



ANNUAL REPORT

2006-2007



NRC LIMITED

NRC LIMITED

BOARD OF DIRECTORS

GOENKA G. P.	Chairman	
VAIDYA V. C.	Director	(upto 01.06.2007)
GHATALIA P. N.	Director	(upto 25.04.2007)
GOENKA ASHOK	Director	
RAI BODHISHWAR	Director	
GOENKA SHRIVARDHAN	Director	(upto 01.06.2007)
NAMBIAR T. M.	Director	(upto 25.01.2007)
KHAITAN HAIGREVE	Director	(upto 30.07.2007)
MISHRA MADHUKAR	Director	(from 30.11.2006)
SHARMA P. S.	Director	(MD upto 19.02.2007 and Director upto 30.05.2007)
MALLIK P. K.	Director	(from 28.06.2007)*
AGARWAL R. S.	Director	(from 30.07.2007)
LUKE A. K.	Managing Director	(from. 20.02.2007 and Director from 25.01.2007)

* (appointed in place of casual vacancy created on resignation of Shri Vaidya V. C.)

COMPANY SECRETARY

AJIT P. WALWAIKAR

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
INDIAN OVERSEAS BANK

AUDITORS

LODHA & CO.
CHARTERED ACCOUNTANTS

REGISTRARS & SHARE TRANSFER AGENTS

TSR DARASHAW LIMITED
UNIT: NRC LTD.
6-10, HAJI MOOSA PATRAWALA,
INDUSTRIAL ESTATE,
20, DR. E. MOSES ROAD,
MAHALAXMI,
MUMBAI 400 011
Tel. : 9122-66568484
Fax : 9122-66568494
Email : csg-unit@tsrdarashaw.com
Website : www.tsrdarashaw.com

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NOTICE

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

Day : Friday
 Date : 21st September, 2007
 Time : 11.00 a.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, 2007 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Bodhishwar Rai, who retires by rotation, and being eligible, offers himself for re-appointment.
3. 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:

4. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Madhukar Mishra, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for office of Director, be and is hereby appointed a Director of the Company, liable to retire by rotation".

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri R. S. Agarwal, who was appointed as an Additional Director of the Company by the Board of

Directors and who holds office upto the date of the Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for office of Director, be and is hereby appointed a Director of the Company."

6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Shri Alexander K. Luke, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of the Annual General Meeting and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for office of Director, be and is hereby appointed a Director of the Company."

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 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 appointment of Shri. A. K. Luke as the Managing Director for a period of three years with effect from 20th February, 2007 on the terms and conditions including remuneration as set out in the explanatory statement annexed hereto be, 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 Shri. A. K. Luke."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year during the tenure of the Managing Director, Shri. A. K. Luke shall be paid the remuneration including the perquisites as minimum remuneration as set out in 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 the above resolutions including

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but not limited to entering into an agreement with Shri. A. K. Luke with such modifications as may be necessary on receipt of approval of the Central Government.”

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

“RESOLVED THAT consent of the Company be and is hereby accorded to the keeping of the Register of Members and Index of Members under Section 163 of the Companies Act, 1956 at the place other than the Registered Office of the Company, with TSR Darashaw Limited (earlier known as Tata Share Registry Ltd.) Registrar & Share Transfer Agent of the Company at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai- 400 011, with effect from 1st October, 2007.”

NOTES:

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item nos. 4, 5, 6, 7 and 8 are 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 10th September, 2007 to 21st September, 2007 (both dates inclusive).
- (d) Shareholders, holding shares in physical form, are requested to notify change in their addresses along with PIN CODE to the Company at its Registered Office or to the Registrars: TSR Darashaw Ltd. (formerly known as Tata Share Registry Ltd.), 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011 quoting their Folio Numbers.

The Shareholders holding shares in demat form may notify change in address to their respective Depository Participants.

- (e) Members having multiple folios in relation to physical shares in identical or joint names in 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 operation 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) 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 No. 3 will be proposed as a Special Resolution.

- (h) Pursuant to Section 205-A of the Companies Act, 1956, the unclaimed dividend upto the financial year ended 31.3.1996 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 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 31.3.1998 has been transferred to IEPF during 2005-2006 and that relating to the financial year ended 31.3.1999 and 31.3.2000 there is no dues required to be transferred to IEPF.

- (i) Members who are holding Company's Shares in dematerialised form are requested to bring details of their DP and Client ID numbers for identification.
- (j) Members holding shares in physical form, desirous of making nomination in respect of their shareholding may approach the Company or to the Share Registrars for obtaining prescribed form and return the same duly filled in and signed for registration with the Company. The Members holding shares in demat form may register their nominations with their respective DPs.
- (k) As required under the Listing Agreement with the Stock Exchanges the particulars of Directors who are proposed to be re-appointed are given below:

Sr. No.	Name	Age	Qualifications	Experience	Share-holding in the Company	Director of the Company since	Other Directorships	Committee Positions
1.	Shri Bodhishwar Rai	73	B.Com (Hons) M.A.	Chairman, M. D. (Retd.), Allahabad Bank, M.D.(Retd). SBI Mutual Fund, OSD, Ministry of Finance, Banking Division, Govt. of India, New Delhi.	—	17/04/1998	Dhir & Dhir Asset Reconstruction & Securitization Co. Ltd. Domino's Pizza I. Ltd. HB. Estates I Ltd. Hindustan Wires Ltd. Jubilant Organosys Ltd. Madhya Bharat Papers Ltd. Magma Leasing Ltd. Oriental Carbon & Chemical Ltd. Sunil Synchem Ltd. Suven Life Sciences Ltd. Sutlej Textile Industries Ltd. Texmaco Limited West Coast Paper Mills Ltd.	Ch. Aud. M-IG/STC Ch-Aud., M-IG/STC Ch-Audit M-Audit Ch-Audit M-Audit
2.	Shri Madhukar Mishra	50	B.Sc. DMS (Mgd)	Shri Madhukar Mishra has wide range of industries like pharmaceuticals, chemicals, food Ingredients, Cement, Synthetic Fibres, etc. He is a member of advisory committee of IIT Roorkee, Saharanpur Campus.	—	30/11/2006	Star Papers Mills Ltd. Duncans Tea Ltd.	SIGC-M.
3.	Shri A. K. Luke	59	B.Tech. IIT, Mumbai IAS, (Retd.)	33 years wide experience in various PSUs as Chairman/ M.D.	—	25/01/2007	—	SIGC (M)
4.	Shri R. S. Agarwal	65	B.Sc. BE. (Chem Engg.) Dip. In Ind. Enginnering	9 1/2 years Industrial Experience as Process Engineer in a leading paper mill. Executive Director of IDBI for 3 years. Head of Infrastructure Finance Department and Project Appraisal Dept. Nominee Director of Dabhol Power Co. Experience in the various Govt./Semi Govt. Companies. Director of reputed Companies.	—	30/07/2007	Madras Cements Ltd. Torrent Cables Ltd. Deccan Cements Ltd. GVK Jaipur Expressway (P) Ltd. Suryalakshmi Cotton Mills Ltd. Suryalata Spinning Mills Ltd. Unimorse India Ltd. Eligent Marbles & Grani. Industries Ltd.	M-A.C. M-A.C. M-A.C. M-A.C. C-A.C. M-A.C.

* A. C. - Audit Committee, IGC - Investors' Grievance Committee, SIGC - Shareholder'/Investors' Grievance Committee, R.C. - Remuneration Committee

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- (l) 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 trading and delivery of Company's Equity Shares are compulsorily in dematerialised form only.
- (m) The Company has created e-mail address to enable the Members to e-mail their complaints to the Company. The said e-mail address is redressal@nrclimited.com. The members may use this speedier mode of communication.
- (n) All documents referred to in the Notice and the 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 Meeting.

Registered Office:
Ewart House
Homi Modi Street
Mumbai 400 001

By Order of the
Board of Directors

Ajit P. Walwaikar
Company Secretary

Dated : 28th June, 2007 and
as amended on 30th July, 2007

EXPLANATORY STATEMENT

The following Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 sets out the material facts relating to the business at Item Nos. 4, 5, 6, 7 and 8 of the accompanying Notice dated 28th June, 2007 as amended on 30th July, 2007.

Item No. 4

Shri Madhukar Mishra was appointed as an Additional Director of the Company by the Board of Directors effective from 30th November, 2006. According to the provisions of Section 260 of the Companies Act, 1956 (the Act) read with Regulation 138 of the Articles of Association of the Company, Shri Madhukar Mishra holds office of Director upto the date of the ensuing Annual General Meeting of the Company. A notice has been received from a member as required by Section 257 of the Act signifying his intention to propose the appointment of Shri Madhukar Mishra as a Director.

The Board of Directors is of the view that the vast experience of Shri Madhukar Mishra in diverse fields would be of immense benefits to the Company and hence recommends his appointment for your approval.

None of the Directors except Shri Madhukar Mishra, himself, is interested in the Resolution.

Item No. 5

Shri R. S. Agarwal was appointed as an Additional Director of the Company by the Board of Directors effective from 30th July, 2007. According to the provisions of Section 260 of the Companies Act, 1956 (the Act) read with Regulation 138 of the Articles of Association of the Company, Shri R. S. Agarwal holds office of Director upto the date of the ensuing Annual General Meeting of the Company. A notice has been received from a member as required by Section 257 of the Act signifying his intention to propose the appointment of Shri R. S. Agarwal as a Director.

The Board of Directors is of the view that the vast experience of Shri R. S. Agarwal in diverse fields would be of immense benefits to the Company and hence recommends his appointment for your approval.

None of the Directors, except Shri R. S. Agarwal, himself, is interested in the Resolution.

Item No. 6

Shri A. K. Luke was appointed as a Director of the Company by the Board of Directors effective from 25th January, 2007. According to the provisions of Section 260 of the Companies Act, 1956 (the Act) read with Regulation 138 of the Articles of Association of the Company, Shri A. K. Luke holds office of Director upto the date of the ensuing Annual General Meeting of the Company. A notice has been received from a member as required by Section 257 of the Act signifying his intention to propose the appointment of Shri A. K. Luke as a Director.

The Board of Directors is of the view that the appointment of Shri A. K. Luke with his skill in management would be of immense benefits to the Company and recommends his appointment for your approval.

The Board of Directors therefore commend the Special Resolution for your approval.

None of the Directors except Shri A. K. Luke, himself, is interested in the Resolution.

Item No. 7

The Board of Directors of the Company at its meeting held on 25th January, 2007, appointed Shri Alexander K. Luke, as the Managing Director of the Company for a period of three years with effect from 20th February, 2007, 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. An abstract of the terms of appointment

including remuneration as recommended by the Remuneration Committee of the Board of Directors and approved by the Board of Directors, is given below:

- (1) **Salary:**
Rs. 2,50,000/- per month.
- (2) **Special Allowance:**
Rs. 42,000/- per month.
- (3) **Performance Related Pay:**
As may be approved for each year by the Board/the Remuneration Committee thereof subject to a maximum of Rs. 22 Lacs 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 Car operation, 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, inclusive of FBT, to be restricted to an amount not exceeding 90% of the annual 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 will be at actual cost and that the following shall not be included in computing the ceiling on perquisites as aforesaid:
 - (a) Residential telephone.
 - (b) Cars for official use.
 - (c) Company's contribution to Provident Fund to the extent 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:

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.

- (5) 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.
- (6) The Company shall reimburse to the Managing Director entertainment, travelling and other expenses incurred by him for the business of the Company.

- (7) 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 entitled to give six months' salary and perquisites in lieu of notice.
- (8) The Managing Director shall not be entitled to any compensation in cases mentioned in Section 318(3) of the Companies Act, 1956.
- (9) 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.

No other Director, except Shri A. K. Luke, is concerned or interested in the said appointment.

Item No. 8

The Members in its 54th Annual General Meeting held on 21st September, 2001 had passed special resolution u/s. 163 of the Companies Act, 1956 for keeping the Statutory Registers and Records at a place other than the Registered Office of the Company. The same had been kept at the office of Tata Share Registry Ltd. (Now known as TSR Darashaw Ltd.) having address at Army Navy Building, Fort, Mumbai. TSR Darashaw Ltd. shifted its office at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400 011. Hence the Statutory Registers and Records are also required to be shifted to the new address of the RTA. Section 163 of the Companies Act, 1956 requires special resolution passed by the Shareholders of the Company for keeping/shifting the statutory books and records at the place other than the Registered Office. Hence this resolution.

None of the Directors is concerned or interested in the Resolution.

The Board of Directors commend the Resolution for your approval.

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

By Order of the
Board of Directors

Ajit P. Walwaikar
Company Secretary

*Dated : 28th June, 2007 and
as amended on 30th July, 2007*

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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 and Chemicals.
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 31.3.2007).

(Rs. in Crores)

Turnover	478.87
Net Profit/(Loss) before tax	(27.59)
Total Expenditure	447.66

5. Export performance and net foreign exchange collaborations: Exports Rs. 17.40 crores. There are no foreign collaborations.
6. Foreign Investments or Collaborators: NIL

II. Information about the Appointee:

Information about Shri A. K. Luke, Managing Director

1. *Shri. A. K. Luke holds a B.Tech.(Civil) and a Retd. IAS Officer from the Gujarat Cadre:*

Shri A.K. Luke headed various PSUs as Managing Director viz. Gujarat State Fertilizers and Chemicals Ltd. (GSFC), Gujarat Narmada Valley Fertilizer Company Ltd. (GNFC), Gujarat Alkalies and Chemicals Ltd. (GACL), Gujarat Industrial Investment Corporation Ltd. (GIIC) and Sardar Sarovar Narmada Nigam Ltd. (SSNNL).

He was also Chairman of Gujarat Green Revolution Ltd., Gujarat Chemical Port Terminal Ltd. and Narmada Chematur Petrochemicals Ltd.

IIT, Mumbai honoured him in March, 2001 with the Distinguished Alumnus Award for his work in SSNNL and GACL.

Besides, The Indian Chemical Manufacturers' Association (ICMA) felicitated him in October, 2004 in the presence of Chief Secretary of Gujarat Government.

Shri A. K. Luke joined the Company on January 25, 2007 as Additional Director and was appointed Managing Director w.e.f. February 20, 2007. He has been appointed by the Board of Directors for a term of three years upto February 19, 2010. In view of his creditable services in turning around the Company, the Board has rightly decided to appoint him as such.

Because of his success story, at times, he had been referred to as "The Turnaround Man of Gujarat".

2. *Past Remuneration:*

Shri. A. K. Luke was an IAS Officer in the Gujarat Cadre and was drawing remuneration as was applicable to his position before retirement in November, 2006.

3. *Job profile and his suitability:*

The Job Profile is to look after day to day affairs of NRC Ltd. His foremost job is to control losses and bring NRC in profits.

During the last decade, he held crucial positions and played a decisive role in reviving and improving the performance of all the major PSUs of Gujarat. During his stint in GSFC, May, 2003 to November, 2006, without any cash infusion into the Company, GSFC turned around and came back to financial health. Also, when Shri Luke was MD of GACL during April, 1998 to December, 2001, GACL was revived and saved from financial sickness with turnover increasing from Rs. 307 crs. in 1997-98

to Rs. 879 crs. in 2000-01, again, without cash infusion into the company. He was also successful in improving the performance of GNFC and reviving the Sardar Sarovar Project. This shows his suitability for the revival job.

4. *Remuneration proposed:*

The Abstract containing details of remuneration proposed to be paid to the Managing Director is contained in the Explanatory Statement No. 7 to the Notice of the 60th Annual General Meeting.

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 Managerial Personnel of like industries operating in India taking into consideration the experience of Shri Luke.

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

Shri A. K. Luke does not have any pecuniary transactions with the Company except by way of his contract of employment with the Company nor he has any relationship with any other Director of the Company.

III. Other information :

1. *Reasons of loss or inadequate profit:*

The inadequacy of profits in terms of Section 198 of the Companies Act, 1956 arise due to less realization from finished products of the Company by reason of import, by Company's regular domestic customers, from China at cheap price with reduced customs duty. The high fuel cost has also contributed to the loss.

2. *Steps taken for improvement:*

Various initiatives have been taken by the Managing Director such as Plants to run with full capacity, carryout maintenance and repairs of all the plants, improve labour efficiency, attentive about customer complaints, monitoring of collections, cut down in unit cost of production. Such steps when adopted with determination, commitment and imagination then Company would slowly but surely come out of its present adverse situation and move towards health, growth and strength.

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

The Company expects to achieve an additional turnover and start making profit after adopting the revival strategy very seriously, at all levels, after the additional capacity and facilities become operational on completion of the ongoing revival programme. The rayon and chemical divisions alongwith Nylon I & II divisions are also expected to achieve satisfactory performance in the coming financial years.

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 had been circulated among the Shareholders of the Company and 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.

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

By Order of the Board of
Directors

Dated : 28th June, 2007 and as amended
on 30th July, 2007

Ajit P. Walwaikar
Company Secretary &
GM (Legal)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2007**To The Members,**

Your Directors present the 60th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

	Rs. in Lacs	
	2006-2007	2005-2006
Gross Sales	47487	44475
Profit before Interest, Depreciation and Tax	428	2192
Interest	1968	1422
Profit before Depreciation and Tax	(1540)	770
Depreciation	1239	1120
Profit/(Loss) before Exceptional items & Tax	(2777)	(350)
Provision no longer required in respect of the diminution in the value of long term investments	—	500
Taxation		
– Current Tax (including MAT/ FBT)	(25)	(28)
– Deferred Tax Asset/(Liability)	—	122
Profit/(Loss) After Tax	(2803)	(256)
Surplus from Previous Year	660	997
Profit/(Loss) available for Appropriation	(2243)	741
Appropriations recommended:		
Transfer to :		
– General Reserve	—	—
– Debenture Redemption Reserve	—	81
– Proposed Dividend on Preference Shares	—	—
– Corporate Dividend Tax	—	—
– Proposed Dividend on Equity Shares	—	—
– Corporate Dividend Tax	—	—
– Surplus carried forward to Balance Sheet	—	660
Total	—	741

PERFORMANCE AND PROSPECTS

The performance of your company for the year continued to be severely affected as margins were under pressure in Rayon and Nylon Divisions. Due to continued availability of cheap imports from China, the Nylon Tyrecord Fabric (NTCF) prices came down to a great extent in contrast to increase in the raw-material prices. In the case of Rayon also the increase in the cost could not be passed on the customers due to availability of cheap imports from China. The reduction in the custom duty for NTCF has also further put pressure on the price. The operations were also affected due to disruption of work for a brief period in September, 2006 due to labour unrest. Further, the labour cost was higher due to payment of one time settlement amount to workers as well as impact of retirement benefit accounting for wage increase in line with long term settlement entered into with the workers in July '06. In the last quarter, the new capacity was belatedly commissioned after extended trial runs. The lower capacity utilization due to unavailability of bulk order from tyre companies, pending technical approvals, also contributed to lower performance. Though, the gross sales increased by about Rs. 30.13 crores, the operating profit reduced to Rs. 4.3 crs. from Rs. 21.90 crs. and net loss increased to Rs. 27.70 crs. from Rs. 3.5 crs.

RAYON DIVISION

The market for Viscose Filament Yarn remained steady during the year. At industry level, the prices were kept low to prevent import. However, there was slight increase in demand and realization for exports. Efforts are being made at industry level to look into the feasibility and usability of Rayon as a fashion garment.

NYLON DIVISION

The prices, throughout the year, remained un-remunerative due to cheap imports. The raw-material prices increased during the year in line with international trend. But China could absorb the same and continued to supply at prices, at which we are unable to compete because of our high labour cost and power cost structure. The new plant with spin draw technology has been commissioned w.e.f. 1st January, 2007 and is expected to run at full capacity from 3rd quarter. Labour and power cost are lower for the new plant. These will help reduce the loss in Nylon Division.

CHEMICAL DIVISION

The Chemical market remained satisfactory during the year. However, during the last quarter, new capacities in Caustic Soda have become operational leading to slight reduction in the price. However, overall scenario remained satisfactory.

NRC LIMITED

The fuel prices had come down during the 1st & 2nd quarters and thereafter the prices started firming up. The cost for generating power from DG sets continued to be high and the Company is looking forward to replace the same with power generating capacity based on gas/coal/other cost effective measures.

Due to stretched financial conditions, the Company was forced to postpone some of the essential repairs and maintenance resulting in slightly lower utilization of capacity in the last quarter. However, since then, the Company, with lot of initiatives, was able to run its plant at higher capacity. It is expected that in the 2nd quarter, all plants will run at full capacity, which will help the Company to improve its performance.

STATUS OF SALE OF LAND

During the April, 2006, the Company entered into an MoU with a leading developer in respect of 346 acres of land which is outside the battery limits of existing Factory land. Thereafter, in March, 2007, an Agreement for Sale (AfS) was entered into with the party subject to necessary approvals/clearances/permissions, etc. AfS provides for total payment of 167.4 crs. in tranches based on achievement of certain milestones stipulated in the AfS. Till now, the Company has received Rs. 25 crs. against the same and balance amount will be received by February, 2008, on fulfillment of milestones indicated in the AfS.

FINANCE

During the year under review, your Company availed loan in the nature of bridge loan from a bank. The same was prudently used for long term investments made mainly in shares offered to the Company at attractive prices. Subsequently, due to sluggish market conditions and delay in commissioning of Nylon project, the Company's cash flow came under stress and, consequently, the Company delayed certain financial obligations. For regularization of this, the Company approached banks and institutions. The Company has also received letters from two financial institutions, holding the cumulative preference shares, exercising their option to convert the same into equity shares at SEBI determined prices. The same is being attended to.

One of the lender has in the meantime, referred the Company's case to the CDR Cell for restructuring Company's borrowings.

DIVIDEND

In view of the unavailability of the profit, the Directors regret their inability to recommend any dividend for the year 2006-2007.

EXPORTS

The total export of Viscose Filament Yarn during the year was Rs. 17.40 crs. as compared to Rs. 7.43 crs in the previous year. The exports were mainly to Morocco, Syria and Egypt. The export market continued to be satisfactory, however, appreciating rupee is a cause of concern.

DIRECTORS

During the year the following changes occurred in the Board of Directors of the Company:

- (1) IFCI Ltd. withdrew the nomination of Shri R. C. Choudhury, w.e.f. 24th July, 2006.
- (2) Shri T. M. M. Nambiar resigned w.e.f. 25th January, 2007.
- (3) Shri P. N. Ghatalia resigned w.e.f. 1st April, 2007.
- (4) Shri P. S. Sharma, Managing Director of the Company resigned as a Managing Director w.e.f. 20th February, 2007 and also as a Director w.e.f. 30.5.2007.
- (5) Shri V. C. Vaidya, resigned w.e.f. 1.6.2007.
- (6) Shri Shrivardhan Goenka resigned w.e.f. 1.6.2007.

The Board placed on record its deep appreciation for the valuable services and contributions and guidance offered by them during their respective tenure with the Company.

Shri P. K. Mallik was appointed Director in the casual vacancy caused by the resignation of Shri V. C. Vaidya w.e.f. from 28th June, 2007.

The Board resolved to appoint Shri Madhukar Mishra as Additional Director w.e.f. 30th November, 2006, to act as Director of the Company. As per the provisions of the Companies Act, 1956, the Director would hold office upto the 60th Annual General Meeting. His candidature will be put before the 60th AGM for appointment as Director, subject to retirement by rotation in terms of Section 257 of the Companies Act, 1956.

The Board also appointed Shri Alexander K. Luke as Additional Director w.e.f. 25th January, 2007, to act as Director of the Company. As per the provisions of the Companies Act, 1956, the Director would hold office upto the 60th Annual General Meeting. Further, the Board appointed Shri Alexander K. Luke, Director of the Company as a Managing Director of the Company w. e. f. 20th February, 2007. His candidatures will be put before the 60th AGM for appointment as Director in terms of Section 257 of the Companies Act, 1956 and thereafter for approval of remuneration to the Managing Director as per the provisions of Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.