



N.K. Industries Ltd.

Trading House

14TH ANNUAL REPORT

2001-2002

Certified to be True Copy
For N. K. Industries Ltd.


Director.

REGISTERED OFFICE : 7th Floor, Popular House,
Ashram Road, Ahmedabad-380 009.



**N.K.
Industries Ltd.**

Trading House

NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the members of N.K. Industries Limited will be held on Monday, the 30th day of September, 2002 at 10.00 a.m. at Company's Registered Office at 7th Floor, Popular House, Ashram Road, Ahmedabad-380 009 to transact the following business :-

ORDINARY BUSINESS:

1. To receive ,consider and adopt the Audited Balance Sheet as at 31st March,2002 and Profit & Loss Account for the year ended on that date and the Reports of Directors & Auditors thereon.
2. To appoint Shri Darshan B.Patel as a Director who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and fix their remuneration. The retiring auditors M/s Chandulal M.Shah & Co., Chartered Accountants, Ahmedabad are eligible for reappointment.

Date : 02/09/2002
Place : Ahmedabad

BY ORDER OF THE BOARD
NIMISH K.PATEL
CHAIRMAN

NOTES:

1. A member entitled to attend and vote at in the meeting is also 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 must be received by the company at its registered office not less than forty eight hours before the commencement of the meeting.
2. The Share Transfer Books and Register of Members of the Company will remain closed from Thursday 10th October,2002 to Saturday 12th October, 2002, both days inclusive.
3. Members are advised to avail nomination facility as well as Dematerialisation facility with the Company.



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N. K. INDUSTRIES LIMITED
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BOARD OF DIRECTORS : NIMISH K. PATEL Chairman & Managing Director
NILESH K. PATEL Managing Director
DARSHAN B. PATEL Director
ASHWIN P. PATEL Director

AUDITORS : M/s. Chandulal M. Shah & Co.
Chartered Accountants,
Ahmedabad.

REGISTERED OFFICE : 7th Floor, Popular House,
Ashram Road,
Ahmedabad-380 009.

FACTORY : Thor Road,
Kadi Village-382 715
North Gujarat

BANKERS : Bank of Baroda
Andhra Bank
State Bank of India
Dena Bank
UTI Bank
Corporation Bank
Development Credit Bank Ltd.
Sumitomo Mitsui Banking Corporation
Visnagar Nagrik Sahakari Bank Ltd.



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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present their Fourteenth Report together with Audited Statements of Accounts of the company for the year ended on 31st March, 2002.

FINANCIAL RESULTS

	2001-2002	(Rs. in Lacs) 2000-2001
Export Sales	25.81	265.46
Domestic Sales	2757.94	3879.80
Total Sales	2783.75	4145.26
Profit/(loss) before Depreciation & Tax	804.45	(800.47)
Depreciation	251.36	289.70
Profit/(Loss) before Tax	553.09	(1090.17)
Waiver of interest & principal	141.34	—
Tax	—	—
Profit/(Loss) after Tax	694.43	(1090.17)
Balance brought forward from Previous Year	(11690.25)	(10600.08)
Amount carried to Balance Sheet	(10995.82)	(11690.25)

OPERATIONS

During the year under review, the operation of the Company has further affected due to continued litigation going on in BIFR/DRT and High Court. Although the company has shown the profit of Rs.694.43 lacs, it is, in fact, due to the excess provision of Rs.723.97 lacs for doubtful advances written back. There is no cash profit.

Debts Recovery Tribunal (DRT) Ahmedabad has appointed the Joint Receivers for management and control of the company. The management has extended its support and cooperation to them. The unit is operating and doing the job work also of M/s Hindustan Lever Limited. Once the legal problems are sorted out, the company can do its own operations and job work for the others also. Your directors are working hard to see that the company meets its liabilities to all the creditors by having a turnaround of sick industrial unit and thereby the investors can also benefit in due course.

In terms of the settlement reached with the Vysya Bank Ltd and M/s Checons Ltd, Rs.69.94 lacs out of principal amount and Rs.71.40 lacs out of accrued interest have been waived by them.

DIVIDEND :

Your Directors expresses their inability to recommend any dividend for the year 2001-2002 owing to losses incurred by the Company

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of section 217(2AA) of the Companies Act, 1956 the Directors state that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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 that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis.

DIRECTORS

Shri Kamlesh L.Patel, resigned as a Director of the Company with effect from 30th September, 2001. The Board placed on record appreciation for the services rendered by him during his tenure.

Shri Darshan B.Patel is retiring by rotation at the forthcoming Annual General Meeting and being eligible offer himself for reappointment. The Board recommends his reappointment.

CONSTITUTION OF AUDIT COMMITTEE

As required by the provisions of section 292 A of the Companies Act, 1956, the Board of Directors has constituted Audit Committee comprising of three Directors Viz Shri Nimish K.Patel, Shri Ashwin P.Patel and Shri Darshan B.Patel.

CORPORATE GOVERNANCE

As per newly inserted Clause 49 of the Listing Agreement with Stock Exchange, the Report on Corporate Governance is attached as Annexure to the Directors' Report

AUDITORS REPORT

The observations made by the Auditors contain the explanations which are self-explanatory and therefore do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES :

No employee was employed during the year drawing Rs.24 lacs P.A or Rs. 2,00,000 P.M. Hence information under Section 217(2A) of the Companies Act, 1956 is not applicable.

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AUDITORS

M/s Chandulal M. Shah & Co., Chartered Accountants retire at the ensuing Annual General Meeting and are eligible for reappointment as Auditors upto the next Annual General Meeting. You are requested to appoint the Auditors and fix their remuneration.

LISTING AGREEMENT COMPLIANCE

Pursuant to the requirements of the Listing Agreement, it is stated that the Company's equity shares are listed on The Stock Exchanges at Ahmedabad, Mumbai, Chennai, Delhi and also at the National Stock Exchange of India Ltd.

The Company has paid annual listing fees due to these Stock Exchanges for the year 2002-2003.

PERSONNEL

The relations between the employees and the management remained cordial during the year under review.

OTHER INFORMATION

Information required under 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 with respect to conservation of energy, technology absorption and foreign exchange earning\ outgo is appended in Annexure hereto, which forms part of this report.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

NIMISH K.PATEL
CHAIRMAN

Date : 02-09-2002
Place : Ahmedabad.

ANNEXURE

ADDITIONAL PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE DIRECTORS REPORT FOR THE PERIOD ENDED ON 31ST MARCH, 2002.

[A] CONSERVATION OF ENERGY:

- We are using our own D.O.C as Boiler fuel. As the calorific value of D.O.C. is higher than the lignite, fuel to steam ratio could enhance considerably. By using this we are in position to operate boilers more efficiently.
- We have adopted water degumming to improve the Quality of Commercial Oil.
- With vigorous trials in laboratory we could improve the quality of 12 HSA.

The information about energy consumption per unit of production :- "Form No. A is not applicable to this kind of Industry".

[B] TECHNOLOGY ABSORPTION:

Efforts made in technology absorption as per Form B of Annexure.

[C] FOREIGN EXCHANGE EARNING AND OUTGO:

Total foreign exchange used & earned :-

Company has earned foreign exchange of Rs. 23.42 lacs by export of refined Castor Oil and its derivatives. No import has been made using foreign exchange. However, commission of Rs. 0.32 lac has been paid in foreign exchange against the export.

FORM-B

(See Rule-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION.

Research & Development(R & D).

- | | |
|--|---|
| 1. Specific areas in which R & D carried out by the company | No R & D is carried out by the Company. |
| 2. Benefits derived as a result of the above R & D | N I L |
| 3. Future plan of action. | No future plan at present. |
| 4. Expenditure on R & D | |
| (a) Capital | N I L |
| (b) Recurring | N I L |
| (c) Total | N I L |
| (d) Total R & D Expenditure as a percentage of total turnover. | N I L |

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology, absorption adaptation and innovation:-

As per old technology, crushing was done twice in separate expeller. But by innovation we adopted a single crushing in double chamber expellers.

2. Benefits derived as a result of the above efforts:-

We get benefits of higher crushing capacity with less electrical consumption and better quality product.

3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:-

- | | |
|---|-------|
| (a) Technology imported | N I L |
| (b) Year of import | N I L |
| (c) Has technology been fully absorbed | N I L |
| (d) If not fully absorbed areas where this has not taken place, reasons thereof and future plans of action. | N I L |

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ANNEXURE**Report on Corporate Governance****1. Company's philosophy on Code of Corporate Governance**

To achieve the company's objective to be one of the known companies in the field of castor oil and to assist in fulfilling our endeavour in creating wealth for its shareholders, the board decided to formalise and strengthen the process that the company efficiently manage its business and greater success through the establishment of corporate governance.

2. Board of Directors

The present strength of the Board is 4 Directors. The Board meets atleast in every quarter to assess the Company's performance, operations, to ensure compliance with laws and regulations. Since it is recognised as a Sick Industrial Company by BIFR, it ensures the improvement of its working with an intention to meet all its obligations to its secured and unsecured creditors as well as stakeholders.

Composition and Category of Directors :

Name	Designation	Category of Directorship	Directorship held upto
Mr.Nimish K.Patel	Chairman & Managing Director	Chairman	Continue
Mr.Nilesh K.Patel	Managing Director	Executive Director	Continue
Mr.Darshan B.Patel	Director	Non-Executive Director	Continue
Mr.Ashwin P.Patel	Director	Executive Director	Continue

Number of Board Meetings held during the year alongwith the dates of the Meetings :

9 Board Meetings were held during the year 2001-2. The dates on which the said meetings were held are as follows :

- | | |
|-------------------------|-----------------------|
| 1. 27th April, 2001 | 6. 14th October, 2001 |
| 2. 18th June, 2001 | 7. 7th November, 2001 |
| 3. 30th July, 2001 | 8. 5th December, 2001 |
| 4. 1st September, 2001 | 9. 4th March, 2002 |
| 5. 30th September, 2001 | |

Attendance

Attendance of each Director at the Board Meetings and last Annual General Meeting and the number of companies and committees where he is a Director / Member :

Name of Director	Attendance Board AGM	Directorship (including) this Company	Committee Membership (including this - Company)
Shri Nimish K.Patel Chairman & Mg.Director	9 Present	6	1
Shri Nilesh K.Patel	9 Present	5	1
Shri Darshan B.Patel	9 —	4	1
Shri Kamlesh L.Patel	4 Present	6	-
Shri Ashwin P.Patel	6 —	1	1

Details of Directors being appointed and reappointed :

As per the Statute, one third of the Directors are required to retire every year and if eligible, these Directors qualify for reappointment. Mr.Darshan B.Patel retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

3. Remuneration**a) Executive Directors :**

(In Rupees)

Particulars	Amount
Salary	2,10,000
Commission	—
Perquisites and other allowances	9,000
Total	2,19,000

(b) Sitting fees are not paid to directors.

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4. Audit Committee

Terms of Reference

The Terms of Reference of this Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956.

Composition

The members of the Audit Committee were :

1. Shri Nimish K. Patel
2. Shri Darshan B. Patel

There were in all -5- meetings of the Audit Committee took place during the year. Both the members attended the said meetings. The -5- meetings were held on 20-4-2001, 27-7-2001, 29-8-2001, 29.10.2001 and 17.02.2001.

5. Shareholders / Investors Grievance Committee :

The Shareholders / Investors Grievance Committee meets every month to review and approve transfer / transmission / transposition / dematerialization of equity shares and also to examine any grievance raised by shareholders/investors. The Company ensures that the transfers of shares are effected within one month of their lodgement.

The members on the committee include :

- i) Shri Darshan B. Patel, Chairman
- ii) Shri Nilesh K. Patel
- ii) Shri Ashwin P. Patel

The Company had received certain complaints from shareholders / investors and all of them have been responded / resolved by furnishing requisite information / documents.

6. General Body Meetings

The details of the last three annual general meetings held are as under :

Date	Venue	Time
30.12.1999	7th, Floor, Popular House, Ashram Road, Ahmedabad	10.00 A.M
29.09.2000	7th, Floor, Popular House, Ashram Road, Ahmedabad	10.00 A.M
28.09.2001	7th, Floor, Popular House, Ashram Road, Ahmedabad	10.00 A.M

Disclosures :

- a) There are no materially significant related party transactions made by the company with its Promoters, Directors or the Management, their associates or relatives, etc. during the year under reference that have potential conflict with the interests of the Company at large.
- b) The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last years. No penalties or strictures have been imposed on the Company by the stock exchanges SEBI.

7. Means of Communication

The Company in compliance with the listing agreements, intimates unaudited as well as audited results to the Stock Exchanges, after they are approved by the Board. As the company is a Sick Industrial unit registered with BIFR in terms of Sick Industrial Companies (Special Provisions) Act, 1985, it sometimes finds difficult to communicate its quarterly / half yearly results to the shareholders by circulations in national and local dailies.

8. Shareholder information

Annual General Meeting

Date : 30th September, 2002.

Time : 10.00 a.m.

Venue : 7th Floor, Popular House, Ashram Road, Ahmedabad -380009.

9. Financial Calender :

Adoption of Quarterly Results of the quarter ending.

June 30, 2002	Last week of September, 2002
September 30, 2002	Last week of October, 2002
December 31, 2002	Last week of January, 2003
March 31, 2003	Last week of April, 2003



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10. Book Closure Date : 10th October to 12th October,2002 (both days inclusive)

11. Listing on Stock Exchanges

The equity shares of Company are listed at Ahmedabad Stock Exchange, Mumbai Stock Exchange, Delhi Stock Exchange, Chinnai Stock Exchange and National Stock Exchange. The company has paid the listing fees of the Stock Exchanges for the year 2002 - 03.

12. Registrar and Transfer Agents :

For Shares held in Physical Mode

In-House N.K.Industries Ltd, 7th Floor, Popular House, Ashram Road,Ahmedabad - 380009

For Shares held in Depository Mode

Pinnacle Shares Registry Private Ltd, Near Asoka Mills, Naroda Road, Ahmedabad - 380025.

13. Share Transfer System :

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects.

14. Share price data

The table below gives the monthly high and low of the company's share on the National Stock Exchange.

Month & Year	National Stock Exchange	
	High	Low
April,2001	1.00	0.65
May,2001	No trading	
June,2001	No trading	
July,2001	No trading	
August,2001	No trading	
September,2001	No trading	
October,2001	No trading	
November,2001	No trading	
December,2001	No trading	
January,2002	No trading	
February,2002	No trading	
March,2002	No trading	

15. Stock Code.

ISIN number for NSDL & CDSL : INE542C01019

Trading of equity shares of the Company are permitted in physical and demat form. The members are however requested to get there holding in demat form as early as possible.

16. Distribution of Shares :

Distribution of shareholding as on 31st March,2002.

Description	Members	Members %	Amount	Amount %
0 - 5000	6800	94.053	8720100	14.51
5001 - 10000	243	3.361	1992000	3.31
10001 - 20000	88	1.217	1361640	2.27
20001 - 30000	24	0.332	597000	0.99
30001 - 40000	9	0.124	331000	0.55
40001 - 50000	17	0.235	836000	1.39
50001 - 100000	11	0.152	786000	1.31
100001 and above	38	0.526	45476260	75.67
Total	7230	100.00	60100000	100.00

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17. Shareholding Pattern :

Shareholding Pattern as on 31st March,2002

Category	No.of shares held	Percentage of share-holding
A. PROMOTERS' HOLDING		
1. Promoters		
-Indian Promoters	42,56,300	70.82
-Foreign Promoters	—	—
2. Persons acting in Concern	—	—
Sub-Total	42,56,300	70.82
B. NON-PROMOTERS HOLDING		
3. Institutional Investors		
a. Mutual Funds and UTI		
b. Banks, Financial Institution, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions)	38,000	0.63
c. Foreign Institutional Investors	—	—
Sub-Total	38,000	0.63
4. Others		
a. Private Corporate Bodies	2,55,400	4.25
b. Indian Public	14,56,600	24.24
c. NRIs/OCBs	3,600	0.06
d. Any other (please specify)	—	—
Sub-Total	17,15,600	28.55
GRAND TOTAL	60,09,900	100.00

18. Dematerialization of share and liquidity

8.24 % of the paid - up capital has been dematerialized as on 31st March,2002.

19. Manufacturing Facilities

At Kadi, District : Mehsana Gujarat, India

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview :

The promoters selected to go into manufacturing and refining castor oil and its derivatives keeping in view market perspective. India is a dominating country in production of castor seeds with an average of 66% and Castor Oil an average of 61% out of the world production. India's oil export is an average over 82% out of the world export. The company also did achieve a share of over 25% of the total export of the country and received the Government's recognition by getting a status of Star Trading House. The working of the company has however deteriorated due to various factors including dominating influence of European brokers who operate the market at their sweat-will.

Risk and Concerns :

The company is exposed to credit risk and liquidity risk arising from mismatch of funds borrowed and funds utilized. The company is in the process of restructuring the liabilities of the banks and others. The management, however, feels that once the liabilities are restructured, the company can become a viable one. Keeping in view the above, the employees and workers of the company have stood by the management who have continued operation by running the unit on job work basis.

Internal Control System and their adequacy :

The company has an adequate system of internal control relating to purchase of stores, raw materials and other assets and also for sale of goods. The company has setup an audit committee of the Board comprising of two executive directors and one non executive director. The company has also appointed the firm of Chartered Accountants to carry out internal audit. The internal auditors are analysing the area of risk with a view to strengthen the internal controls.