

ANNUAL REPORT 2004-2005



Aekta Limited

BOARD OF DIRECTORS

Shri S. S. Kanoria *Chairman*

Shri A. C. Mukherji

Shri A. K. Basu

Shri J. K. Bhagat

Shri I. P. Poddar

Shri D. K. Bubna *Executive Director cum Company Secretary*

Auditors

Singhi & Co.

Chartered Accountants

Bankers

Central Bank of India

Canara Bank

Allahabad Bank

Registered Office

6, Little Russell Street

Kolkata - 700 071

Works

Ludlow Jute Mills

Chengail, Howrah

President Works

B. M. Thakkar

General Manager (Finance & Accounts)

R. K. Gupta

Registrar and Share Transfer Agents

MCS Ltd.

77/2A, Hazra Road

Kolkata - 700 029

**NOTICE
TO THE SHAREHOLDERS**

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the members of **AEKTA LIMITED** will be held at Sitaram Sekseria Auditorium at Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata-700 017 on Thursday, the 15th day of September, 2005 at 11:00 a.m., to transact the following business :-

ORDINARY BUSINESS :

1. To consider and adopt the Profit & Loss Account of the Company for the financial year ended 31st March 2005, the Balance Sheet as at that date, Auditors' Report thereon and the Directors' Report.
2. To appoint a Director in place of Shri J.K. Bhagat who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri I.P. Poddar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and authorize the Board to fix their remuneration.

Registered Office :

6, Little Russell Street,
Kolkata -700 071

Dated : the 29th day of June, 2005

By Order of the Board

D.K. BUBNA

*Executive Director Cum
Company Secretary*

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE AGM.
2. Corporate Members are requested to send to the Company a duly certified copy of the Board Resolution/ Power of Attorney, authorising their representative to attend and vote at the Annual General Meeting.
3. The Register of Members and Share Transfer Books shall remain closed from 8th September, 2005 to 15th September, 2005 (both days inclusive).
4. Members are requested to produce the attendance slip duly signed as per the specimen signature recorded with the Company for admission to the meeting hall.
5. Members, who hold shares in dematerialised form, are requested to bring their client ID and DPID Nos. for easier identification of attendance at the meeting.
6. Shareholders, who have not dematerialised their shares as yet, are advised to have their shares dematerialised to avail the benefit of paperless trading.
7. In all correspondence with the Company/Registrar & Share Transfer Agents, members are requested to quote their folio number and in case their shares are held in the dematerialised form, they must quote their DP ID and Client ID Number.
8. Members can avail the nomination facilities under Section 109A of the Companies Act, 1956 by filing Form No.2B with the Registrars and Transfer Agents, MCS Limited, 77/2A, Hazra Road, Ground Floor, Kolkata-700 029 (in the case of physical shares) or to the Depository.
9. Members are requested to notify immediately any change of address:
 - To the Depository Participants in respect of electronic share accounts and
 - To Registrars and Transfer Agents, MCS Limited, 77/2A, Hazra Road, 5th Floor, Kolkata-700 029 in respect of physical share accounts.
10. In case the mailing address mentioned in the Annual Report is without the Pin Code, Members are requested to inform their Pin Code immediately.

DIRECTORS' REPORT**TO THE SHAREHOLDERS,**

Your Directors are presenting their Report and Accounts along with the Auditor's Report thereon, of the Company, for the year ended 31st March, 2005.

FINANCIAL HIGHLIGHTS

	(Rs. in crores)	
	2004-05	2003-04
Profit before Depreciation	(1.32)	(1.55)
Less: Depreciation	1.61	1.71
Profit for the year	(2.93)	(3.26)
Less: Provision for Current Taxation	—	—
Less: Provision for Deferred Taxation	1.18	1.14
Add: Income Tax for earlier year	0.10	—
	(1.85)	(2.12)
Add : Balance brought forward from last year	(2.73)	(0.61)
Balance carried forward	(4.58)	(2.73)

In view of carry forward losses, the Directors regret that they are unable to recommend dividend for the year under review.

OPERATIONS

During the year under review, the Company's sale was Rs. 47.46 crores and export was Rs.24.60 crores against sales of Rs.58.53 crores and exports of Rs.29.30 crores during the previous year (both the export figures are inclusive of exchange gain of Rs.27.66 lacs and Rs.127.23 lacs respectively). There was net loss of Rs. 293.59 lacs during the year as against net loss of Rs.325.92 lacs during the previous year.

Your Directors are pleased to inform that after prolonged discussions and with the help of Directorate of Labour, Government of West Bengal, the Management signed a 'Memorandum of Settlement' with the representatives of Operating Unions of the Mills on 29th September,

2004 and the Mills resumed operations with effect from 3rd October, 2004, in a phased manner. But since, the Mills reopened after one year, the normalcy could be fully achieved only from January, 2005. It is a matter of satisfaction that the Agreement arrived at with the workmen at the time of reopening of the Mills has ensured more cordial relations with the workmen with improved discipline, good attendance and higher productivity.

In the meantime, the Company restructured by way of installing new equipments, eliminating outdated inefficient machineries, major overhauling and a completely new outlay of equipments enabling smooth material flow and better supervision. The modernization programme along with energy cost saving measures taken up after reopening of the Mills are expected to be completed during the current year. The cost control measures including capital investments to reduce energy cost, strengthening of building structures, improvement of material handling systems and rationalization of labour costs have enabled the Company to be more competitive.

Your Directors are pleased to inform you that despite one year of suspension of work at the Mills, most of the valued overseas customers continued with your Company, due to its maintenance of good relations, alternative sources of supplies wherever required, and past performance in respect of quality standard and customer services.

All these should reflect in considerable improvement of the performance of the Company, during the current year. The final working results will however also depend on the revival of export demand of yarn vis-a-vis competitiveness with Bangladesh, maintenance of Government purchases of Jute packaging material at the desired levels and satisfactory supply position of raw jute.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Industry Structure and Development**

- During the year under review, the Government of India issued a Notification for Compulsory

Packing of Food Grains at 100% and Sugar at 90% under Jute Packaging Materials (Compulsory use for Packing Commodities) Act, 1987 (JPMA) valid up to 30.06.2005. There are positive indications from the Government for continuance of JPMA beyond 30.06.2005.

- (ii) During the current year, the new Jute Policy, announced by the Government of India, is putting stress for developing and modernizing the Industry with emphasis on exports, improvement in domestic marketing along with improvement in Raw Jute Quality and yield per acre. This is most welcome.
- (iii) In view of the declared policy of the Government of India to increase export of jute goods to five fold of existing level, the decrease in DEPB rates by 1% in all jute goods export, and continuance of excluding jute yarn from EMA (Export Market Assistance) do not auger well for export particularly in view of stiff competition from Bangladesh, who enjoys not only lower wages and power cost but also, substantial Government assistance on export of their products. This is encouraging the establishment of jute yarn units in Bangladesh and is a threat to the yarn exporting units in India.

OPPORTUNITIES AND THREATS / RISKS AND CONCERNS

Following are the major areas of risks and concerns for the Jute Industry :

- a) Competition from Bangladesh, which enjoys substantial benefits of lower wages and power cost, apart from getting sizeable Government assistance against exports.
- b) Excellent Jute Crop this year at Bangladesh vis-à-vis lower than moderate Jute Crop in India will give an edge to Bangladesh in respect of Raw Jute cost also. This will have a substantial impact on export of Jute Yarn from India.
- c) Growing competition with cheaper synthetics

will remain unabated, although, fraught with ecological hazard.

- d) Continuous increase in Dearness Allowance of workers, without any corresponding increase in productivity which may lead to further increase in wage cost, which is already substantially higher than competitors at Bangladesh.
- e) Appreciation of Indian Rupee against Dollar and other Foreign Currencies will adversely affect the competitiveness of the Indian Industry.
- f) Non-implementation of productivity linked wage payment as per Agreement in 2002 will effect the productivity level and consequently the production cost in the Jute Industry.
- g) Establishments of new units with lower wages, non application of statutory benefits and various incentives for new comers, in West Bengal and elsewhere is unhealthy and an impediment towards the viability, modernization and diversification of the existing units.

OPPORTUNITIES

The pragmatism shown by the Government of West Bengal towards need for Industrial Development, peace and harmony in the labour relations the realization on the part of a section of leadership that competitiveness in the Industry is vital for the existence of jute industry, the feeling that it is in the common interest of labour and management to reduce cost and improve quality are welcome features. However, in view of the daunting task ahead, requiring the Industry to modernize and diversify and compete effectively, continuous cooperation and pragmatism on the part of Government, labour and mill-owners will be required on a much wider scale to keep the jute industry afloat.

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

As Company's business activities falls within a single primary business segment viz. Jute Goods,

the disclosure requirement of Accounting Standard AS-17 issued by the Institute of Chartered Accountants of India is not applicable. However, the geographical segments considered for disclosure on the basis of sales are as under:

Within India Rs. 2314 lacs

Outside India Rs. 2460 lacs (includes Rs.28.00 lacs for exchange gain)

OUTLOOK

The current year outlook for the jute crop at this point of time has been uncertain due to delayed monsoon in India but lately there are hopeful signs. The raw jute crop situation in Bangladesh is good. The demand for jute goods is expected to continue to be brisk due to continuance of mandatory packaging order and expected bumper production of sugar. Jute yarn will however face stiffer competition from Bangladesh and export from India is likely to be affected adversely unless Government of India remains sympathetic towards jute yarn and includes yarn also under EMA and maintain DEPB rates at earlier levels.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has a proper and adequate internal control procedure which is well supplemented by the surveillance of the Internal Auditors.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Unfortunately, due to labour indiscipline and lower productivity, the Company had to declare "suspension of work" with effect from 29th September, 2003 which continued until 2nd October, 2004. However, it took a little longer to resume normal full operation due to an unfortunate accident at the Mills. However, as a result of better marketing strategy, cost reduction and other measures taken, the Company has been able to increase its production/ productivity and procure substantial export orders after reopening of the Mills

Further, it is a matter of satisfaction that the Agreement arrived at with workmen at the time

of the reopening of the Mills resulted in better discipline, good attendance and higher productivity.

With a view to the above, the Company looks forward to the future with optimism and strength.

CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis Report, describing Company's objective, projection, expectation, estimate or prediction is based on the prevailing Industry position and market conditions which may be different from what is envisaged with regards to future prospects and performance. The Company assumes no responsibility in respect of above forward looking statements which may undergo changes in future on the basis of subsequent developments, information or events.

ISO CERTIFICATION

The Company has applied for the renewal of License under I.S.O. 9001: 2000, as this License expired during the "suspension of Work" in the Mills.

DELISTING OF EQUITY SHARES FROM DELHI STOCK EXCHANGE

The equity shares of the Company were delisted from trading from the Delhi Stock Exchange vide the letter No. DSE/ LIST/ 421 dated 26-02-2005 received from The Delhi Stock Exchange Association Limited confirming delisting of equity shares of the Company from the said exchange with effect from 1st March 2005 and that the intimation of the same has been given to Mumbai Stock Exchange and the Calcutta Stock Exchange.

DIRECTORS

Shri J.K. Bhagat and Shri I.P. Poddar retires by rotation, and being eligible, offers themselves for reappointment.

Shri D.K. Bubna, resigned as the Managing Director of the Company, and being a qualified Secretary, has been appointed as Executive Director cum Company Secretary with effect from June 01, 2004.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- i) That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures subject to Note No. 3(ii) of the Auditors' Report together with Note No. B10 in Schedule 'N' of Notes on Accounts;
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were responsible 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 profit or loss of the Company for the year under review;
- iii) 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;
- iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2005 on 'going concern' basis;

CORPORATE GOVERNANCE REPORT

The code of Corporate Governance introduced by clause 49 of the Listing Agreement with the Stock Exchanges where the shares of the Company are listed, has been implemented by the Company in true spirit. The Company has complied with all the mandatory requirements as prescribed under the said clause of the Listing Agreement.

A report on the matters specified in the said Code of Corporate Governance, along with a certificate from the Company's Auditors confirming compliance is annexed and forms part of the report.

Regd. Office :

6, Little Russell Street
Kolkata - 700 071.

The 29th day of June, 2005

AUDITORS AND AUDITORS' REPORT

Messers Singhi & Co., Chartered Accountants, Auditors of the Company, retire and are eligible for re-appointment. The Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

The Company has provided the due gratuity liability for the workers who have retired / ceased to work from the service of the Company. However, the gratuity liability on account of actuarial valuation, for the workmen, who have not retired as yet, have not been provided due to inadequate profits.

PERSONNEL

The provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, is not applicable as none of the employees is in receipt of the remuneration in excess of the limits laid down therein.

ENERGY CONSERVATION

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the Annexure forming part of this Report.

SUBSIDIARIES

The statement required under section 212 of the Companies Act, 1956 in respect of Subsidiary Companies, is appended to this report.

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance received from the Banks, Government Authorities and Shareholders during the year under review.

For and on behalf of the Board

S.S. Kanoria
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT, FOR THE YEAR ENDED 31st MARCH, 2005.

I. CONSERVATION OF ENERGY :

As reported earlier, the Company accord high priority to Energy Conservation.

(a) During the year, the Company has taken various measures to economize on Electricity consumption by –

- Installing lower H.P. Motors, wherever possible.
- Elimination of overhead line in Majdoor line Quarter by replacing with underground cable.
- Placement of electronic blast in place of magnetic blast.
- Installation of one oil press pump in place of Hydraulic pump.
- 75 nos. 15 H.P. Energy efficient motors procured earlier are in the process of installation. The Company proposes to change the other motors in spinning frame as well.
- The Company has installed a modern Humidification system to improve its working & quality of its product.
- The Company has got the Energy Audit done by an eminent consultant M/s. V.S. Rai & Associates during the current year and shall implement the various measures suggested by them, which is expected to help achieve substantial savings in its power cost.

(b) The Company has been making investment on continuous basis for the purpose of Energy Conservation.

(c) Impact of measures undertaken and under process will be reflected in lower consumption of electricity per M.T. of finished goods production during next year.

Total energy consumption and energy consumption per unit of production as per Form 'A'**A. Power and Fuel Consumption :**

	<u>2004-2005</u>	<u>2003-2004</u>
1. Electricity :		
(a) Purchased :		
Units (in lacs)	81.20	107.86
Total amount (Rs.in lacs)	386.30	590.73
Rate/unit (Rs.)	4.76	5.48
(b) Own Generation :		
Through Diesel Generator		
Units (in lacs)	1.19	1.06
Unit per ltr. of Diesel Oil	1.90	2.47
Cost/unit(Rs.)	11.37	8.48
2. Coal (Steam used for generation of steam in boiler)		
Quantity (in tonnes)	55	479
Total Cost (Rs. in lacs)	1.15	12.45
Average Rate (Rs.)	2085	2599

B. Consumption per unit of production:

Products (Unit : M.T.) :	15717	18779
Electricity (KWH)	516.63	574
Coal (Steam Kgs)	18	134

II. TECHNOLOGY ABSORPTION :**Research & Development (R & D)****(a) Specification of technology :**

The Company has been carrying on R & D activities, both manufacturing and marketing, to develop new products and jute and blended products with co-operation of Indian Jute Industries Research Association (IJIRA) and Jute Manufacturers Development Council (JMDC).

(b&c) Benefit and future plan of action :

The Company expects to derive benefits in future by higher value addition and per unit realization of its products.

(d) Expenditure on R & D :

Details not kept and merged with general expenditure.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :**(a) Export activities :**

During the year under review, the FOB value of the exports of the Company was Rs. 2176 lacs as against Rs. 2488 lacs in the last year.

(b) Total foreign exchange used and earned :

Used	Rs. 613 lacs
Earned	Rs. 2460 lacs

Regd. Office :

6, Little Russell Street
Kolkata - 700 071.

The 29th day of June, 2005

For and on behalf of the Board

S. S. KANORIA
Chairman

REPORT ON CORPORATE GOVERNANCE**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :**

High Standard of Corporate Governance implies absolute transparency in what one says and what one does; your Company adheres to this fundamental principle. The Board of your Company believes good Corporate Governance is voluntary and self disciplining.

We give hereunder our report on the prevailing practices in your Company.

2. BOARD OF DIRECTORS :

- 2.1 The Board as on 31st March, 2005 consists of six Directors including Shri S.S.Kanoria – Chairman and Shri D.K.Bubna, Executive Director cum Company Secretary of the Company and the other four Directors are non-executive and independent Directors. The position of the Board is given hereunder :

Name of the Director	Date of Appointment	Category
Shri S. S. Kanoria	12.12.1988	Non-Executive/Chairman
Shri A.C. Mukherji	14.03.1996	Non-Executive Independent Director
Shri A. K. Basu	12.12.1988	-do-
Shri J.K. Bhagat	31.01.2000	- do-
Shri I. P. Poddar	07.10.1987	-do-
Shri D. K. Bubna	01.06.2004	Executive Director cum Company Secretary

2.2 Meeting and attendance record of each Director :

- (i) 6(six) meetings of the Board of Directors were held during the year ended 31st March, 2005. The intervening period between two Board Meetings was well within the maximum time gap of four months prescribed in Clause 49.

The meetings were held on :-

1. 28th April, 2004
2. 28th June, 2004
3. 27th July, 2004
4. 30th October, 2004
5. 25th January, 2005
6. 29th March, 2005

- (ii) The attendance record of the Directors at Board Meetings during the year ended on 31st March, 2005 and the last Annual General Meeting(AGM) is as under :-

Name of the Directors	Attendance at Board Meetings	Attendance at last AGM
Shri S. S. Kanoria	6 Nos.	Yes
Shri A.C. Mukherji	4 Nos.	Yes
Shri A. K. Basu	6 Nos.	Yes
Shri J.K. Bhagat	6 Nos.	Yes
Shri I. P. Poddar	4 Nos.	No
Shri D. K. Bubna	5 Nos.	Yes