annual General Meeting and having furnished the required certificate pursuant to Section 224 (1B) of the Companies Act, 1956, are eligible for re-appointment. The Board recommends their re-appointment. In respect of observations made by the Auditors in their Report, your Directors wish to state that the respective notes to the accounts are self-explanatory, and do not call for any further comments.

10. **INDUSTRIAL RELATIONS** : The industrial relations of the company continued to remain cordial. The Directors wish to place on record their sincere appreciation of the Co-operation extended and the valuable contribution made by the employees at all levels.

11. **PARTICULARS OF EMPLOYEES** : Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees Rules) 1975 is not given, as there was no employee drawing remuneration prescribed under the said section.

12. **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO** : Particulars of Energy Conservation, Technology Absorption and Foreign Exchange earnings and outgo required to be given by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure A to this Report in the prescribed format under the said Section.

13. **ACKNOWLEDGEMENT** : Your Directors appreciate the valuable co-operation and assistance received from the Company's Bankers, Employees, Customers and all those associated with the company during the year under review.

By Order of the Board of Directors

Raghavjibhai P. Patel
Chairman

Place : Ekalbara, Padra

Date : 28th July 2005

ANNEXURE TO DIRECTORS REPORT

PARTICULARS AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2005

1. CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

1. ELECTRICITY

	2004-2005	2003-04
(a) Purchased Units	305754	383763
Total Amount in Rupees	1635365	1982782
Rate per unit in Rupees	5.35	5.17
(b) Own Generation (KWH)		
I. Through diesel generator Unit		
Units per-ltr of diesel oil cost/unit	NIL	NIL
II. Through steam turbine/generator Units.		
Units per ltr. of fuel oil/gas cost/Units	NIL	NIL

B. CONSUMPTION PER UNIT OF PRODUCTION

	Current year	Previous Year
Production (in Kgs.)	142050	228828
Electricity (per Kg)	2.15 Unit	1.68 Unit

C. FOREIGN EXCHANGE EARNING & OUTGO

Foreign Exchange Earned	608205
Foreign Exchange Used	NIL

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

* Industry Structure and developments

Indian Dye Industry is the second largest in the world. Colouring today's has a wide application in clothing and Textiles, Plastics, Solvents, Paints, Petroleum products etc. We at MILESTONE, manufacture VAT DYES, which are used for dyeing and printing of cotton and are known for their fastness and strength on cotton as compared to other dyes available in the market. There are very few players in this field, as it requires huge working capital and infrastructure. M/s. Atul Limited, M/s. Indokem Limited, M/s. Colortex Limited are some of the major players in this field. Though the quota for textile export has been removed, the local market yet to see any major break through as there is always a threat from cheaper imports from China.

Even in the global market the demand of Vat Dyes has increased due to cheaper substitutes like reactive dyes, acid dyes etc. However the demand for Dye Intermediates has gone up, MILESTONE with its existing infrastructure, brand name and years of experience definitely has an edge over new entrants.

We at MILESTONE now plan to concentrate more on dye intermediates with some modification in the plant design.

* Opportunity and Threat

We at MILESTONE being the major manufacturer of Dye Intermediates for both Solvent and Vat Dyes are in the better position to compete in the market with consistent supply of raw material. However with the opening of the economy and the global access, China still has a price advantage and Imports being the major threat. However still there is a huge potential in the dyeing unit were they operate on small scale, as it may not be viable for them to import material in larger quantities.

* Future Outlook

After the Chinese products onslaught in the Domestic and the International market in last few years, customers are now again looking towards the Indian manufacturer and suppliers for consistency in the quality. Thus increasing the potential in the market for Dyes. However the pricing will continue to be all time low and the key will be to increase the volumes and consistency in the supply.

* Internal Control System and their adequacy

The Company has adequate internal control system with proper checks and balances, which are periodically reviewed and validated by company's own internal Audit department. And the management is supervising the same.

* Operational and Financial Performance

Quantitative (Production)	Unit	04-05	03-04
Vat Dyes	kgs.	5437	9726
Other Intermediates	kgs.	5638	19462
Benzanthrone**	kgs.	114623	83351
Quinizarine	kgs.	16352	117189

** Inclusive of Nil Kgs Sub Contracted (Previous Year 900 Kgs)

Financial

Sales	Rs./lacs.	165.37	523.84
Loss	Rs./lacs.	(197.15)	(60.61)

* Material Development in Human Resource and Industrial Relation.

During the year Industrial relations were cordial and harmonious. The company has engaged its attention towards developing the concept of multi skill manpower. This has resulted in free mobility of manpower. Thus engaging minimum manpower in various departments.