

ANNUAL REPORT 2005-2006



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 Seventh 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 Monday, the 25th day of September, 2006 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, 2006, the Balance Sheet as at that date and the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S.S. Kanoria who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri A.K. Basu who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Messrs. Singhi & Co., Chartered Accountants, the retiring Auditors, as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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Registered Office :

6, Little Russell Street,
Kolkata-700 071.

Dated : the 28th day of June, 2006.

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, authorizing their representative to attend and vote at the Annual General Meeting.
3. The Register of Members and Share Transfer Books shall remain closed from 18th September, 2006 to 25th September, 2006 (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 dematerialized form, are requested to bring their client ID and DP ID Nos. for easy identification of attendance at the Meeting.
6. Shareholders, who have not dematerialized their shares as yet, are advised to have their shares dematerialized 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 dematerialized 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, Ground 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, 2006.

(Rs. In Crores)

FINANCIAL RESULTS	2005-06	2004-05
Profit before Depreciation	3.57	(1.32)
Less : Depreciation	1.46	1.61
Profit for the year	2.11	(2.93)
Less: Provision for Current Taxation	0.32	—
Less/(Add) : Provision for Deferred Taxation	0.35	(1.18)
Less: Fringe Benefit Tax	0.07	—
Less/Add :Income Tax for earlier year	0.16	0.10
Profits after Tax	1.21	(1.85)
Add:Transfer from General Reserve	3.91	—
Less/(Add): Balance Brought forward from last year	(4.58)	(2.73)
Balance carried forward	0.54	(4.58)

In view of the above, 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.143.64 crores and export was Rs.53.55 crores against sales of Rs.47.46 crores and exports of Rs.24.60 crores during the previous year (both the export figures are inclusive of exchange gain of Rs.75.73 lacs and Rs.27.66 lacs respectively). There

was net profit of Rs.211.06 lacs during the year after providing for Rs.550 lacs being 50% gratuity on actuarial basis, as against net loss of Rs.293.59 lacs in the previous year, during which period the mills was under suspension of work for a period of six months approximately. During the year the Company transferred a sum of Rs.391.00 lacs from its general reserve to Profit & Loss A/c and was able to wipe off its carried over losses of Rs. 458.00 lacs. The balance of Rs.54.00 lacs of Net Profit was carried forward to Balance Sheet.

As informed last year, the various measures undertaken by the Company resulted into higher productivity resulting into higher production and improved margin. The continuous thrust on cost control, modernization and better supervision coupled with cost saving measures have helped your Company to improve its performance. An aggressive marketing has helped the Company to increase its export to higher level.

The Company is in the process of up-grading of its existing product quality development of new special products and expand its wings in new markets around the world.

Continuance of thrust on cost measures, better productivity and aggressive sales policy adopted by the Company should reflect in improvement in the working of the Company during the current year.

The expectation of good Raw Jute Crop this year should help ease the availability and price of Raw Jute in the current year. The final working results will however also depend on the revival of export demand of yarn vis-à-vis competitiveness with Bangladesh, maintenance of Government purchases of Jute Packaging Material at the desired levels and behaviour of Indian Rupee vis-à-vis Foreign Currency in the coming year.

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

- (i) During the year under review, the Government of India issued a Notification for Compulsory Packing of Food Grains and Sugar at 100% level under Jute Packaging Materials (Compulsory use for Packing Commodities) Act 1987 (JPMA) valid up to 30.06.2006. However, the continuation of the 100% usage for the current year is expected which is of vital importance to the industry.
- (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, improvement in Raw Jute Quality and yield per acre, which is a very desirable step.
- (iii) The government of India need to increase the DEPB rate and provide EMA (Export Market Assistance) to export of Jute yarn to help export particularly in view of steep competition from Bangladesh, where mills enjoy lower wages and lower power cost including substantial Government assistance.

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) Growing competition with cheaper synthetics will remain unabated, although, fraught with ecological hazard.

- c) 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.
- d) 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.
- e) 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 and to improve the competitiveness in the Jute Industry is vital for existence of the Jute Industry, the realization on the part of labour that it is in the common interest of labour and management to reduce cost and improve quality will go a long way to improve the Jute Mills condition. However, in view of the daunting task ahead, requiring the industry to modernize and diversify and compete effectively, continuous co-operation 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. 9085 lacs
Outside India	Rs. 5279 lacs

OUTLOOK

The current year outlook for the jute crop at this point of time has been good. However, due to unfortunate delay in rain during second fortnight of June 2006 in the main Jute Growing Area of South Bengal is a matter of concern, but it is expected that the weather should improve. The Raw Jute Crop situation in Bangladesh is excellent. 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 the Government of India remains sympathetic towards Jute Yarn and includes Jute Yarn also under EMA and maintain the 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

As a result of better marketing strategy, cost reduction, improvement in productivity and other measures taken, the Company has been able to increase its production/ productivity and procured substantial export orders during the year and was able to show an all round improvement in production, sales, export and profitability during the year. With continuous thrust on modernization, new product development, productivity and cost control measures, the Company looks towards 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. However this may undergo changes in future in view of the volatility involved based on weather condition, Government Policy relating to jute industry, global situation and market trends.

ISO CERTIFICATION

Due to continuously maintaining the High Quality Standard, the Company obtained the renewal of License under ISO 9001:2000.

DIRECTORS

Shri S.S. Kanoria and Shri A.K. Basu retires by rotation, and being eligible, offers themselves for reappointment.

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 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures subject to Note No. 3(iv) 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 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 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, 2006 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.

AUDITORS AND AUDITORS' REPORT

Messrs 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. Further, the Company has also provided 50% of the gratuity liability as on 31-03-2006 as per actuarial valuation and balance Rs. 550.55 Lacs remain unprovided.

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.

Regd. Office :

6, Little Russell Street
Kolkata - 700 071.
The 28th day of June, 2006

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, 2006.

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.
 - Installation of Energy Saver Equipments to reduce lighting unit consumption.
 - Placement of electronic ballast in place of magnetic ballast.
 - The Company has got the Energy Audit done by an eminent consultant M/s. V.S. Rai & Associates during the year and has implemented the various measures suggested by them, which has helped the Company to achieve substantial saving in 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 is reflected in lower consumption of electricity per M.T. of finished goods production during the year.

Total energy consumption and energy consumption per unit of production as per Form 'A'

		<u>2005-2006</u>	<u>2004-2005</u>
A	<u>Power & Fuel Consumption :</u>		
1	Electricity :		
a)	Purchased :		
	Unit (in lacs)	195.25	81.20
	Total Amount (Rs.In lacs)	806.74	386.30
	Rate / unit (Rs.)	4.13	4.76
b)	Own Generation :		
	Through Diesel Generator		
	Unit (in lacs)	4.99	1.19
	Unit per litre of Diesel Oil	2.61	1.90
	Cost / unit (Rs.)	11.07	11.37
2	Coal (Steam used for generation of steam in boiler) :		
	Quantity (in tones)	424	55
	Total Cost (Rs.In lacs)	12.39	1.15
	Average Rate (Rs.)	2923.00	2085.00
B	<u>Consumption per unit of production :</u>		
	Products (Unit : M.T.)	40161	15717
	Electricity (KWH)	498.60	516.63
	Coal (Steam Kgs)	56	18

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

The Company has been a member of the Indian Jute Industries Research Association (IJIRA) and Jute Manufacturers Development Council (JMDC), the prime Research body for the Jute Industry and are getting the benefits of Research and Development made by the Association.

(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:

The Company contributes to the Indian Jute Industries Research Association for Research and development.

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. 4819.00 lacs as against Rs. 2176.00 lacs in the last year.

(b) Total foreign exchange used and earned:

Used Rs.1608 lacs

Earned Rs.5279 lacs

Regd. Office :

6, Little Russell Street

Kolkata - 700 071.

The 28th day of June, 2006

For and on behalf of the Board

S.S. Kanoria

Chairman