

NB FOOTWEAR LIMITED



FOOTWEAR

16th Annual Report 2003-2004

NB Footwear Limited

BOARD OF DIRECTORS

Mr. Rajen K. Desai - Director
 Mr. S. Krishnan - Director
 Mr. A. S. Chowdri - Director
 Mr. A. L. Prasad - Director
 Mr. Sudhakar Shetty - Director
 Mr. Kannan A. Yadav - Director
 Mr. Gregory Pereira - Director

AUDITORS

A.F.Ferguson & Co.,
 Chartered Accountants
 Chennai.

BANKERS

Bank of India
 Chennai Corporate Banking Branch
 4th Floor, Tarapore Towers
 Anna Salai, Chennai - 600 002.

REGISTERED OFFICE & WORKS

#63, Sedhuvalaai Village
 Pin Number at : 632 104
 Virinjipuram Post
 Vellore Dist.
 Tamil Nadu, India.

ADMINISTRATIVE OFFICE

No.11, Beemanna Garden Road,
 Alwarpet
 Chennai - 600 018.
 Tamil Nadu, India.

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NB Footwear Limited**NOTICE TO SHAREHOLDERS**

Notice is hereby given that the SIXTEENTH ANNUAL GENERAL MEETING of the company will be held at Lakshminarayan Hall, Hotel Ganga, 16, Officers Line, Vellore - 632 101, on Thursday, 30th September, 2004 at 11.00 a.m. to transact the following business.

ORDINARY BUSINESS

- (1) To receive, consider and adopt the Directors' Report, the accounts for the year ended 31st March 2004 and the Auditors' Report thereon.
- (2) To appoint a Director in the place of Mr. Sudhakar Shetty, who retires by rotation under Article 86 of the Articles of Association of the company and being eligible, offers himself for re-election.
- (3) To appoint a Director in the place of Mr. Kannan A. Yadav, who retires by rotation under Article 86 of the Articles of Association of the company and being eligible, offers himself for re-election.

SPECIAL BUSINESS

- (4) To appoint M/s. J.V. Ramanujam & Co., Chartered Accountants as Statutory Auditor and authorize the Board of Directors to fix their remuneration.

By order of the Board,

Place : Mumbai
Date : 01.09.2004

S. KRISHNAN
Director

Notes:

1. Any member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of himself. The proxy need not be a member of the company. The proxies should however be deposited at the Registered Office of the company not later than 48 hours before the commencement of the meeting.
2. The Register of Members of the company will be closed from 30th September, 2004 to 15th October, 2004 (both days inclusive).
3. All communications relating to share transfer/transmission are to be addressed only to the Registered Office of the company at 63, Seduvalai Village, Virinjipuram post, Vellore District - 632 104.
4. Members are requested to notify immediately any change in their address.

By order of the Board,

S. KRISHNAN
Director

Place : Mumbai
Date : 01.09.2004

ANNEXURE TO NOTICE
Explanatory Statement to Section 173 of the
Companies Act, 1956

Item No.4

The Company has received consent from M/s. J.V. Ramanujam & Co., Chartered Accountants to act as Auditors of the Company, if appointed, for the financial year 2004-2005.

By order of the Board,

Place : Mumbai
Date : 01.09.2004

S. KRISHNAN
Director

Annual Report

DIRECTORS REPORT

The Directors are pleased to present their **Sixteenth Annual Report** together with the audited accounts for the year ended 31st March, 2004.

| FINANCIAL RESULTS | (Rs. in lakhs) | |
|---|------------------|-----------|
| | 2003-2004 | 2002-2003 |
| Turnover/Income | 8.24 | 0.99 |
| Operating Loss | 20.86 | 35.06 |
| Provision for Doubtful debts/ Advances/Write off | 2.63 | 12.85 |
| Loss before interest and depreciation | 23.49 | 47.91 |
| Interest | 262.23 | 236.56 |
| Depreciation | 33.50 | 24.00 |
| Net Loss | 319.22 | 308.47 |

GENERAL REVIEW

The Company did not have operations during the year under review. Bank of India vide its letter dated 03.03.2004 has rejected the rehabilitation proposal submitted by the company and also the One Time Settlement offered by the company. The company requested the Board for Industrial and Financial Reconstruction to review the matter so as to arrive at a settlement. The Board for Industrial and Financial Reconstruction, then passed an order on 07.07.2004 directing that the Operating agency, Bank of India, issue an advertisement within 15 days for change in management of the company and invite offers for takeover/leasing/amalgamation/merger for rehabilitation. The company is however actively pursuing and is confident of negotiating the One Time Settlement. Consequently Bank of India has kept the issue of advertisement in abeyance.

OUTLOOK FOR THE FUTURE

The Outlook for the future depends highly on the acceptance of the One Time Settlement proposal by Bank of India. The Board is of the view that with lapse of time the company is losing considerable ground on the marketing front.

DIRECTORS

Mr. Sudhakar Shetty and Mr. Kannan.A. Yadav retire by rotation at the ensuing annual general meeting and are eligible for reelection.

AUDITORS

M/s. J.V. Ramanujam & Co., have been appointed as Statutory Auditors for the financial year ending 31 March 2005, in the place of M/s. A.F.Ferguson & Co., Chartered Accountants. The Board wishes to place on record its appreciation for the services rendered by

M/s. A.F.Ferguson & Co., Chartered Accountants, during their tenure. As regards the auditors observation in para (vi) (a) of their report, we wish to state that note No 8 of notes to accounts forming part of the Accounts is self explanatory.

As regards the auditors observation in para (vi) (b) of their report, we wish to state that the future prospects of the company is good subject however to a favourable disposal of the one time settlement package by Bank of India.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earned during the year by export was Rs. Nil Lakhs and the foreign exchange outgo was Rs Nil Lakhs

DEPOSITS

The Company has not accepted any deposits from the public.

EMPLOYEES

There are no employees covered under Section 217(2A) of the Companies Act, 1956

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that they have:

- i. Followed the applicable accounting standards in the preparation of the annual accounts;
- ii. Selected such accounting policies and applied them consistently and made judgement 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 loss of the company for the year under review;
- iii. 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 detecting fraud and other irregularities;
- iv. Prepared the accounts for the financial year on a 'going concern' basis.

AUDIT COMMITTEE

As required under the provisions of section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee with Messrs A.KannanYadav, Mr. S.Sudhakar Shetty and Mr. Gregroy Pereira as members.

NB Footwear Limited

TRAINING AND DEVELOPMENT

Your company firmly believes that a genuine and deep-seated commitment to excellence in human development is essential for organizational success. Over the years it has through various systems consistently striven to implement affirmative actions for the growth and development of its people.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with

the Stock Exchanges, a Report on Corporate Governance with Auditor's Certificate on compliance of conditions of Corporate Governance and a Management Discussion & Analysis Report have been attached to form part of the Annual Report.

For and on behalf of the Board,

Place : Mumbai
Date : 01.09.2004

RAJEN K DESAI
Chairman

S. KRISHNAN
Director

FORM B

Disclosure particulars with respect to Research and Development Technology Absorption as required under Companies (Disclosures of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the report of the Board of Directors for the year ended 31st March 2004.

RESEARCH AND DEVELOPMENT

There was no activity in the company's plant.

For and on behalf of the Board,

Place : Mumbai
Date : 01.09.2004

RAJEN K DESAI
Chairman

S. KRISHNAN
Director

REPORT ON CORPORATE GOVERNANCE

1) Philosophy on Code of Governance

The cornerstone of the philosophy of Corporate Governance adopted by your Board has at all times been based on integrity, transparency and fairness in all its dealings. The company will continue to seek enhancement to shareholder value within the framework of business ethics, regulatory compliances and contribution to society.

2) Board of Directors

All the Directors are Non-executive Directors

Mr. Rajen K. Desai
Mr. Kannan A. Yadav (Independent)
Mr. Sudhakar Shetty (Independent)
Mr. S. Krishnan (Independent)
Mr. Gregory Pereira (Independent)
Mr. A.S. Chowdri (Independent)
Mr. A.L. Prasad (Independent)

3) Details of Attendance at Board Meetings and last Annual General Meeting (AGM) and details of memberships in other Boards and Committees

The Board met four times during the financial year on 30th April 2003, July 31 2003, 31st October 2003, 31st January 2004

| Name of the Director | Category | No. of Board meetings attended | Whether attended last AGM | Membership in other Boards | Membership in other committees |
|----------------------|----------|--------------------------------|---------------------------|----------------------------|--------------------------------|
| Mr. Rajen K. Desai | Chairman | 4 | No | Details not available | Details not available |
| Mr. Kannan A. Yadav | Director | 4 | Yes | | |
| Mr. Sudhakar Shetty | Director | 4 | No | | |
| Mr. S. Krishnan | Director | 4 | Yes | | |
| Mr. Gregory Pereira | Director | 4 | No | | |
| Mr. A.S. Chowdri | Director | None | No | | |
| Mr. A.L. Prasad | Director | None | No | | |

Annual Report

4) Audit Committee

- (a) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- (c) Reviewing with management the annual financial statements before submission to the board.
- (d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- (e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department.
- (f) Discussion with internal auditors any significant findings and follow up thereon.
- (g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- (h) Discussions with external auditors before the audit commences on the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- (i) Reviewing the company's financial and risk management policies.
- (j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Composition, Name of Members and Chairperson of the Audit Committee

The Company has an Audit Committee of the Board comprising of 3 Directors, The Committee held 3 Meetings during the year on 31st July 2003, 1st September 2003, 31st January 2004

| Name of the Member | Designation | Number of Meetings attended |
|---------------------|------------------------|-----------------------------|
| Mr. Kannan Yadav | Chairman (Independent) | 3 |
| Mr. Sudhakar Shetty | Member (Independent) | 3 |
| Mr. Gregon, Pereira | Member (Independent) | 3 |

5) Remuneration to Directors

No remuneration was paid to any Director during the year.

6) Share Transfer / Investors Grievance Committee

The Share Transfer / Investor Grievance Committee consists of Mr. Rajen K.Desai, and Mr. S.Krishnan, and Mr. Kannan A.Yadav. This Committee is authorised to approve the transfers / transmissions or in a month and to look into grievances of shareholders. Name and designation of Compliance officer: Mr. S.Ilavarasan, Manager-Finance.

Requests for dematerialisation are confirmed on a weekly basis.

During the year, there were no complaints received from the shareholders and there are no pending investors grievances as on 31.3.2004.

7) General Body Meeting

The last three Annual General Meetings were held as under :

| Date of AGM | Time | Venue |
|---------------------------------|-----------|--|
| September 30 th 2003 | 11.00 a.m | Lakshminarayan Hall, Hotel Ganga, 16, Officers line, Vellore – 632 101 |
| September 27 th 2002 | 10.00 a.m | Lakshminarayan Hall, Hotel Ganga, 16, Officers line, Vellore – 632 101 |
| September 26 th 2001 | 10.00 a.m | Lakshminarayan Hall, Hotel Ganga, 16, Officers line, Vellore – 632 101 |

No Extraordinary General Meetings were held during the last three years

No Special/Ordinary resolutions were required to be put through Postal Ballot at the AGM held on 30.09.2003.

NB Footwear Limited

8) Disclosures

During the year the company had not entered into any transaction of material nature with any of the promoters, directors, or the management, subsidiaries or relatives etc., which may have potential conflict with the interests of the company at large.

There was no instance of non-compliance by the company on any matters relating to the capital markets nor was there any penalty / strictures imposed by the stock exchanges or SEBI or any other statutory authorities during the last three years.

9) Means of communication

The Quarterly results are published in "The Trinity Mirror" and "Makkal Kural" (Tamil), except for the quarter ended 30.09.2003 and 30.12.2003 where results have not been published. Quarterly results are not sent individually to shareholders. The company does not have a website. The quarterly results and the shareholding pattern are sent to stock exchanges through courier / post. The Management Discussion and Analysis Report form part of Annual report.

10) General Shareholder information

Annual General Meeting

To be held on September 30, 2004 at 10.00 a.m.
Lakshminarayan Hall, Hotel Ganga,
16, Officers line, Vellore 632 101

Financial Calendar

| | |
|---|---------------|
| Annual Accounts | end September |
| Unaudited results for the first quarter ending June 30 th | end July |
| Unaudited results for the first quarter ending September 30 th | end October |
| Unaudited results for the first quarter ending December 31 st | end January |

DISTRIBUTION OF SHAREHOLDING AS OF 31.03.2004

| Category (No. of Shares) | No. of Shareholders | Percentage | No. of Shares | Percentage |
|-----------------------------|------------------------|------------|---------------|------------|
| UPTO 1000 | 3351 | 97.84 | 1866844 | 41.48 |
| 1001 - 2000 | 7 | 0.20 | 9356 | 0.21 |
| 2001 - 3000 | 5 | 0.14 | 11800 | 0.26 |
| 3001 - 4000 | 5 | 0.14 | 18600 | 0.41 |
| 4001 - 5000 | 12 | 0.35 | 55600 | 1.24 |
| 5001 - 10000 | 19 | 0.56 | 125500 | 2.79 |
| Above 10000 | 26 | 0.77 | 2412300 | 53.61 |
| | 3425 | 100.00 | 4500000 | 100.00 |

Book Closure Period

30th September 2004 to 15th October 2004

Listing on Stock Exchanges

The Madras Stock Exchange Limited (MSE)
Second Line Beach, Chennai - 600 001.

The Stock Exchange, Mumbai
Phiroze, Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001.

The Vadodara Stock Exchange Limited
Fortune Towers, Sajjigunj Vadodara - 390 005

Listing

Annual Listing fees for 2004-2005 has been paid to all stock exchanges where the shares are listed

Stock code

MSE NB FOOT
BSE 5232412
VSE 523242

Share Price Data

There has been no trading of the company's equity shares in the Stock Exchanges

Registrar and Transfer Agents

The company has appointed Cameo Corporate Services Limited as the agency for share registry in respect of Demat Shares.

Share Transfer System

The power to approve transfer of shares has been delegated by the Board to the Share Transfer Committee. Share transfer requests are processed within 15 days from the date of receipt. Letters are sent to transferees giving an option for dematerialisation of shares acquired in physical form.