



N. K. Industries Ltd.

19TH ANNUAL REPORT
2006-2007

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



**N. K.
Industries Ltd.**

N. K. INDUSTRIES LIMITED
19TH ANNUAL REPORT
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BOARD OF DIRECTORS :

NIMISH K. PATEL	Chairman & Managing Director
NILESH K. PATEL	Managing Director
JAYESH D. THAKKAR	Director
MAHAVIRPRASAD M. TODI (upto 30 th March, 2007)	Director
ASHWIN P. PATEL (w.e.f. 30 th March, 2007)	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,
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 NAGRIK SAHAKARI BANK LTD



N. K. Industries Ltd.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present their Nineteenth Report together with Audited Statements of Accounts of the Company for the year ended on 31st March, 2007.

FINANCIAL RESULTS

Particulars	2006-07	(Rs. in Lacs) 2005-06
Export Sales	Nil	6.88
Domestic Sales	220.98	652.62
Total Sales	220.98	659.50
Job work Income	1886.12	1597.32
Profit/(Loss) before Tax & Depreciation	1108.98	890.84
Depreciation	157.54	146.90
Profit/(Loss) before Tax	951.44	743.94
Add: Waiver of interest	248.79	610.29
Add: Waiver of principal amount of borrowing	-	1617.44
Deduct: Tax(Fringe Benefit Tax)	1.21	1.21
Deduct : Previous year expenses (net)	(1.24)	45.18
Profit/(Loss) after Tax	1200.26	2925.27
Balance brought forward from previous year	(6710.74)	(9636.01)
Amount carried to B/S	(5510.48)	(6710.74)

DIVIDEND :

Your Directors express their inability to recommend any dividend for the year 2006-2007 owing to accumulated losses incurred by the Company.

OPERATIONS

During the year, the company continued to sell manufactured goods on its own in addition to the job work as the main activity. The Company's sales turnover was reduced to Rs. 220.98 Lacs and it earned job work charges of Rs. 1886.12 Lacs as against Rs. 1597.32 Lacs in the previous year. After providing for depreciation of Rs.157.54 lacs, Profit for the current year came to Rs.951.44 Lacs as against profit of Rs.743.94 Lacs in the previous year. Taking into waiver of principal amount of borrowing by the Banks, the net profit comes to Rs. 1200.26 Lacs as against Rs. 2925.27 Lacs in the last year. On reaching the compromise settlements, Andhra Bank and Dena Bank have waived interest and/or principal resulting into waiver of Rs.248.78 Lacs.

The company's references to BIFR for rehabilitation are still pending. In the meanwhile the compromise proposals has been taken up with the remaining bank viz. Kotak Mahindra Bank Ltd. 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 the remaining bank. 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.

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

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.

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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.

PERSONNEL

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

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.

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 OR ON BEHALF OF THE BOARD

NIMISH K.PATEL

CHAIRMAN & MANAGING DIRECTOR

Date : 29th June, 2007

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 2007.

[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.
 - 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

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) 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, 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 endeavor in creating wealth for its shareholders, the Board decided to normalize and strengthen the process that the company efficiently manages its business and greater success through the establishment of corporate governance.

2. Board of Directors

The present strength of the Board consists of four Directors. The Board meets at least once in every quarter to assess the Company's performance, operations, to ensure compliance with laws and regulations. The gap between two Board meetings is not more than four months. Since the Company 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 other stakeholders.

The Company has been endeavoring 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.our Company)	Committee Membership (incl. our Company)
Mr.Nimish K. Patel	(Chairman & M.D.)	Executive	5	1
Mr. Nilesh K. Patel	(Managing Director)	Executive	5	1
Mr.Jayesh D.Thakkar	(Independent Director)	Non Executive	1	1
Mr. Mahavirprasad M. Todi	(Independent Director)	Non-Executive	1	2
Mr. Ashwin P. Patel	(Independent Director)	Non- Executive	1	2

b. Attendance

During the last financial year ended 31st March,2007,Nine Board Meetings were held on the following dates :

1. 30th April, 2006	4. 1st September, 2006	7. 15th January, 2007
2. 5th May, 2006	5. 30th September,2006	8. 31st January, 2007
3. 31st July, 2006	6. 31st October, 2006	9. 30th March, 2007

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 30.9.06
Shri Nimish K. Patel	9	Present
Shri Nilesh K. Patel	9	Present
Shri Jayesh D. Thakkar	9	Present
Shri Mahavirprasad M. Todi	8	Present
Shri Ashwin P. Patel	1	N.A.

Details of the Directors seeking appointment/reappointment in forthcoming Annual General Meeting is 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	5
Shri Nilesh K. Patel	Executive	5
Shri Mahavirprasad M. Todi	Independent Director	5
Shri Ashwin P. Patel	Independent Director	N.A.

* 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, 2006, 31st July, 2006, 1st September, 2006, 31st October, 2006 and 31st January, 2007.

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 Jayesh D.Thakkar | (Independent Director) |
| ii) Shri Nilesh K.Patel | (Executive Director) |
| iii) Shri Ashwin P. Patel | (Independent 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 2007.

6. General Body Meetings

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

Date	Venue	Time
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
30.09.2006	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:

- 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.
- 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 : 26th September, 2007.
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, 2007	Last week of July, 2007
September 30, 2007	Last week of October, 2007
December 31, 2007	Last week of January, 2008
March 31, 2008	Last week of April, 2008

c. Book Closure Date : 5th September, 2007 to 26th September, 2007 (both days inclusive)

d. Dividend Payment date :

Not applicable as no dividend is proposed.



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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 2007-08 to The Stock Exchange, Mumbai and upto the year 2007-08 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, 2006 to 31st March, 2007 are submitted hereunder.

Month	BSE		
	High (Rs.)	Low (Rs.)	Shares Traded (No.)
April, 2006	12.90	10.01	97751
May, 2006	17.81	10.51	225384
June, 2006	13.30	7.50	45444
July, 2006	12.71	7.88	86858
August, 2006	9.48	7.51	24111
September, 2006	11.02	7.02	149369
October, 2006	20.20	10.29	347236
November, 2006	14.90	10.40	80193
December, 2006	15.45	10.10	269874
January, 2007	16.50	11.50	726743
February, 2007	15.80	10.00	225572
March, 2007	11.25	8.20	149729

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, 2007.

No. of Shares	Shareholders		No. of Shares	
	Numbers	%	Numbers	%
0 - 500	6047	89.82	843469	14.03
501 - 1000	339	5.04	283252	4.71
1001 - 2000	153	2.27	235290	3.92
2001 - 3000	57	0.85	142213	2.37
3001 - 4000	28	0.42	99173	1.65
4001 - 5000	28	0.42	133945	2.23
5001 - 10000	32	0.48	243590	4.05
10001 and above	48	0.70	4028968	67.04
Total	6732	100.00	6009900	100.00

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j. Shareholding Pattern as on 31st March,2007

Category	No. of shares held	Percentage of share holding
A. PROMOTER'S HOLDING		
1. Promoters		
-Indian Promoters	30,17,135	50.20
-Foreign Promoters	—	—
2. Persons acting in Concern	—	—
Sub-Total	30,17,135	50.20
B. NON-PROMOTERS HOLDING		
3. Institutional Investors	1,95,400	3.25
a. Mutual Funds and UTI	—	—
b. Banks, Financial Institution, Insurance Companies (Central/State Govt. Institutions/ Non-Government Institutions)	—	—
c. Foreign Institutional Investors	—	—
Sub-Total	1,95,400	3.25
4. Others		
a. Private Corporate Bodies	4,79,224	14.54
b. Indian Public	23,04,683	38.35
c. NRIs/OCBs	13,458	0.22
d. Any other (please specify)	—	—
Sub-Total	27,97,365	46.55
GRAND TOTAL	60,99,900	100.00

k. Dematerialization of share and liquidity

75.32% of the paid - up capital has been dematerialized as on 31st March,2007.

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, 66309999

Compliance Officer : Shri Anant B. 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 on behalf of the Board

NIMISH K.PATEL

Chairman & Managing Director

Date : 29th June, 2007

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 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 of the company has started improvement. There will be further improvement once the BIFR finalises the Rehabilitation Programme or the compromise settlement is approved by the remaining Bank.



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Risk and Concerns :

The company is exposed to due to disparity resulting into pressure on margin a 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 and the management is pleased to inform that all the Banks have approved the compromise settlements whereby substantial write off in principal amount and waiver of interest have been considered. Similar exercises have been undertaken with the remaining bank. Once their approval is also received, the management shall be able to restructure the company's liabilities and present the working results much better which may inspire confidence of all concerned including all the 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 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 areas of risk with a view to strengthen the internal controls.

Financial and Operational Performance :

The income earned by the company was mainly from the charges received for the job work done for others. The operational profit for the year was Rs.925.44 lacs before tax and extra ordinary items. The production of Castor Oil including job work was 72,461 M.T as against 74,474 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.

Manpower :

The management is continuously trying to see that the unit runs even on job work basis till either the BIFR finalises the Rehabilitation Programme or 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, 2007 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 company does not have optimum combination of executive & non-executive directors.
2. The Audit committee of the company does not comprise of three non-executive directors, with the majority of them being independent.
3. The company does 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 31/03/2007 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 : 29th June, 2007