

# ANNUAL REPORT 2006 - 2007



# 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 R. V. Kanoria

Shri B. Choudhuri

Shri L. G. Toolsidass

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

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**Registered Office**6, Little Russell Street  
Kolkata - 700 071

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**Works**Ludlow Jute Mills  
Chengail, Howrah - 711 308 (W.B.)

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**Bankers**Central Bank of India  
Canara Bank  
Allahabad Bank

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**Auditors**Singhi & Co.  
*Chartered Accountants*

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**President (Works)**

B. M. Thakkar

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**General Manager (Finance & Accounts)**

R. K. Gupta

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**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 Eighth 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 30th day of August, 2007, at 10.30 A.M, to transact the following business :-

**ORDINARY BUSINESS :**

1. To consider and adopt the Audited Profit & Loss Account of the Company for the year ended 31st March, 2007, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Shri A.C. Mukherji who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard, to consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** M/s. Singhi & Co., Chartered Accountants, be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

**SPECIAL BUSINESS :**

4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Shri R. V. Kanoria, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company."

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Shri B. Choudhuri, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company."

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

**"RESOLVED THAT** pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), Shri Lalit G. Toolsidass, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the provisions of the Articles of Association of the Company."

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII thereto and other applicable provisions, if any, of the Companies Act, 1956 ('Act'), the consent of the Company be and is hereby accorded to the re-appointment of Shri D. K. Bubna, as Executive Director cum Company Secretary of the Company, for a period of three years with effect from 01st June, 2007 on the terms and conditions including remuneration as are set out in the Agreement executed by the Company with Shri D. K. Bubna on 23rd May, 2007 a copy whereof is placed before this meeting, which Agreement is hereby specifically sanctioned with liberty to the Board of Directors (which shall be deemed to include any committee of the Board) to vary/alter and increase the remuneration, perquisites, incentives and bonus as the Board may consider appropriate, subject to the limits contained in the relative provisions of the Act."

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

**"RESOLVED THAT,** subject to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such other approvals as may be necessary, the consent of the Company be and is hereby granted to the Board of Directors of the Company to voluntarily delist the Ordinary Shares of the Company from The Calcutta Stock Exchange Association Limited."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary to give effect to the above resolution."

By Order of the Board

Registered Office :  
6, Little Russell Street  
Kolkata - 700 071  
28th day of June, 2007

**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 OF THE COMPANY.  
THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Corporate Members are requested to send to the Company, a duly certified copy of the Board Resolution/ Power of Attorney, authorising their representatives to attend and vote at the Annual General Meeting.
3. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting (AGM) is annexed hereto.
4. The Register of Members and Share Transfer Books shall remain closed from 22nd August, 2007 to 30th August, 2007 (both days inclusive).
5. 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.
6. Members who hold shares in dematerialised form, are requested to furnish their Client ID and DP ID numbers to facilitate identification of membership at the Meeting.
7. Shareholders, who have not dematerialised their shares as yet, are advised to have their shares dematerialised to avail the benefit of paperless trading.
8. In all correspondences 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.
9. 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.
10. 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.
11. In case the mailing address mentioned in the Annual Report is without the Pin Code, members are requested to inform their Pin Code immediately.
12. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
13. Members are requested to bring their copy of the Annual Report to the meeting.

**14. Appointment/Re-appointment of Directors :**

The information and/or details pertaining to the appointment of Additional Director as a Director, to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchange(s), has been provided in the Explanatory Statement.

The information and/or details pertaining to the appointment of the retiring Director, being eligible for re-appointment, to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchange(s), has been provided in the Corporate Governance Report.

**Annexure to the Notice**

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

In terms of Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to item nos. 4, 5, 6, 7 & 8.

**1. Item Nos. 4 to 6**

The Board of Directors of the Company ("The Board") had, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 84 of the Articles of Association of the Company, at its meeting held on 08th November, 2006, appointed Shri R.V. Kanoria, as the Additional Director of the Company.

The Board had also, pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 84 of the Articles of Association of the Company, at its meeting held on 28th June, 2007, appointed Shri B. Choudhuri and Shri Lalit G. Toolsidass as the Additional Directors of the Company.

In terms of the provisions of Section 260 of the Act, Shri R.V. Kanoria, Shri B. Choudhuri and Shri Lalit G. Toolsidass will hold office up to the date of this Annual General Meeting.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received notices in writing from members signifying their intentions to propose the candidatures of Shri R.V. Kanoria, Shri B. Choudhuri and Shri Lalit G. Toolsidass for the office of Director of the Company.

Shri R. V. Kanoria, is an MBA (Honours) from IMD, Switzerland, and have done Advanced Management Programme from Wharton, USA. Shri R. V. Kanoria has two decades of experience in Chemicals, Textiles and Jute industries. Shri Kanoria was the past Chairman of Indian Jute Mills Association & Indian Cotton Mills Federation and Vice President of FICCI. He is on the Board of Cholamandalam DBS Finance Limited, The Pradeshiya Industrial & Investment Corporation of UP Limited and on the Governing Board of Population Foundation of India. Shri Kanoria is a Member of the Managing Committee of PHD and head of its Economic Affairs Committee.

Shri R.V. Kanoria is the Chairman and the Managing Director of Kanoria Chemicals and Industries Limited and also holds Directorship in Companies namely, Kirtivardhan Finvest Services Limited, The Pradeshiya Industrial and Investment Corporation of UP Limited, KPL International Limited, KPL (Europe) AG, Cholamandalam DBS Finance Limited and Suprawin Technologies Limited.

Shri B. Choudhuri, B.Tech (Hons), FICWA has over 44 years of rich and varied experience in Engineering, Banking and Management. He was the past Chairman and Managing Director of United Bank of India and UCO Bank. He is the Deputy Chairman of Indian Bank Association, Director of National Insurance Company and member of various Institutions of repute.

Shri Lalit G. Toolsidass is an eminent businessman having vast and varied experience in International Trade and was a member of the Governing Council of Jute Manufacturers Development Council (JMDC) and National Centre for Jute Diversification (NCJD) from its inception, for twelve continuous years. He was also the Chairman of Calcutta Jute Fabrics Association (CJFSA) from 1977 to 1996 and President of East India Jute and Hessain Exchange for six terms.

Shri Lalit G. Toolsidass is also a Director in Jewraj Investments Private Limited, Juteit Private Limited, IGT Traders Limited and Belvedere Gardens Limited.

The Board recommends the resolutions set out at item nos. 4 to 6 of the Notice, for your approval.

Shri R.V. Kanoria, Shri B. Choudhuri and Shri Lalit G. Toolsidass may be deemed to be concerned or interested in the resolution(s) relating to their respective appointment.

## 2. Item No. 7

Shri D.K. Bubna was re-appointed as the Executive Director cum Company Secretary of the Company with effect from 01st June, 2007, for a period of three years and upon the terms and conditions, including remuneration, as set out in the Agreement executed between the Company and Shri D.K. Bubna on 23rd May, 2007, an abstract of which is given below :

**a) Salary :** Rs.1,20,000/- (Rupees One lac twenty thousand only) per month. The Board may at its sole discretion, consider and grant an annual increment up to 20% of the last drawn salary.

**b) Commission :** At the rate of 1% (one percent) of net profits of the Company for each financial year computed in the manner laid down in Section 198 and 309 of the Companies Act, 1956, and shall be payable on pro-rata basis for any broken period/year.

**c) Perquisites :** Shri D. K. Bubna will be entitled to the following perquisites in addition to salary and commission. Perquisites being limited to his Annual Salary or to Rs. 9,00,000/- (Rupees nine lacs only) per annum, whichever is less.

Unless the context otherwise requires, perquisites are classified into three categories A, B and C as follows :-

### CATEGORY A :

This will comprise of house rent allowance, leave travel concession, medical reimbursement, fees of clubs and personal accident insurance. These may be provided for as under :-

### Housing :

- i) Monthly House Rent Allowance to the maximum extent of 60% of the salary.
- ii) The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules, 1962.

### Medical Reimbursement :

Reimbursement of expenses actually incurred on Self and Family.

### Leave Travel Concession :

For Self and Family once in a year, to and from any place in India, subject to the condition that only actual fares, and no hotel expenses, will be allowed.

### Club Fees :

Fees of Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.

### Personal Accident Insurance :

Of an amount, the annual premium of which does not exceed Rs.10,000.00 (Rupees ten thousand only) per annum.

### CATEGORY B :

- i) Contribution to Provident Fund and Superannuation/ Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable should not exceed half a month's salary for each completed year of service and will not be included in the computation of the ceiling on perquisites.
- iii) Encashment of Leave at the end of the tenure will be permitted as per Rules of the Company subject to a maximum of three months' salary and will not be included in the computation of the ceiling on perquisites.

### CATEGORY C :

Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of Car for private purpose shall be billed by the Company to Shri D. K. Bubna.

### Overall Remuneration :

Subject to an overall limit of 5% of the net profits individually and 10% of the net profits collectively payable to all the Managerial Personnel together, as calculated in accordance with Sections 198 and 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act, as may for the time being in force.

### Minimum Remuneration :

In the event of loss or inadequacy of profits in any financial year, during the currency of tenure of office of Shri D. K. Bubna, the Company may pay him remuneration by way of salary, perquisites and other allowances not exceeding the ceiling of Rs. 30,00,000/- (Rupees thirty lacs only) per annum or Rs. 2,50,000/- (Rupees two lacs fifty thousand only) per month but shall not be entitled to any commission.

**Aekta Limited**

Shri D. K. Bubna possesses over 43 years of business experience (including over 23 years with Kanoria Group of Industries) relating to various aspects of Jute Industries including general management, business strategy, marketing, finance, administration etc., with reputed Companies. He has an impressive academic background which includes M.Com. and L.L.B. from Calcutta University, F.I.C.W.A. and F.C.S. from Indian Professional Institutes and A.C.I.S., A.M.B.I.M. and M.I.I.A. from Foreign Institutions. Shri D.K. Bubna has travelled extensively to various parts of the world for aggressive marketing of the Company's product.

Your Directors feel that it will be advantageous to re-appoint Shri D. K. Bubna as the Executive Director cum Company Secretary of the Company with liberty to the Board of Directors to vary the terms as mentioned in the resolution.

The Special Resolution set out at item no. 7 of the annexed Notice is intended to obtain approval of the Members for the reappointment of Shri D. K. Bubna and payment of remuneration as mentioned above to him as Executive Director cum Company Secretary of the Company. Your Directors recommend the said resolution be passed.

Copy of the Agreement executed between the Company and Shri D. K. Bubna on 23rd May, 2007, is available for inspection of Members at the Registered Office of the Company and will also be available at the meeting.

None of the Directors of the Company other than Shri D. K. Bubna is concerned with or interested in this resolution.

The disclosure under Section 302 of the Companies Act, 1956, had been sent to the members of the Company.

**Statement pursuant to clause (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956.**

**I. General Information**

- 1) Nature of Industry Manufacturer of Jute Goods
- 2) Date or expected date of commencement of Commercial Production 1921
- 3) In case of New Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. Being an existing Company, not applicable.
- 4) Financial performance based on given indicators :

(Rs. in lacs)

Year ending 31st March	Sales	Operating Profit	Profit before Tax	Profit after Tax
2003	11460	299	9770	69
2004	5853	(155) *	(32592)	(212)
2005	4703	(132) *	(29359)	(186)
2006	14230	357	21106	121
2007	12943	346 *	21187	142

- 5) Export Performance and net foreign exchange collaborations Export for the year 2006-07 was Rs. 6801 Lacs.
- 6) Foreign Investments or Collaborators, if any There are 13 NRI Shareholders holding 8320 Ordinary Shares of Rs.10 each. The Company does not have any foreign Collaborator.

**II. Information about the Appointee**

**1) Background Details**

Shri D. K. Bubna, aged about 60 years, possesses over 43 years of business experience relating to various aspects of Jute Industries including general management, business strategy, marketing, finance, administration etc., with reputed Companies. He has an impressive academic background which includes M.Com. and L.L.B. from Calcutta University, F.I.C.W.A. and F.C.S. from Indian Professional Institutes, A.C.I.S., A.M.B.I.M. and M.I.I.A. from Foreign Institutions.

He has been with the Company for over twelve years now and had been the Managing Director of the Company from 09.12.1995 to 31.05.2004 and the Executive Director cum Company Secretary of the Company from 01.06.2004.



	He is a member of the Share Transfer and Shareholders Grievance Committee of the Board of Directors of the Company.
2) Past Remuneration	2006-07 - Rs. 18,98,000 2005-06 - Rs. 17,66,000 2004-05 - Rs. 16,56,000 2003-04 - Rs. 15,19,742 2002-03 - Rs. 14,12,581
3) Recognition or awards	—
4) Job profile and his suitability	Shri Bubna devotes whole time attention to the management of the affairs of the Company and exercises powers subject to the superintendence, direction and control of the Board of Directors. He is responsible for the day-to-day management of the Company and carries out duties as entrusted to him from time to time by the Board of Directors.
5) Proposed Remuneration	Salary Rs.1,20,000/- per month (the Board may at its sole discretion, consider and grant an annual increment up to 20% of the last drawn salary), along with Commission @ 1% of the net profits computed in the manner laid down under Sections 198 and 309 of the Companies Act, 1956, and other perquisites, as spelt out in the explanatory statement hereinabove.
6) Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person	The remuneration proposed is in consonance with similar position in the Industry.
7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.	Except salary, commission and perquisites to be received from the Company and to receive dividend declared by the Company, Shri Bubna does not have any pecuniary relationship directly or indirectly with the Company or relationship with any managerial personnel of the Company.

### III. Other information

1) Reasons of loss or inadequate profits	There is profit in the Company at present, but as abundant caution for payment of minimum remuneration to Shri D. K. Bubna, in case of no profit or inadequate profit in any particular year, this information is provided to the shareholders.
2) Steps taken or proposed to be taken for improvement	
3) Expected increase in productivity and profits in measurable terms	

\* The Mill was under suspension of work from 29.09.2003 to 02.10.2004, which unfortunately affected production both in 2003-2004 and 2004-2005 respectively.

Then there was an Industry wide strike called by Central Trade Union, from 05.01.2007 to 08.03.2007, which affected the overall performance of the Company.

### IV. Disclosures

- 1) For Remuneration Package offered to Shri Bubna, Executive Director cum Company Secretary, please refer to item 2 of the Explanatory Statement hereinabove.
- 2) Detailed salary is being disclosed herewith as the 'Corporate Governance' report has been drawn as on 31st March, 2007 :

Executive Director cum Company Secretary	Business Relationship with the Company, if any	Total Salary for 2007-2008 (after re-appointment, calculated on pro-rata basis)
Shri D. K. Bubna	Executive Director cum Company Secretary	Rs. 23,90,000/- p.a.

**Notes :**

- a. The Executive Director cum Company Secretary is paid remuneration as per his agreement with the Company. This Agreement had been placed for approval before the Board and subject to the approval of the members, he has been re-appointed as such, with effect from 01.06.2007.
- b. Salary includes Basic Salary, Allowances, contribution to Provident and other Funds and Perquisites (including monetary value of Perquisites) etc, the break-up of which is as below :

Basic Salary	- Rs.14,40,000/- per annum
Perquisites	- Rs. 9,00,000/- per annum
Provident fund	- Rs. 1,44,000/- per annum

The figures mentioned herein is for the entire year.

Commission at the rate of 1% of net profits of the Company for each financial year computed in the manner laid down in Sections 198 and 309 of the Companies Act, 1956.

- c. His appointment is for a tenure of three years commencing from 01.06.2007 to 31.05.2010.
- d. The Company does not have any scheme for grant of stock options to its Directors or Employees.
- e. For termination of agreement, the Company or the Executive Director cum Company Secretary is required to give a notice of three months or three months' salary in lieu thereof.

**3. Item No. 8**

The provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 inter alia provides that there shall not be any compulsion for the existing companies to remain listed on any stock exchange merely because it is a regional stock exchange. The companies can delist from any stock exchange after complying with the said Guidelines. It is observed that trading in the ordinary shares of the Company takes place only in the Bombay Stock Exchange Limited (BSE). There has been no trading for the last few years in The Calcutta Stock Exchange Association Limited (CSEA). With the extensive connectivity of the BSE, the investors have access to dealings in the ordinary shares of the Company across the Country.

In the light of the above and as a part of cost reduction measure, it is proposed to voluntarily delist the ordinary shares of the Company from CSEA.

The Board of Directors of the Company are of the view that the proposed delisting of ordinary shares of the Company from CSEA will not adversely affect the interest of the investors as the Company's shares will continue to be listed at BSE.

As the aforesaid voluntary delisting from CSEA requires members consent by way of a special resolution, the Board recommends passing of the said resolution as set out at item no. 8 of the notice.

None of the Directors of the Company is interested in the resolution.

Registered Office :  
6, Little Russell Street  
Kolkata - 700 071  
28th day of June, 2007

By Order of the Board

**D. K. BUBNA**  
Executive Director cum Company Secretary



**DIRECTORS' REPORT****TO THE SHAREHOLDERS,**

Your Directors are presenting their Annual Report and Audited Accounts along with the Auditor's Report thereon of the Company for the year ended 31st March, 2007.

(Rs. in crores)

<b>FINANCIAL RESULTS</b>	<b>2006-2007</b>	<b>2005-2006</b>
Profit before Depreciation	<b>3.46</b>	3.57
Less : Depreciation	<b>1.34</b>	1.46
Profit for the year	<b>2.12</b>	2.11
Less : Provision for Current Taxation	<b>1.14</b>	0.32
Less/(Add) : Provision for Deferred Taxation	<b>(0.52)</b>	0.35
Less : Fringe Benefit Tax	<b>0.08</b>	0.07
Less/Add : Income Tax for earlier year	<b>—</b>	0.16
Profit after Tax	<b>1.42</b>	1.21
Add : Transfer from General Reserve	<b>—</b>	3.91
(Less)/Add : Balance brought forward from last year	<b>0.54</b>	(4.58)
Balance carried forward	<b>1.96</b>	0.54

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 due to 63 days Industry wide strike from January 5 to March 8, 2007, the production and sales were lower at 35,436 M.T. and Rs.130.69 crores as against 40,161 M.T. and Rs.143.64 crores respectively during the previous year. However, inspite of loss in working, the export of the Company improved from Rs. 53.55 crores to Rs.68.01 crores during the year.

During the year Company took various measures to increase production and productivity and reduce cost which helped the Company to make some profit in spite of industry wide strike for 63 days, which disrupted production drastically.

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

- i) The Jute Packaging Materials (Compulsory use for Packing Commodities) Act 1987 (JPMA), which makes it compulsory for 100% packaging of Food grains and Sugar in Jute, will expire on 30.06.2007. The continuation of the 100% usage for the current year is vital to the industry.
- ii) New Jute policy announced by Govt. of India has rightly stressed, inter alia, on improvement in Raw Jute Quality and yield per acre and the same should be taken up in right earnest. Due to active involvement of the Govt. and the Industry, there have been a phenomenal increase in production and improvement in quality of cotton and the similar effort with regard to Raw Jute is of urgent importance.
- iii) It is essential that the Export Marketing Assistance is extended for export of Jute Yarn, particularly to the composite Jute Mills, which are obliged to pay higher wages to its workers as compared to recently established EOUs.
- iv) Since Jute Mills in Bangladesh enjoy lower wages, lower power cost and substantial Government assistance, it is essential that the same treatment be accorded to the Indian Jute Industry as well, to enable it to compete in the International Market. Jute Yarn is an important component in export of jute goods and needs special attention not only to increase but even to maintain the current level of export of Jute Yarn.

**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 which is fraught with ecological hazard. There is a need for well thought out plan to replace synthetics with Bio Degradable product like Jute in the near future.

## Aekta Limited

- 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) Establishment of new units with lower wages, non application of statutory benefits and various incentives for new comers in West Bengal and elsewhere is an unhealthy trend and an impediment towards the viability, modernisation and diversification of the existing units.
- e) Continued hardening of Indian Rupee against major foreign currencies, which causes adverse impact on export earnings.
- f) Dilution of Jute Packaging Mandatory Act and on-going litigation creates uncertainty.

### OPPORTUNITIES

Jute being a Biodegradable product will ultimately replace synthetic and other undesirable materials. Jute Industry has an opportunity to research the market and manufacture goods which may replace synthetic both in India and abroad. Apart from packaging materials, there are several other diversified fields where the usage of Jute can be introduced to the benefit of all concerned. For this, the Industry has to be innovative and equip itself with the necessary machineries.

### 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. 62.83 crores
Outside India	Rs. 67.86 crores
Total	<u>Rs. 130.69 crores</u>

### OUTLOOK

During the current year, a good Raw Jute Crop is expected and internal demand for Jute Goods should also remain buoyant.

The manufacture and export of Jute Yarn is however not expected to be remunerative due to severe

competition with Bangladesh and appreciation of the value of Indian Rupee. Nevertheless, on the whole the working results for 2007-08 are expected to be satisfactory.

### 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, improvement in productivity and other measures undertaken, the Company was able to increase its production/ productivity and procure substantial export orders during the year and would have been able to show an all round improvement in production, sales, export and profitability during the year, but for 63 days industrywide strike between January 05, 2007 and March 08, 2007. With continuous thrust on modernisation, new product development, productivity and cost-control measures, the Company looks 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. 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 Control Measures adopted by the Company, your Company obtained ISO 9001:2000 Certification for all its products, which was renewed for three years, and is valid till August 04, 2008.

### DIRECTORS

The Board has appointed Shri R.V.Kanoria as Additional Director of the Company, effective from 8th day of November, 2006. Shri R.V. Kanoria holds office upto the date of the forthcoming Annual General Meeting of the Company as provided in