



N. K. Industries Ltd.

**18TH ANNUAL REPORT
2005-2006**

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



**N. K.
Industries Ltd.**

N. K. INDUSTRIES LIMITED

18TH ANNUAL REPORT 2005-2006

BOARD OF DIRECTORS :	NIMISH K. PATEL	Chairman & Managing Director
	NILESH K. PATEL	Managing Director
	JAYESH D. THAKKAR	Director
	MAHAVIRPRASAD M. TODI	Director

AUDITORS : M/s CHANDULAL M. SHAH & CO.
Chartered Accountants,
Ahmedabad-380009.

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.
ICICI BANK LTD.
KOTAK MAHINDRA BANK LIMITED
VISNAGAR NAGARIK SAHAKARI BANK LTD



N. K. Industries Ltd.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present their Eighteenth Report together with Audited Statements of Accounts of the Company for the year ended on 31st March, 2006.

FINANCIAL RESULTS

	2005-2006	(Rs. in Lacs) 2004 -2005
Export Sales	6.88	-
Domestic Sales	652.62	-
Total Sales	659.50	—
Job work Income	1597.32	1363.39
Profit/(Loss) before Tax & Depreciation	844.45	743.15
Depreciation	146.90	171.68
Profit/(Loss) before Tax	697.55	571.47
Waiver of interest	610.29	204.62
Waiver of principal amount of borrowing	1617.44	344.71
Tax	-	-
Profit/(Loss) after Tax	2925.27	1206.68
Balance brought forward from previous year	(9636.00)	(10842.68)
Amount carried to B/S	6710.74	(9636.00)

OPERATIONS

During the year, the company earned job work changes of Rs. 1597.32 Lacs as against Rs. 1363.39 Lacs in the previous year. After providing for depreciation of Rs. 146.90 lacs, Profit for the current year came to Rs. 697.55 Lacs as against profit of Rs. 571.47 Lacs in the year 2005-2006. Taking into consideration waiver of principal amount of borrowing and interest by the Banks, the net profit comes to Rs. 2925.27 Lacs as against Rs. 1206.68 Lacs in the previous year.

On reaching the compromise settlements, State Bank of India, Corporation bank and Bank of Baroda, have waived interest and/or principal resulting into waiver of Rs. 2227.72.Lacs. The company's references to BIFR for rehabilitation are still pending. In the meanwhile the compromise proposals have been taken up with the remaining banks. The recovery certificate issued by DRT, Ahmedabad 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. There are very good chances to have the compromise with all the banks. Once this is achieved, the Company shall be in a better position to operate its unit for own sales rather than on job work basis. This will generate better profit margin to help to pay off the compromised dues to the Banks. The prospects seem to be bright.

DIVIDEND :

Your Directors express their inability to recommend any dividend for the year 2005-2006 owing to accumulated 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 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;
- 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.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with Stock Exchanges, 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.

Annual Report

PARTICULARS OF EMPLOYEES :

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

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.

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 ON BEHALF OF THE BOARD

NIMISH K.PATEL

CHAIRMAN & MANAGING DIRECTOR

Date : 01.09.2006

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, 2006.

[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 a position to operate boilers more efficiently.
- We have adopted water degumming to improve the Quality of Commercial Oil.
- We have installed variable frequency drives on electronic motors resulting into higher production capacity of expellers. Power cost per ton of crushing has come down by around 35 %.
- 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 :-

The company has not earned any foreign exchange and no import has been made using foreign exchange.

FORM-B. (See Rule-2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

Research & Development(R & D)

Specific areas in which R&D carried out by the Co.	N.A
Benefits arrived as a result of the above R&D	N.A
Future plan of Action	No Future Plan at present
Expenditure on R&D	Nil

Technology absorption, adaptation and innovation

- 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.
- Benefits derived as a result of the above efforts:-**
We get benefits of higher crushing capacity with less electrical consumption and better quality product.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) the following information may be furnished:-**
 - Technology imported **NIL**
 - Year of import **NIL**
 - Has technology been fully absorbed **NIL**
 - If not, Future plans of action. **NIL**



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 consist of four 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 registered 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.

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.Mahavirprasad M. Todi	Independent Director	Non-Executive	2	1
Mr.Jayesh D. Thakkar	Independent Director	Non-Executive	1	1

b. Attendance

During the last financial year ended 31st March,2006,Nine Board Meetings were held on the following dates :

1. 7th April, 2005	4. 30th July, 2005	7. 29th October, 2005
2. 30th April, 2005	5. 1st September,2005	8. 5th December, ,2005
3. 22nd June, 2005	6. 29th September, 2005	9. 31st January, 2006

Attendance of each Director at the Board Meetings and last Annual General Meeting is as under :

Name of Directors	Number of Board Meetings attended	Attendance at last AGM held on 29.9.05
Shri Nimish K. Patel	9	Present
Shri Nilesh K. Patel	9	Present
Shri Mahavirprasad M. Todi	9	Present
Shri Jayesh D. Thakkar	9	Present

Details of the Directors seeking appointment/reappointment in forthcoming Annual General Meeting in given in the Annexure to the Notice convening ensuing Annual General Meeting of the members of the Company.

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 Jayesh D. Thakkar	Independent Director	1
Shri Mahavirprasad M. Todi	Independent Director	1
Shri Nilesh K. Patel	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 29th April, 2005, 29th July, 2005, 30th August, 2005, 28th October, 2005 and 31st January, 2006.

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 Mahavirprasad M.Todi, Chairman (Independent Director)
- ii) Shri Jayesh D.Thakkar (Independent Director)
- iii) Shri Nilesh K.Patel (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 31st March 2006.

6. General Body Meetings

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

Date	Venue	Time
29.09.2003	7th Floor, Popular House, Ashram Road, Ahmedabad	10.00 A.M
28.09.2004	7th Floor, Popular House, Ashram Road, Ahmedabad	10.00 A.M
29.09.2005	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.

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 the Board approves them. 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 : 30th September, 2006.

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, 2006 Last week of July, 2006

September 30, 2006 Last week of October, 2006

December 31, 2006 Last week of January, 2007

March 31, 2007 Last week of April, 2007

c. Book Closure Date : 26th September, 2006 to 30th September, 2006 (both days inclusive)

d. Dividend Payment date

Not applicable as no dividend is proposed.



N. K. Industries Ltd.

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 2006-07 to The Stock Exchange, Mumbai and upto the year 2006-07 to NSE and upto 2002-03 to other Stock Exchanges.

f. Stock Code.

NSDL & CDSL: ISIN No. is INE542C01019
BSE : 519494
NSE: NKIND
ASE: 40617

g. Share Price Data

The details of Stock Price Data during the period from 1st April, 2005 to 31st March, 2006 are submitted hereunder.

Month	BSE		
	High (Rs.)	Low (Rs.)	Shares Traded (No.)
April, 2005	6.00	3.68	12601
May, 2005	7.40	4.21	35226
June, 2005	10.50	5.40	66949
July, 2005	10.00	5.70	25076
August, 2005	13.25	6.10	148617
September, 2005	33.40	10.50	269268
October, 2005	23.85	13.00	84679
November, 2005	24.08	11.23	153233
December, 2005	19.65	14.35	134242
January, 2006	19.00	12.75	118657
February, 2006	14.65	11.00	202098
March, 2006	13.05	9.05	189935

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, 2006.

No. of Shares	Shareholders		No. of Shares	
	Numbers	%	Numbers	%
0 - 500	6408	91.79	873095	14.53
501 - 1000	294	4.21	243582	4.05
1001 - 2000	136	1.95	210354	3.50
2001 - 3000	34	0.49	85552	1.42
3001 - 4000	18	0.26	63217	1.05
4001 - 5000	22	0.32	105955	1.76
5001 - 10000	25	0.36	180206	3.00
10001 and above	44	0.62	4247939	70.69
Total	6981	100.00	6009900	100.00

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j. Shareholding Pattern as on 31st March,2006

Category	No. of shares held	Percentage of share holding
A. PROMOTER'S HOLDING		
1. Promoters		
-Indian Promoters	24,61,340	40.96
-Foreign Promoters	—	—
2. Persons acting in Concern	—	—
Sub-Total	24,61,340	40.96
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)	2,31,600	3.85
c. Foreign Institutional Investors	—	—
Sub-Total	2,31,600	3.85
4. Others		
a. Private Corporate Bodies	4,30,460	7.16
b. Indian Public	28,81,700	47.95
c. NRIs/OCBs	4,800	0.08
d. Any other (please specify)	—	—
Sub-Total	33,16,960	55.19
GRAND TOTAL	60,99,900	100.00

k. Dematerialization of share and liquidity

71.99% of the paid - up capital has been dematerialized as on 31st March,2006.

Manufacturing Facilities At : Kadi, District : Mehsana Gujarat, India

l. Address for correspondence:

For both Physical and Electronic Form: M/s. Pinnacle Share Registry Pvt. Ltd.

Near Asoka Mills Premises Naroda Road, Ahmedabad - 380 025.

Tele. No. : (079) 2220 4226, 2220 0591 Fax No. : (079) 2220 2963

e-mail Address: investor.service@psrpl.com

For any assistance regarding correspondence dematerialisation of shares, share transfers, transactions, change of address, non-receipt of dividend or any other query, relating to shares:

Registered Office : 7th Floor, Popular House, Ashram Road, Ahmedabad - 380 009.

Telephone Nos.: (079) 26589321 - 26

Compliance Officer : Shri Ashwin Patel

9. As required by Clause 49 of the Listing Agreement with the Stock Exchange/s, the Auditors' Certificate is given as 'Annexure' to this Report.

For or no behalf of the Board

NIMISH K.PATEL

Chairman & Managing Director

Date : 01.09.2006

Place : Ahmedabad.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview :

The promoters selected to go into manufacturing and refining castor oil and its derivatives keeping in view market and availability of raw-materials. India is a dominating country in production of castor seeds with an average of 65% of the world production. India's oil export is an average over 85% out of the world export.



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Risk and Concerns :

The company is exposed to disparity resulting into pressure on margin 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 is however negotiating with the remaining banks for the compromise settlements. The management is pleased to inform that the State Bank of India, IDBI, Bank of Baroda, Andhra Bank, Development of Credit Bank and Corporation Bank have approved the compromise settlements. The said banks have written off principal amount and waive interest accrued but not paid. The remaining banks' approval are under negotiation. Thereafter the management shall be able to finalise restructuring the company's liabilities and present the working results much better which may inspire confidence of all concerned including stakeholders.

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. Job work is carried out within the time schedule. The Company has set up an Audit Committee comprising of two non-executive directors and one executive director. The Company has also appointed the firm of Chartered Accountants to carry out internal audit. The internal auditors are analysing the areas of risk with a view to strengthen the internal controls.

Financial and Operational Performance :

The working of the company has improved. There will be further improvement once the BIFR finalises the Rehabilitation Programme or the compromise settlements are approved by the remaining -2- banks. The income earned by the company was mainly from the charges received for the job work done for others and its own sales. The operational profit for the year was Rs.658.71 lacs without providing for interest liabilities of Banks and FIs. The production of Castor Oil including job work was 74,474 M.T as against 74,244 M.T. for the previous year. The Company is however making its efforts to maximise the production so as to utilise the installed capacity fully.

Manpower :

The management is continuously trying to see that the unit also runs even on job work basis till either the BIFR finalises the Rehabilitation Programme or restructuring liabilities after the compromise settlements with the banks. 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, 2006 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 of our information and according to the explanations given to us,

1. The Audit committee of the company do not comprise of three non - executive directors, with the majority of them being independent.
2. 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 31st March, 2006 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 : 01-09-2006