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N. K. Industries Ltd.

16TH ANNUAL REPORT
2003-2004

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

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N. K.
Industries Ltd.

N. K. INDUSTRIES LIMITED

16TH ANNUAL REPORT
2003-2004

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.

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

FACTORY : Thor Road,
Kadi Village-382 715
Dist. Mehsana,
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 NAGARIK SAHAKARI BANK LTD

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N. K. Industries Ltd.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present their Sixteenth Report together with Audited Statements of Accounts of the Company for the year ended on 31st March, 2004.

FINANCIAL RESULTS

		(Rs. in Lacs)
	2003-2004	**2002 -2003**
Export Sales	—	—
Domestic Sales	**116.32**	2324.81
Total Sales	**116.32**	2324.81
Profit/(loss) before Depreciation & Tax	**177.53**	31.65
Depreciation	**195.43**	219.02
Profit/(Loss) before Tax	**(17.90)**	(187.37)
Waiver of interest & principal	—	(288.81)
Waiver of principal amount of borrowing	**647.23**	—
Tax	—	—
Profit /(Loss) after Tax	**629.33**	(476.18)
Balance brought forward from Previous Year	**(11472.01)**	(10995.82)
Amount carried to Balance Sheet	**(10842.68)**	(11472.01)

OPERATIONS

During the year, the company has kept the unit running for manufacture of goods mainly on job work basis in view of non availability of the working funds. It has earned job work charges of Rs.847.68 lacs has against Rs.630.67 lacs in the previous year. After providing depriciation of Rs.195.43 lacs, loss has come down to Rs.17.90 lacs as against Rs.187.37 lacs in the year 2002-2003.

On reaching the compromise settlement, UTI Bank Ltd has waived interest and principal resulting into profit of Rs.566.63 lacs due to write back. The company's reference to BIFR for rehabilatation is still undecided due to legal and counter-legal actions. In the meanwhile, the action to have compromise settlements with remaining banks and IDBI is expedited. The Recovery Certificates issued by DRT could not be executed on account of a stay brought by the company due to the operation of section 22(1) of Sick Industrial Companies (Special Provisions) Act,1985. Therefore, there are good chances to bring back the company on profitable basis as the unit is otherwise a viable one.

DIVIDEND :

Your Directors express their inability to recommend any dividend for the year 2003-2004 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:

i in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii the Directors had selected such accounting policies and applied them consistently and made judgments 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;

iii 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;

iv the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

As per 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.

PERSONNEL

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

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 : 01.09.2004
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, 2004.

[A] CONSERVATION OF ENERGY:

(a) 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 a position to operate boilers more efficiently.
(b) We have adopted water degumming to improve the Quality of Commercial Oil.
(c) With vigoroustrials in laboratory,we couldimprove 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 ABSORBTION:

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

[C] FOREIGN EXCHANGE EARNING AND OUTGO:

Total foreign exchange used & earned :-

FORM-B
(See Rule-2)
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORBTION

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 results 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 absorbtion,adaptation and innovation

1. **Efforts,inbrief,made towards technology, absorbtion, 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 reckonedfrom the beginning of the financialyear) the following information may be furnished:-**

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

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N. K. Industries Ltd.

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 at least 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, the Board tries to see that there is improvement of its working with an intention to meet all its obligations to the secured and unsecured creditors as well as stakeholders.
The Company has been endeavouring to constitute the Board of Directors and the Audit Committee having optimum combination of executive, non executive and independent Directors in due compliance with clause 49 of the listing agreement. However, in view of the status of the company being what it is, our efforts have not met with success so far.

a. **Composition and Category of Directors :**

Name	Designation	Category of Directorship	Directorship (incl.this Company)	Committee Membership (incl. this Company)
Mr.Nimish K. Patel	Chairman & M.D	Executive	5	1
Mr.Nilesh K. Patel	Managing Director	Executive	5	1
Mr.Darshan B. Patel	Director	Non-Executive	2	1
Mr.Ashwin P. Patel	Director	Non Executive	1	1

b. **Attendence**

During the last financial year ended 31st March,2004,Nine Board Meetings were held on the following dates :

1. 30th April, 2003
2. 31st July, 2003
3. 2nd September,2003
4. 29th September,2003
5. 30th October,2003
6. 3rd December,2003
7. 12th January,2004
8. 31st January,2004
9. 20th February,2004

Attendance of each Director at the Board Meetingsand last Annual General Meeting is as under : .rm85

Name of Directors	Number of Board Meetings attended	Attendance at last AGM held on 29.9.03l
Shri Nimish K. Patel	9	Present
Shri Nilesh K. Patel	9	Present
Shri Darshan B. Patel	9	Present
Shri Ashwin P. Patel	9	Present

3. **Audit Committee**

Terms of Reference

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

Composition and Attendance

Name of Directors	Category	Attendance *
Shri Nimish K.Patel	Executive	5
Shri Darshan B.Patel	Non Executive	5
Shri Ashwin P.Patel	Non Executive	5

* There were in all -5- meetings of the Audit Committee held during the year. All the members attended the said meetings. The -5- meetings were held on 28-4-2003,30-7-2003,01-9-2003, 29.10.2003 and 30.01.2004.

4. **Remuneration**

a) Executive Directors : (In Rupees)

Particulars	Nimish K.Patel (Chairman & MD)	Nilesh K.Patel (Mg. Director)
Salary	60,000	60,000
Commission	—	—
Perquisites and other allowances	—	—
Total	60,000	60,000

(b) Sitting fees are not paid to the directors.

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5. **Shareholders / Investors Grievance Committee :**

The Shareholders / Investors Grievance Committee meets every month to review and approve transfer / transmission / transposition / dematerialisation of equity shares and also to examine any grievance raised by shareholders/investors. The Company ensures that the transfer of shares and Dematerialisation requests are confirmed within stipulated time under the listing agreement.

The members of the committee are :

i) Shri Darshan B. Patel, Chairman (Non-Executive Director)
ii) Shri Nilesh K. Patel (Executive Director)
iii) Shri Ashwin P. Patel (Non-Executive Director)

The Company had received certain complaints from shareholders /investors and all of them have been responded / resolved by furnishing requisite information / documents. No investor complaints were pending as on 31.03.2004.

6. **General Body Meetings**

The details of the last three Annual General Meetings held are as under :

Date	Venue	Time
28.09.2001	7th,Floor,Popular House,Ashram Road,Ahmedabad	10.00 A.M
30.09.2002	7th,Floor,Popular House,Ashram Road,Ahmedabad	10.00 A.M
29.09.2003	7th,Floor,Popular House,Ashram Road,Ahmedabad	10.00 A.M

No special resolution was put through postal ballot last year nor it is proposed this year.

Disclosures :

a) The Company is having job work arrangements also with associate companies. The job work is done at market related price, comparable with ones available in the Industry.

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 except that the trading in the shares of the company has been suspended by NSE from 11.11.2002.

7. **Means of Communication**

The Company in compliance with the listing agreement, intimates unaudited as well as audited financial results as also shareholding pattern etc.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.Management Discussion and Analysis form part of this Annual Report.

8. **Shareholder information**

a. Annual General Meeting

Date : 28th September,2004.
Time : 10.00 a.m.
Venue : 7th floor, Popular House, Ashram Road, Ahmedabad -380009.

b. Financial Calendar :

Financial year of the company is from 1st April to 31st March.

Adoption of Quarterly Results for the quarter ending.

June 30,2004	Last week of July,2004
September 30,2004	Last week of October,2004
December 31,2004	Last week of January,2005
March 31,2005	Last week of April,2005

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N. K. Industries Ltd.

c. **Book Closure Date : 21st September to 28th September,2004 (both days inclusive)**

d. **Dividend Payment date**

Not applicable as no dividend is proposed.

e. **Listing on Stock Exchanges**

The equity shares of Company are listed on Stock Exchanges at Ahmedabad , Mumbai , Delhi, Chennai and National Stock Exchange. The company has paid the listing fees for the year 2004-05 to The Stock Exchange Mumbai and up to the year 2003-04 to NSE and up to 2002-03 to other stock exchanges.

f. **Stock Code.**

ISIN number for NSDL & CDSL is INE542C01019

Stock Code of Companys' shares on NSE is NKIND - EQ and on Ahmedabad Stock Exchange - 40617

g. **Share price data**

The Shares of the Company are not traded regularly at Stock Exchanges and hence the trading data is not available.

h. **Share Transfer System :**

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

Company's Registrar and Transfer Agent :-

Pinnacle Shares Registry Private Ltd. Near Asoka Mills,

Naroda Road, Ahmedabad - 380025.

i. **Distribution of Shares :**

Distribution of shareholding as on 31st March,2004.

No.of Shares	Shareholders		No.of Shares	
	Numbers	%	Numbers	%
0 - 500	5799	93.99	740730	12.33
501 - 1000	200	3.24	164700	2.74
1001 - 2000	76	1.23	116964	1.95
2001 - 3000	21	0.34	52500	0.87
3001 - 4000	9	0.15	33100	0.55
4001 - 5000	15	0.24	73900	1.23
5001 - 10000	11	0.18	78600	1.31
10001 and above	39	0.63	4749406	79.03
Total	6170	100.00	6009900	100.00

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j. Shareholding Pattern as on 31st March,2004

	Category	No.of shares held	Percentage of share holding
A.	PROMOTER'S HOLDING		
1.	**Promoters**		
	-Indian Promoters	35,61,840	59.27
	-Foreign Promoters	—	—
2.	**Persons acting in Concern**	—	—
	Sub-Total	**35,61,840**	**59.27**
	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)	2,38,000	3.96
c.	Foreign Institutiona Investors	-	-
	Sub-Total	**2,38,000**	**3.96**
4.	Others		
a.	Private Corporate Bodies	2,69,976	4.49
b.	Indian Public	19,35,984	32.21
c.	NRIs/OCBs	4,100	0.07
d.	Any other (please specify)	—	—
	Sub-Total	**22,10,060**	**36.77**
	GRAND TOTAL	**60,09,900**	**100.00**

k. Dematerialization of share and liquidity

12.04 % of the paid - up capital has been dematerialized as on 31st March,2004.

l. 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 viz HCO, 12 HSA etc keeping in view market perspective. India is a dominating country in production of castor seeds with an average of 65% and Castor Oil an average of 61% out of the world production. India's oil export is an average over 85% out of the world export. The working ofthe company has not improved. This is possible once the BIFR finalises the Rehabilitation Programmeorthe compromise settlements are approved by the Banks.

Risk and Concerns :

The company is exposed to credit risk and liquidity risk arising from mismatch of funds borrowed and funds utilized. The company was therefore trying to restructure its liabilities once the BIFR's approval is received. The management has however approached the bankers and financial institution with the compromise settlements even after DRT has passed the Order for issuance of Recovery Certificates. DRT's action is however stayed. During the period, the company operates its unit on job - work basis keeping the workers engaged in its operation.

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.

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Financial and Operational Performance :

The income earned by the company was mainly from the charges received for the job work done for others which was however not adequate. The operational loss included was Rs.80.90 lacs without providing for interest liabilities of Banks and FI. The production of Castor Oil including job work was 39,364 M.T. as against 40,000 M.T. for the previous year The company is however making its efforts to increase the production so as to utilise the installed capacity to the maximum.

Menpower :

The management is continuously trying to see that the unit runs even on job work basis till either the BIFR finalises the Rehabilation Programmeor the compromise settlements are approved. This alone will help to keep employed the staff and workers of about 300 who have throughout the difficult days co-operated with the management.

CERTIFICATE ON COMPLIANCE TO CORPORATE GOVERNANCE

The Board of Directors
N.K.Industries Ltd.,
Ahmedabad.

We have examined the Compliance of the conditions of Corporate Governance by N.K.Industries Ltd. for the year ended 31st March,2004 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of the opinion on the financial statements of the company.

In our opinion and the best our information and according to the explanations given to us,

1. The company do not have optimum combination of executive & non executive directors.
2. The Audit committee of the company do not comprise of three non- executive directors, with the majority of them being independent.
3. The company do not have remuneration committee, as no remuneration is paid to non-executive director.

Subject to above, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We also state that no investor grievance is pending for a period exceeding one month against the company as on 31/03/2002 as per records maintained by the shareholders / Investors Grievance committee.

We further state that such compliance is neither an assurance as to the further viability of the company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

FOR,CHANDULAL M.SHAH & CO.
Chartered Accountants
(K.H.Vasavada)
Partner

Place : Ahmedabad
Date : 1st September,2004

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