



**NRC LIMITED**

# 58th Annual Report 2004-2005



**DUNCAN GOENKA**

**NRC LIMITED**

<b>BOARD OF DIRECTORS</b>	GOENKA G.P.	<i>Chairman</i>
	VAIDYA V.C.	
	KAMTE V.N.	
	GHATALIA PRAVIN N.	
	GOENKA ASHOK	
	RAI BODHISHWAR	
	GOENKA SHRIVARDHAN	
	CHOUDHURY R. C.	<i>Nominee of IFCI</i>
	SHARMA P.S.	<i>Managing Director</i>

**COMPANY SECRETARY** PRASENJIT GUHA

**CORPORATE &  
REGISTERED OFFICE** EWART HOUSE  
HOMI MODI STREET  
MUMBAI 400 001

**PLANTS** MOHONE 421 102  
DIST. THANE  
MAHARASHTRA STATE

**BANKERS** BANK OF BARODA  
DENA BANK  
PUNJAB NATIONAL BANK  
CANARA BANK

**AUDITORS** LODHA & CO.  
CHARTERED ACCOUNTANTS

**REGISTRAR &  
SHARE TRANSFER  
AGENTS** TATA SHARE REGISTRY LIMITED  
UNIT: NRC LTD.,  
ARMY & NAVY BUILDING,  
148, MAHATMA GANDHI ROAD,  
FORT, MUMBAI-400 001.  
TELEPHONE : 022-56568484  
Fax : 022-56568494  
Email : [csg-unit@tatashare.com](mailto:csg-unit@tatashare.com)  
Website : [www.tatashare.com](http://www.tatashare.com)

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**NOTICE**

NOTICE is hereby given that the FIFTY-EIGHTH ANNUAL GENERAL MEETING of the Members of NRC LIMITED will be held as scheduled below:-

Date : Friday, 16th September, 2005  
 Time : 3.30 p.m.  
 Venue : Patkar Hall  
 S.N.D.T. Women's University  
 1, Nathibai Thackersey Road  
 Mumbai 400 020.

to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2005 and the Reports of the Directors and the Auditors thereon.
2. To declare Dividends on 8% Cumulative Preference Shares & 4% Cumulative Preference Shares for the year 2004-05.
3. To declare a Dividend on Equity Shares.
4. To appoint a Director in place of Shri V. N. Kamte, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Shrivardhan Goenka, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint M/s. Lodha & Co. Chartered Accountants, as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

**SPECIAL BUSINESS:**

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof and subject to the approval of the Central Government and such other approvals as may be necessary, the Company hereby accords its approval and consent to the reappointment of Mr. P. S. Sharma as the Managing Director of the Company for a period of three years with effect from 1st September, 2005 on the terms and conditions as set out in the draft agreement submitted to this meeting and initialled by the Chairman for the purpose of identification which draft agreement be and is hereby approved subject to such conditions and modifications, if any, that may be imposed by the Central Government in granting their approval and as may be acceptable to the Board of Directors and Mr. P. S. Sharma."

"Resolved further that in the event of absence or inadequacy of profits in any year during the tenure of the Managing Director, Mr. P. S. Sharma shall be paid the

remuneration including the perquisites as minimum remuneration as set out in the draft agreement and the Explanatory Statement annexed hereto."

"Resolved lastly that the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be considered desirable or expedient to give effect to this Resolution including but not limited to entering into an agreement with Mr. P. S. Sharma with such modifications as may be necessary in terms of the approval of the Central Government."

**NOTES:**

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 7 is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED WITH THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 2nd September, 2005 to Friday, 16th September, 2005 (both days inclusive).
- (d) Shareholders are requested to notify any change in their addresses along with PIN CODE to the Company at its Registered Office or to the Registrars M/s. Tata Share Registry Ltd, Army Navy Bldg, 148, Mahatma Gandhi Road, Mumbai - 400 001 quoting their Folio Numbers.
- (e) Members having multiple folios in identical or joint names in the same order are requested to intimate the Registrars' and Share Transfer Agents to consolidate their holdings into a single folio.
- (f) Members desiring any information as regards accounts or operations of the Company are requested to send their queries to the Corporate & Registered Office of the Company in writing at least seven days in advance of the date of the Meeting, so as to enable the Management to keep the necessary information ready at the Meeting.
- (g) Preference Dividend as recommended by the Directors, if declared at the Annual General Meeting, will be paid within the statutory period to the preference shareholders whose names appear in the Register of Members on 16th September, 2005.  
 Equity Dividend as recommended by the Directors, if declared at the Annual General Meeting, will be paid within the statutory period to those members whose names appear in the Register of Members on 16th September, 2005.
- (h) In respect of shares held in dematerialised form, the dividend will be payable to the Beneficial Owner of shares as at the end of business hours on 1st September, 2005 as per details furnished by the Depositories.

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- (i) In the event the combined holding of Financial Institutions/Nationalised Banks/Insurance Companies etc. exceeds the limit prescribed in Section 224A of the Companies Act, 1956, the Resolution in respect of Item No. 6 will be proposed as a Special Resolution.
- (j) Pursuant to Section 205-A of the Companies Act, 1956, the unclaimed dividend upto the financial year ended 31.3.1995 has been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants are requested to claim the amount from the Registrar of Companies, Maharashtra, Hakoba Mills Compound, 2nd Floor, Dattaram Lad Marg, Kalachowki, Chinchpokli, Mumbai - 400 033.

Consequent on the amendment to Section 205-A by introduction of Section 205-C of the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid/unclaimed with effect from 31st March, 1996 for a period of seven years from the date of transfer to unpaid dividend account of the Company is required to be transferred to the Investor Education & Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of such claims by the Fund. Accordingly, the unclaimed dividend for the financial year(s) ended 31.3.1996 and 31.3.1997 has been transferred to IEPF during 2003-2004 and 2004-2005 and that relating to the financial year ended 31.3.1998 is due for transfer to IEPF as per details given below:

Financial Year	Date of Declaration of Dividend	Due date for transfer to IEPF
1997-98	11.9.1998	20.10.2005

Members are requested to submit their claims for unpaid dividends for the aforesaid years at the earliest giving atleast one month's time before the due dates.

- (k) Members who are holding Company's Shares in dematerialised form are requested to bring details of their DP and Client ID numbers for identification.
- (l) Members desirous of making nomination in respect of their shareholding may approach the Company or the Share Registrars for obtaining prescribed form and return the same duly filled in and signed for registration with the Company.
- (m) Members desirous of availing Electronic Clearing Systems (ECS) facility for remittance of dividend may send their request through their DPs in case of holding shares in demat form and to the Registrars and Share Transfer Agents for those holding shares in physical form.
- (n) As required under the Listing Agreement with the Stock Exchanges the particulars of Directors who are proposed to be re-appointed are given below except for Mr. P. S. Sharma whose details are given separately in the

Explanatory Statement to the Notice and the additional information under Schedule XIII annexed thereof:

- I (i) **Name:** Shri V. N. Kamte  
(ii) **Age:** 81 years  
(iii) **Qualifications:** B.Sc. (Chemistry & Zoology), B.Sc. (Forestry) from Edinburg University.  
(iv) **Experience :**
- Executive in-charge of Consumer Products of Ciba Geigy upto 1975.
  - Former Managing Director of Everest Building Products Ltd. (Subsidiary of Turner & Newell Manchester, U.K.)
  - Chief Executive and Consultant of Graham Firth Steel Co., Ltd. in 1980's.
  - He was also General Consultant to Bodies Corporate in marketing and management matters.
- (v) **Director of the Company since:** 29th January, 1988.  
(vi) **Other Directorship:** Shan Investments Pvt. Ltd.
- II. (i) **Name:** Shri Shrivardhan Goenka  
(ii) **Age:** 30 years  
(iii) **Qualifications:** B.Com. (Hons.) Master of Business Administration (Kellogg School of Management, Northwestern University, USA.)  
(iv) **Experience:**  
A scion of famous Goenka family, who were pioneers in banking and industry, 30 years old Mr. Shrivardhan Goenka is the son of Mr. Gouri Prasad Goenka, who is the Chairman of Duncan Goenka Group and the great grandson of Sir Badridas Goenka, who was the Chairman of Imperial Bank, now known as the State Bank of India. After his graduation in Commerce from St. Xavier's College, Calcutta he has done his Master of Business Administration from Kellogg School of Management, Northwestern University, USA.  
(v) **Director of the Company since:** 1st October, 2002.  
(vi) **Other Directorship:**
- Albert Trading Co. P. Ltd.
  - Continuous Forms (Calcutta) Ltd.
  - Duncans Tea Ltd.
  - Gujarat Carbon & Industries Ltd.
  - Indian Chambers of Commerce
  - Kavita Marketing P. Ltd.
  - Marleybone Travels & Resorts Pvt. Ltd.
  - Odyssey Travels Ltd.
  - Stone India Ltd.

10. Octave Technologies Pvt. Ltd.
11. Pall Edusystems and Medicare Services Pvt. Ltd.
12. Shubh Shanti Services Limited
13. Star Paper Mills Ltd.
14. Unimers India Ltd.

(vi) **Other Professional Membership:**

Indian Chamber of Commerce – Committee Member

Federation of Indian Chamber of Commerce – Committee Member

- (o) The Company is registered with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for dematerialisation of its Equity Shares with effect from 23.02.2001 and the ISIN number allotted to the Company's Equity Shares is INE 953C01018. Members are requested to note that pursuant to the SEBI Guidelines with effect from 26th March, 2001 trading and delivery of Company's Equity Shares is compulsorily in dematerialised form only.
- (p) All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company between 10.30 a.m. and 1.00 p.m. on any working day prior to the date of the ensuing Annual General Meeting.

Registered Office:  
Ewart House  
Homi Modi Street  
Mumbai 400 001

By Order of the  
Board of Directors

Prasenjit Guha  
Company Secretary

Dated : 29th April, 2005

## EXPLANATORY STATEMENT

The following Explanatory Statement pursuant to Section 173 (2) and Section 192A of the Companies Act, 1956 sets out the material facts relating to the business at Item No. 7 of the accompanying Notice dated 29th April, 2005.

### Item No. 7

The Board of Directors of the Company at its meeting held on 29th April, 2005; has re-appointed Mr. P. S. Sharma, as the Managing Director of the Company for a period of three years with effect from 1st September, 2005, subject to the approvals of the Company in general meeting and of the Central Government, if applicable, and subject to any other approvals as may be necessary on the following terms and conditions:

- (1) **Salary:** Salary of Rs.1,75,000/- per month.
- (2) **Special Allowance:** Rs. 35,000/- per month.

(3) **Performance Related Pay:** As may be approved for each year by the Board or the Remuneration Committee thereof subject to a maximum of 90% of the annual salary (excluding special allowance) in a financial year.

(4) **Perquisites & Allowances:** In addition to the salary, special allowance, and performance related pay; perquisites in the form of rent free furnished residential accommodation (including society charges and any other outgoings or tax) together with allowance/reimbursement of expenses for utilities such as gas, electricity, water, soft furnishings, gardener, servant salaries, books & periodicals, children education allowance, medical reimbursement, club fees, leave travel assistance, personal accident insurance and such other perquisites as per rules of the Company applicable to Senior Management Staff, aggregate value thereof to be restricted to an amount not exceeding 83% of the monthly salary (excluding special allowance). For computing the foregoing ceiling, all perquisites to be evaluated as per the Income-tax Rules, 1962. In the absence of any such rule, evaluations to be at actual cost and that the following shall not be included in computing the ceiling on perquisites as aforesaid:

- (a) Residential telephone.
- (b) Car with driver for official use.
- (c) Company's contribution to Provident Fund and Superannuation Fund to the extent that these either singly or in the aggregate are not taxable under the Income-tax Act, 1961.
- (d) Gratuity payable as per Rules of the Company.
- (e) Encashment of leave at the end of tenure.

### Minimum Remuneration:

- (5) In the event of absence or inadequacy of profits in any financial year during the tenure, the Managing Director shall be paid the same remuneration as stated hereinabove including perquisites as minimum remuneration.
- (6) The Managing Director so long as he functions as such shall not be paid any sitting fees for attending meetings of the Board of Directors or Committee thereof.
- (7) The Company shall reimburse to the Managing Director entertainment, travelling and other expenses incurred by him for the business of the Company.
- (8) Either party shall be entitled to determine the Agreement by giving six months' notice in writing to the other party without assigning any reason and on the expiry of the period of such notice the Agreement shall stand determined. The Company shall be required to give six months' salary and perquisites in lieu of notice.
- (9) The Managing Director shall not be entitled to any compensation in cases mentioned in Section 318(3) of the Companies Act, 1956.

# NRC LIMITED

- (10) The Managing Director shall not be entitled to supplement his earnings under the Agreement with any buying and selling commission and any other commission or become interested or concerned directly or through his wife and/or minor children, relatives in any selling agency of the Company, without the prior approval of the Central Government.

Mr. P. S. Sharma holds a B.E. (Chemical) degree having passed in the first class. He served with the DCM Group for 35 years including the last nine years as Executive Director of DCM Shriram Industries Ltd. before joining the Company in 1999.

Mr. Sharma is on the Board of several other Companies viz. Duncans Tea Ltd., Maharashtra Polybutenes Ltd., Shubh Shanti Services Ltd., Unimers India Ltd., (Managing Director) and Oxides & Specialities Ltd. He is also an Executive Committee Member of Association of Man Made Fibre Industry of India and Association of Synthetic Fibre of India.

Mr. Sharma during his current term has been successful in complete turnaround of the Company which had wiped out its accumulated losses by earning significant profits since 2003-2004 and came back on the dividend list. These improvements have been possible due to Mr. Sharma's efforts in implementing cost reduction measures, improvement in product development, quality, technological improvement in manufacturing techniques, business, process reengineering, improvement in labour productivity and overall dynamic leadership provided by him to the entire operating team. The Board therefore commends the resolution for the approval of the Shareholders.

This may be treated as an Abstract of the terms of the draft agreement proposed to be entered into between the Company and Mr. Sharma and Memorandum of Interest under Section 302 of the Companies Act, 1956.

The draft agreement proposed to be entered into between the Company and Mr. P. S. Sharma is available for the inspection of the Members at the Registered Office of the company during business hours on any working day between 10.30 a.m. and 1.00 p.m.

No other director except Mr. P. S. Sharma is concerned or interested in the above Resolution.

Registered Office:  
Ewart House  
Homi Modi Street  
Mumbai-400 001

By Order of the  
Board of Directors

Prasenjit Guha  
Company Secretary

Dated : 29th April, 2005

## STATEMENT CONTAINING INFORMATION REQUIRED TO BE GIVEN UNDER SCHEDULE XIII AS REQUIRED BY NOTIFICATION REF.G.S.R. 36(E) DATED JANUARY 16, 2002 ISSUED BY GOVERNMENT OF INDIA, MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS, DEPARTMENT OF COMPANY AFFAIRS, NEW DELHI FOR ITEM NO. 7

### I. General Information:

1. Nature of the Industry – Rayon & Nylon Tyre Cord fabric.
2. Date of expected date of commencement of commercial production: N.A.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: N.A.
4. Financial Performance — (Based on the audited Accounts for the year ended 31.3.2005)
 

	(Rs. in Crores)
Turnover	452.93
Net Profit/(Loss) before tax	18.72
Total Expenditure	366.93
5. Export performance and net foreign exchange collaborations : Exports Rs 7.10 crores. There are no foreign collaborations.
6. Foreign Investments or Collaborators : NIL

### II. Information about the Appointee:

Information about Mr. P. S. Sharma, Managing Director

1. Mr. P.S. Sharma holds a B.E. (Chemical) degree having passed in the first class.

He served with the DCM group for 35 years including the last nine years as Executive Director of DCM Shriram Industries Ltd. before joining the Company in 1999. He has wide experience in the rayon industry. Aptitude for development of man-management and technology are his strong points. He has travelled widely in and out of the country.

Mr. Sharma joined the Company on August 9, 1999 as CEO and thereafter elevated as the Managing Director w.e.f. September 1, 1999 for a period of three years. He has been re-appointed by the Board of Directors for a further term of three years w.e.f. September 1, 2002 which will end on August 31, 2005. In view of his creditable services in turning around the Company, the Board has decided to re-appoint him for a further period of three years.

## 2. Past Remuneration :

Mr. P. S. Sharma has been paid the following remuneration during his current tenure.

Year	Amount (Rs.)
2002-2003	21,77,329
2003-2004	40,98,397
2004-2005	46,78,119

## 3. Job profile and his suitability:

Mr. P. S. Sharma is having experience of about 35 years with DCM group including the last nine years as Executive Director of DCM Shriram Industries Ltd. before joining the Company. He is associated with the Company since 1999 in the capacity of Managing Director of the Company. He has wide experience in the rayon industry.

Mr. Sharma during his current term had been successful in complete turnaround of the Company which had wiped out its accumulated losses and started earning significant profits since 2003-2004 and came back on the dividend list. These improvements have been possible due to Mr. Sharma's efforts for implementation of cost reduction measures, improvement in product development, quality, technological improvement in manufacturing techniques, business, process reengineering, improvement in labour productivity and overall dynamic leadership provided by him to the entire operating team. The Company has also embarked on a nylon plant expansion cum modernization project under his guidance. The Board feels that his services be availed at a juncture when the Company is poised for growth.

## 4. Remuneration proposed :

The Abstract containing details of remuneration proposed to be paid to the Managing Director under Section 302 of the Companies Act, 1956 is contained in the Explanatory Statement required under Section 173 of the Companies Act, 1956.

## 5. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and the person:

The remuneration proposed is comparable with the emoluments of Senior Managerial Personnel of rayon industries operating in India taking into consideration the experience of Mr. Sharma.

## 6. Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel if any:

Mr. P. S. Sharma does not have any pecuniary transactions with the Company except by way of his contract of employment with the Company.

## III. Other information:

## 1. Reasons of loss or inadequate profit:

As stated earlier the Company has turned around in 2003-2004 and is back on the dividend list. It has also earned sufficient book profits since the last two years and this trend is positive.

The inadequacy of profits calculated in terms of Section 198 of the Companies Act, 1956 arise due to the depreciation as required to be provided under Section 350 of the Companies Act, 1956 while ascertaining managerial remuneration.

## 2. Steps taken for improvement:

Various initiatives taken by the Managing Director during his current tenure stated elsewhere have helped to turn around the Company which has wiped out the losses and started earning profits.

## 3. Expected increase in productivity and profits in measurable terms:

The Company expects to achieve an additional turnover of approx. 60% with commensurate increase in profits in its nylon division after the additional capacity and facilities become operational on completion of the ongoing expansion programme. The rayon and chemical divisions are also expected to achieve satisfactory performance in the current fiscal as per current market indicators.

## IV. Disclosures:

1. The 'Abstract' containing details of remuneration paid/proposed to be paid to the Managing Director under Section 302 of the Companies Act, 1956 is contained in the Explanatory Statement No. 7 required under Section 173 of the Companies Act, 1956.
2. All the relevant information pertaining to the Managing Director and required to be disclosed in the Directors' Report under the heading "Corporate Governance" are attached to the Annual Report has been disclosed therewith.

Registered Office:  
Ewart House  
Homi Modi Street  
Mumbai 400 001

By Order of the  
Board of Directors

Dated : 29th April, 2005

Prasenjit Guha  
Company Secretary

**Note:** Notice under Postal Ballot, Ballot Forms and reply envelope are being mailed to the Members alongwith the Annual Report 2004-2005.

# NRC LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2005

## To The Members

Your Directors present the 58th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2005.

## FINANCIAL RESULTS

	Rs. in Lacs	
	2004-2005	2003-2004
Gross Sales	<b>45293.06</b>	39575.65
Profit before Interest, Depreciation and Tax	<b>3960.40</b>	4412.18
Interest	<b>1478.06</b>	1516.15
Profit before Depreciation and Tax	<b>2482.34</b>	2896.03
Depreciation	<b>1110.00</b>	1112.42
Profit/(Loss) before Exceptional items & Tax	<b>1372.34</b>	1783.61
(i) Exceptional Item – Provision for Diminution in the value of long term investments	—	(500.00)
(ii) Provision No longer required in respect of the above investments	<b>500.00</b>	—
Taxation		
– Deferred Tax Asset/(Liability)	<b>(506.17)</b>	373.61
Profit/(Loss) after Tax	<b>1366.17</b>	1657.22
Surplus/(deficit) from Previous Year	<b>754.09</b>	— *
Profit available for Appropriation	<b>2120.26</b>	1657.22
Appropriations recommended:		
Transfer to:		
– General Reserve	<b>500.00</b>	—
– Capital Redemption Reserve	—	453.73
– Debenture Redemption Reserve	<b>81.17</b>	81.17
– Proposed Dividend on Preference Shares	<b>47.12</b>	148.32
– Corporate Dividend Tax	<b>6.61</b>	19.00
– Proposed Dividend on Equity Shares	<b>427.43</b>	178.09
– Corporate Dividend Tax	<b>60.78</b>	22.82
– Surplus/(Loss) carried forward to Balance Sheet	<b>997.15</b>	754.09
	<b>2120.26</b>	1657.22

\* Adjusted against Reserves as per Order of High Court

## PERFORMANCE AND PROSPECTS

The Company registered an overall improvement in production, sales volume, turn over and capacity utilization during the year under review. Gross sales increased by 14% from Rs. 396 crores to Rs. 453 crores; operating profit was Rs. 39.60 crores as against Rs. 44.12 crores of previous year. Due to increase in raw material & fuel cost, the operating margins reduced by 10.2%. No provision for current tax is

required due to availability of tax losses, carry forward depreciation and other benefits. The net profit after exceptional item and deferred tax is Rs. 13.66 crores.

The market conditions for Rayon Yarn continued to be adversely affected during major part of the year under review due to sluggish demand and availability of cheap imported material. Margins were under further pressure due to higher input cost and increase in cost of raw materials etc. The stock built up during earlier period could be liquidated during second half of the year 2004-2005 due to better off take. The demand for rayon yarn and realization is expected to improve due to thrust on export by garment manufacturers after removal of quota system under WTO negotiations with effect from 1st January, 2005.

The market for Nylon Tyre Cord Fabric (NTCF) was satisfactory due to buoyant growth of auto and tyre industries. Earlier margins had come under pressure due to dumping of cheap Chinese imported materials coupled with firming up of caprolactum prices. However, due to firming up of international prices of NTCF and imposition of anti dumping duty on Chinese imports, the performance of this division has been satisfactory during the year and the trend is expected to continue.

Your Company has been awarded a tender floated by Nirlon for sale of their 12 tpd NTC Polymerisation & Spindraw Plant. Cost of these plants is expected around Rs. 25 crores and further Rs. 35 crores will be required to set up additional textile conversion unit (Spindraw Yarn to NTC Fabric) of 12 tpd capacity. Your Company has planned a capex of Rs. 60 crores for this project. These facilities are expected to be operational by end of financial year 2005-2006. The Company's tyre cord fabric capacity will then stand enhanced by 60% to 12,000 tpd yielding incremental turnover and profits.

The Chemical market on the overall remained buyout due to strong demand and good realisation. Caustic Soda continues to be the main contributor of this Division. Favourable monsoon led to a higher demand for fungicides and pesticides thereby leading to increased demand for CS 2. The Chemical market is expected to remain good during the current year.

The Company continued its efforts in the areas of cost reduction, operating efficiency, developing new products and markets and as a results of these Initiatives could achieve a satisfactory performance which is expected to further improve in the current financial year.

## DIVIDEND AND APPROPRIATIONS

In view of the profits, your Directors are pleased to recommend a dividend of 12% on the Equity Shares which will be Rs. 4.27

crores and dividend on Preference Shares of Rs.0.47 Crores which along with Corporate Dividend Tax of Rs. 0.67 Crores will absorb Rs. 5.41 crores out of profit. The surplus of Rs. 9.97 crores has been carried forward in the Balance Sheet.

## FINANCE

During the year Punjab National Bank has sanctioned a Corporate Term Loan of Rs. 20 crores for general corporate purpose and augmenting working capital requirements. The loan is for a five year term including one year moratorium repayable by 31st March, 2010.

In terms of the shareholders approval obtained in the 56th Annual General Meeting your Company is evaluating various alternative options for utilisation of land resources available with the Company. In order to reflect the real potential of the assets, the land has been revalued during the current year. The Company is pursuing negotiations for development, lease, sale of land as may be made available after reviewing the existing usage and also taking into consideration future expansion plans. Shareholders' approval under Section 293(1)(a) of the Companies Act, 1956 is being sought by postal ballot for this purpose and also for enhancement of limits under Section 372A of the Companies Act, 1956.

The overall liquidity position was satisfactory due to considerable liquidation of rayon stock & financial assistance from banks & institutions.

## EXPORTS

The total exports of Viscose Filament Yarn (VFY) during the year was at Rs. 7.10 crores as compared to Rs. 7.38 crores in the previous year. Efforts are being made to develop new overseas markets and exports are expected to pick up during the current year. However, reduced export benefit and falling dollar have considerably reduced margins on exports.

## DIRECTORS

The Board has re-appointed Mr. P. S. Sharma as Managing Director of the Company for a period of three years with effect from September 1, 2005 subject to the approval of the Shareholders and the Central Government, if necessary. The detailed terms and conditions of the re-appointment are given in the Notice of the forthcoming Annual General Meeting.

In compliance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Shri V. N. Kamte and Shri Shrivardhan Goenka retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

## ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Particulars of Energy Conservation and Research & Development activities undertaken by the Company as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed and form part of the Directors' Report.

## PARTICULARS OF EMPLOYEES

The Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are appended.

## REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, report on Corporate Governance Code and Auditors Certificate regarding compliance of the conditions of the Code and Management Discussion and Analysis are part of this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 2000 given below is the Directors' Responsibility Statement;

The Board of Directors state:

- (i) that in the preparation of the Annual Accounts for the year ended 31st March, 2005, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- (ii) that 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 ended 31st March, 2005 and of the profit of the Company for that period.
- (iii) that 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) that the Annual Accounts for the year ended 31st March, 2005 had been prepared on a going concern basis.

## SAFETY

Adequate safety measures and safe working practices have been implemented to ensure safety of workforce, plant and machinery as well as of the environment.

## NRC LIMITED

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The working environment is periodically monitored by drawing samples and records are maintained.

### INDUSTRIAL RELATIONS

Industrial Relations during the year under review continued to remain cordial and peaceful.

### PUBLIC DEPOSITS

The Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956.

### STOCK EXCHANGE LISTINGS & DEMATERIALISATION OF EQUITY SHARES

2,53,16,499 shares of the Company are held in dematerialised form representing 71% of the paid up capital. The Company has paid the annual listing fee to the National Stock Exchange Ltd (NSE) and the Stock Exchange Mumbai (BSE) for the year 2005-2006.

### COST AUDIT

M/s. R. Nanabhoy & Co., Cost Accountants have been appointed as Cost Auditors to conduct the audit of Cost Accounts of the Company relating to Rayon Yarn, Nylon Tyre Cord and Chemicals (consisting of Caustic Soda and Sulphuric Acid) and for the financial year ended 31st March, 2005 with the approval of the Central Government.

### APPOINTMENT OF AUDITORS

M/s. Lodha & Co., Chartered Accountants, the Auditors of the Company retire at the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to appoint the Auditors and fix their remuneration.

### ACKNOWLEDGEMENTS

Your Company and its Directors acknowledge with gratitude the support received from the Government Agencies, Financial Institutions, Banks, Investors, Business Associates and Employees of the Company and look forward to their continued support.

Mumbai  
29th April, 2005.

On behalf of the Board

G. P. GOENKA  
Chairman