



# NEPC INDIA LIMITED

Report  junction.com

18<sup>TH</sup>  
ANNUAL REPORT  
2006



## Corporate Information

## Annual Report for the year ended 31st December, 2006

BOARD OF DIRECTORS	Shri Ravi Prakash Khemka, Chairman Shri Raj Kumar, Whole Time Director Shri. Tirupathi Kumar, Managing Director Shri. Venkatesh Dahima Shri. K. Ramesh Jain Shri V. Vasudevan
AUDITORS	M/s. L.S. Rajaram & Associates, Chartered Accountants D/5/2, Gemini Parsn Apts, 599, Anna Salai, Chennai-600 006.
REGISTERED OFFICE	1678, Trichy Road, Ramanathapuram, Coimbatore - 641 045.
CORPORATE OFFICE	36, Wallajah Road Chennai - 600 002
WORKS	Plot No. 222 (NP), Sidco, Industrial Estate, Ambattur, Chennai - 600 098.
BANKERS	Bank of Maharashtra State Bank of Patiala The Karnataka Bank Ltd.
AUDIT COMMITTEE	Shri K. Ramesh Jain Shri Venkatesh Dahima Shri V. Vasudevan Shri Raj Kumar
LISTING OF EQUITY SHARES	At NSE and BSE (Listing Fees paid)

## CONTENTS

Notice.....	02
Directors' Report.....	07
Report on Corporate Governance .....	12
Management Discussion & Analysis Report ..	20
Auditors' Report .....	23
Balance Sheet .....	29
Profit & Loss Account .....	30
Schedules to Account .....	31
Balance Sheet Abstract .....	46
Cash Flow .....	47
Proxy Form/Attendance Sheet.....	49



## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Eighteenth Annual General Meeting of the members of the Company will be held on Friday, the 29<sup>th</sup> day of June 2007, at 10 A.M, at C.D. Foundation, Chettipalaym Road, Coimbatore - 641 201 to transact the following business:

### ORDINARY BUSINESS

1. To receive consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> December 2006 and the profit and loss account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. Raj Kumar who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. Tirupathi Kumar who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

**"RESOLVED THAT** M/s. L.S.Rajaram & Associates, Chartered Accountants, D/5/2, Gemini Parsan Apartments, 599, Anna Salai, Chennai 600 006 be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General meeting of the Company, on a remuneration of Rs 125,000/-, exclusive of fees for taxation matters, certification work and other service charges and out of pocket expenses in connection with Company's Audit"

### SPECIAL BUSINESS

5. To alter the Share Capital Clause of the Memorandum & Articles of Association of the Company.

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

**"RESOLVED THAT** Clause V of the Memorandum of Association of the Company be and is hereby altered by substituting the following:

The share capital of the Company is Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) divided into 14,00,00,000 (Fourteen Crores only) Equity Shares of Rs. 10/- each and 1,00,00,000 (One Crore only) Redeemable Preference Shares of Rs. 10/- each with the rights, privileges and conditions attached thereto as are provided by the provisions of the Companies Act, 1956 and regulations of the Company with power to increase or to reduce the capital of the Company and to divide the shares in the Company for the time being in accordance with the provisions of the Act and regulations of the Company and to vary, modify or abrogate any rights, privileges or conditions in such manner as may be for the time being provided by the regulations of the Company".

6. To alter the Share Capital Clause of the Articles of Association of the Company.

To consider and if thought fit, to pass with or without modification(s) the following as an Special Resolution:

**"RESOLVED THAT** the Article 8 of the Articles of Association of the Company be and is hereby altered by substituting the following:

The share capital of the Company is Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) divided into 14,00,00,000 (Fourteen Crores only) Equity Shares of Rs. 10/- each and 1,00,00,000 (One Crore only) Redeemable Preference Shares of Rs. 10/- each".



## 7. To raise additional long term resources.

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

**"RESOLVED THAT** in accordance with the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956, in terms of the provisions of SEBI Act, FEMA and Rules and Regulations made thereunder, and any other laws for the time being in force, and subject to such consents and approvals as may be necessary, and subject to such conditions and modifications as may be considered necessary by the Board of Directors (hereinafter referred to as the "Board", which term shall be deemed to include any Committee thereof constituted for this purpose, to exercise the powers conferred on the Board by this resolution) or as may be prescribed or made, in granting such consents and approvals agreed to by the Board, the consent of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more tranches, in the course of international offerings to Foreign Institutions, foreign investors/ collaborators, Non-Resident Indians, corporate bodies, mutual funds, banks, insurance companies, pension funds or others, whether shareholders of the Company or not, through a public issue and/or on a private placement basis, equity shares and/or equity shares in the form of Global Depository Receipts (GDRs), and/or securities convertible into equity shares and/or securities linked to equity shares and/or securities with or without detachable share warrants, and/or Foreign Currency Convertible Notes (FCCNs) and/or Bonds with Share Warrants attached (hereinafter collectively referred to as "Securities"), secured or unsecured so however, that the total amount raised through the aforesaid Securities should not exceed USD150 Million, or its equivalent in any currency, of incremental funds for the Company.

**RESOLVED FURTHER THAT** the consent of the Company be and is hereby accorded, in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to all other necessary approvals, to the Board to secure, if necessary, all or any of the Company's immovable and/or movable assets, both present and future in such form and manner and on such terms as may be deemed fit and appropriate by the Board.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to do all such acts, deeds, matters and changes as it may at its discretion deem necessary or desirable for such purpose including, if necessary, creation of such mortgages and/or charges in respect of the securities on the whole or in part of the undertaking of the Company under Section 293(1)(a) of the Companies Act, 1956 and to execute such documents or writing as may be considered necessary or proper and incidental to this resolution.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the issue(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount on issue/conversion of Securities/exercise of warrants/ redemption of Securities, rate of interest, redemption period, listing on one or more stock exchanges in India and /or abroad, including, without limitation, marketing, custodian, depository arrangements etc., as the Board in its absolute discretion deems fit, and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues in India and/or abroad and to settle any questions or difficulties that may arise in regard to the Issue(s).

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot such number of additional equity shares as may be required in pursuance of the above issue of Securities and that the additional equity shares so allotted shall rank in all respects, including the right/entitlement to dividend, pari passu with the existing Equity shares of the Company."

(By Order of the Board)  
for NEPC INDIA LIMITED

Place : Chennai  
Date : 31-05-2007

Ravi Prakash Khemka  
Chairman



### Explanatory Statement under Section 173(2) of the Companies Act, 1956

#### Items No. 5 & 6

The existing Share Capital of the Company is Rs. 150,00,00,000/- (Rupees One Hundred and Fifty Crores only) divided into 10,00,00,000/- (Ten Crores only) Equity Shares of Rs. 10/- each and 5,00,00,000/- (Five Crores only) Redeemable Preference Shares of Rs. 10/- each. It is now proposed to alter the composition of the Capital between equity and preference shares as stated in the resolutions at Items No. 5 & 6. Members may please note that there is no change in the existing quantum of Share Capital in the Memorandum and Articles of Association of the Company.

None of the directors is concerned or interested in the resolution.

#### Item No.7

1. Consequent to the process of transferring its wind energy division to M/s. Southern Windfarms limited as per slump sale agreement dated 16.01.2006, the Company has ventured into the business of manufacture and sale of NEPC Solar Power House products, which is an innovative and revolutionary product line from the R&D stables of the Company, by combining two technologies namely Solar and Fuel Cell Technology.
2. Towards this new line of business, the Company has proposed to set up in the country a state-of-the-art manufacturing facility for Solar Cells and with a view to augment the funds required for this new line of activity as well as to partially fund the capital expenditure, it is proposed to raise upto USD 150 Million (denominated in whatever currency) through issue of appropriate equity / equity linked securities, in one or more tranches and at such time as may be considered appropriate by the Board, to various categories of investors in the international market as set out in the Special Resolution.
3. To the extent that any part of the above mentioned funding plan includes issue of securities linked to or convertible into Equity shares the Company, members approval is being sought. Section 81 of the Companies Act provides, inter alia, that whenever it is proposed to increase the Issued/Subscribed Capital of a Company by allotment of further shares, such further shares shall be offered to the persons who, on the date of the offer, are holders of the equity shares of the Company in proportion to the capital paid up on that date, unless the shareholders in a General Meeting decide otherwise. The listing agreements executed by the Company with the various Stock Exchanges also provide that the Company shall, in the first instance, offer all securities for subscription prorata to the existing equity shareholders unless the shareholders in a General Meeting decide otherwise. Hence, consent of the shareholders is sought to authorise the Board of Directors, as set out in the Resolution at Item No.7, to issue in one or more tranches the securities referred to therein in the international market to Foreign Institutions, foreign investors/collaborators, Non-Resident Indians, corporate bodies, mutual funds, banks, insurance companies, pension funds or others, whether shareholders of the Company or not, through a public issue and/ or on a private placement basis.

While no specific instrument has been identified at this stage, in the event the Company issues any equity linked instruments, the equity shares on issue, conversion of securities into equity shares or exercise of warrants and consequent issue of equity shares, shall all rank, in all respects including the right / entitlement to dividend, pari passu with the existing equity shares of the Company.



4. The shareholding pattern of the Company as on December 31, 2006 was as follows:

SI No.	Category	No.of Holders	No.of Shares	%
1.	Promoters / Promoter Group	6	8301626	11.99
2.	Banks, Financial Institutions, etc.	61	1126714	1.61
3.	Private Corporate Bodies	2430	14099048	20.36
4.	Foreign Institutional Investors	10	149677	0.22
5.	Non-Resident Indians / OCB / Foreign Corporate Bodies	212	2652757	3.83
6.	Public & Others	258101	42927816	61.98
7.	Trust	2	7000	0.01
	<b>Total</b>	<b>260822</b>	<b>69264638</b>	<b>100.00</b>

5. As per current guidelines of GOI, these foreign currency denominated bonds can be subscribed by Non-Residents only. Foreign Institutional investors / Non-resident Shareholders can participate. However Indian Shareholders (including Mutual Funds, Banks / Insurance Companies Resident in India) cannot participate in the Bond issue; hence the proposed Bond issue could dilute their shareholding if Bonds get converted. Since the Issue is offered to Foreign investors, the Company will not be able to determine at this stage, the revised shareholding pattern after the completion of allotment of the proposed securities.
6. The issue is likely to be completed and shares/Bonds/GDRs/FCCNs, expected to be allotted before the end of December 2007.
7. The said Securities (till they remain as loan / Bond may be secured by way of first mortgage/ hypothecation of the Company's fixed assets in favour of the security holders. As the documents to be executed between the security holders and the Company may contain, as per normal practice, the power to take over the management of the Company in certain events of default, it is necessary for the Company to obtain shareholders' approval through a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage or charge.
8. The proposed issue is in the interests of the Company and your directors recommend the resolution for approval. None of the directors is concerned or interested in the resolution.

By order of the Board  
for NEPC INDIA LIMITED

Place: Chennai  
Date: 31-05-2007

Ravi Prakash Khemka  
Chairman





## NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his stead and the proxy need not be a member of the Company. The instrument of proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 25-06-2007 to 29-06-2007.
3. Members are requested to notify immediately any change in their address to the Company.
4. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
5. Members are requested to bring their copies of Annual Report to the Meeting.
6. Members are already informed that Securities and Exchange Board of India (SEBI) have made it compulsory for all investors to trade the Company's securities in dematerialisation form, effective 28.08.2000. Members are, therefore, requested to avail of dematerialisation facility.
7. Members with identical order of names who are holding in multiple Folios are requested to write to the Company to consolidate their holdings into one Folio.
8. Members who hold share in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who holds share in single name are advised, in their own interest, to avail of nomination facility by filling Form 2B. Members who hold share in the dematerialised form may contact their Depository Participant for recording nomination in respect of their shares.
9. The brief background and the functional expertise of the Directors proposed for re-appointment is furnished below along with details of companies in which he is a Director.
  - a) Mr. Rajkumar, aged about 42 years, has been associated with the company as Director since inception. He is well experienced in Business and Commerce.

Details of other Directorships held by him:-

Director in the Boards of NEPC Textiles Limited, NEPC Agro Foods Limited, Skyline NEPC Limited, National Wind Power Corporation Limited and Sai Televisions Limited.

- b) Mr. Tirupathi Kumar, aged about 39 years, has been associated with the company as Director since 1995. He is well experienced in Business and Commerce.

Details of other Directorships held by him:-

Director in the Boards of NEPC Textiles Limited, NEPC Agro Foods Limited, Skyline NEPC Limited, National Wind Power Corporation Limited and Sai Televisions Limited.

(By Order of the Board)  
for NEPC INDIA LIMITED

PLACE : Chennai  
DATE : 31-05-2007.

Ravi Prakash Khemka  
Chairman



## DIRECTORS' REPORT

To the Members of NEPC INDIA LIMITED

Your Directors have pleasure in presenting the Eighteenth Annual Report and Audited Accounts of your Company for the period ended 31<sup>st</sup> December, 2006. The accounts for the period under review have been prepared for a period of nine months from 1st April to 31st December, 2006.

## FINANCIAL HIGHLIGHTS

The Financial Results and the performance of the Company during the period under review are as follows:

Particulars	(Rs. in Lakhs)	
	Period ended 31-12-2006	Year Ended 31-03-2006
Income from Operation	916.00	32906.16
Other Income	285.35	67.16
Operating Expenses	2392.55	31784.50
Operating Profit / (loss) before Depreciation	(1192.20)	(293.25)
Depreciation	54.71	153.77
Profit/(loss) before write-off & extra-ord. items	(1246.91)	(447.02)
Doubtful balances written off (Bad debts)	-	-
Profit/(Loss) before extra-ordinary items	(1246.91)	(447.02)
Extra-ordinary items + / (-)	929.60	529.69
Provision for Taxation (Fringe Benefit Tax )	15.43	30.16
Profit/(Loss) after taxation	(332.74)	52.51
Balance Profit/(Loss) Brought Forward	(25771.97)	(25824.48)
Net Profit/(Loss) carried to Balance Sheet	(26104.71)	(25771.97)

## DIVIDEND

The Directors do not recommend Dividend for the period ending 31<sup>st</sup> December, 2006.

## BUSINESS REVIEW

The Company has maintained its operations during the period under review inspite of difficulties in working capital. Consequent to the process of transferring its wind energy division to M/s. Southern windfarms limited as per the slump sale agreement dated 16.01.2006, the Company has ventured into the business of manufacture and sale of NEPC Solar Power House machines, which is an innovative and revolutionary product line from the R&D stables of the Company.





## DIRECTORATE

Mr. Raj Kumar and Mr. Tirupathi Kumar retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-appointment to the Board. Mr. K. Ramesh Jain and Mr. Venkatesh Dahima have resigned from the Board during the current period.

## AUDITORS

M/s L.S. Rajaram & Associates, Chartered Accountants, Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting. However, they are eligible for re-appointment and have given their consent to act as the auditors of your Company, if appointed.

## REMARKS ON AUDITOR'S QUALIFICATIONS

With regard to para 3 (vi)(a) of Auditor's report and Note II.3 & 7 in Schedule 20, the Company has already obtained confirmations from certain sundry creditors and sundry debtors. The process of confirmation and reconciliations in respect of certain sundry debtors, loans and advances, certain bank balances, deposits and current liabilities is on. However, it may be noted that after due reconciliation is over, the assets and liabilities of your Company will not have any material change, as evidenced by settlements already made during the year under review.

With regard to para 3 (vi)(b) and Note II.9 in Schedule 20 regarding AS 28 - impairment of Assets, the Company is in the process of ascertaining the losses on account of impairment of asset, if any, relating to the Airline division and it is also considering the possibility of realising some claim arising out of these assets. Pending this ascertainment, the loss has not been recognised in the current year.

With regard to para 3 (vi)(c) of Auditor's report and Note II.12 in Schedule 20 regarding non-provision of retirement benefits, since the number of employees becoming eligible is low, the quantum of provision required is expected to be marginal and will not vitiate the financial statements.

With regard to para 3 (vi)(d) of Auditor's report and Note II.13.2 in Schedule 20 regarding non-provision of Deferred Tax assets as stipulated in AS 22 - Taxes on Income, the same has not been considered as the company opines that there will not be any such instance.

## DIRECTORS RESPONSIBILITY

In compliance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that :

- . in the preparation of annual accounts the applicable Accounting Standards have been followed: along with proper explanation wherever necessary.
- . the Accounting Policies selected and applied on a consistent basis, give a true and fair view of the affairs of the Company and of the loss for the financial year;



- . proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company; and for prevention and detection of fraud and other irregularities;
- . the Annual Accounts have been prepared on a going concern basis.

## INDUSTRIAL RELATIONS

Your Company continues to maintain harmonious and cordial relations with its workers.

## CORPORATE GOVERNANCE

A detailed report on this subject forms part of this Report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The statement pursuant to Section 217 (1) (e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is given in the annexure forming part of this Report

Foreign Exchange Earnings and Outgo		(Rs. in Lakhs)	
		31.12.2006	31.03.2006
Earnings		Nil	Nil
<b>Outgo</b>			
Travelling Expenses	-	01.13	12.64
Raw material	-	45.25	803.58
Capital goods	-	106.40	66.56
Technical Expenses	-	---	53.96
<b>Total</b>	-	<b>152.78</b>	<b>936.74</b>

## ACKNOWLEDGEMENT

Your Directors would like to place on record their deep appreciation and gratitude to the Company's members for their continued support and confidence. Your Company is grateful for the co-operation and continued support extended by the Central Government, State Governments, Financial Institutions, Banks, Tamil Nadu Electricity Board, and other State Electricity Boards, MNES, IREDA etc. The Directors also express their appreciation for the support and contribution by the employees at all levels for the successful operation of the Company during the period under review.

(By Order of the Board)  
For NEPC INDIA LIMITED

PLACE : Chennai  
DATE : 31.05.2007

Ravi Prakash Khemka  
Chairman