

63<sup>rd</sup>  
ANNUAL REPORT  
2009 - 2011



**NRC LIMITED**

**BOARD OF DIRECTORS**

MR. G. P. GOENKA	<i>CHAIRMAN</i>
MR. ASHOK GOENKA	<i>DIRECTOR</i>
MR. MADHUKAR MISHRA	<i>DIRECTOR</i>
MR. P.K. MALLIK	<i>DIRECTOR</i>
MR. R.S. AGARWAL	<i>DIRECTOR</i>
MR. K. N. BHANDARI	<i>DIRECTOR (w.e.f.19-10-2010)</i>
MR. ARUN JAIN	<i>MANAGING DIRECTOR</i>

**COMPANY SECRETARY**

MR. ASHISH PANDEY (upto 20.12.2010)

**CORPORATE & REGISTERED OFFICE**

EWART HOUSE , HOMI MODI STREET,  
FORT, MUMBAI – 400 001

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**PLANTS**

MOHONE 421 102  
DIST THANE  
MAHARASHTRA STATE

**BANKERS**

BANK OF BARODA  
PUNJAB NATIONAL BANK  
DENA BANK  
CANARA BANK  
INDIAN OVERSEAS BANK

**AUDITORS**

LODHA & CO.  
CHARTERED ACCOUNTANTS

**REGISTRAR & 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

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

Day	: Wednesday
Date	: September 14, 2011
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 18 months period ended 31<sup>st</sup> March, 2011 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri. Madhukar Mishra who retires from the office by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. R. S. Agarwal who retires from the office by rotation and, being eligible, offers himself for re-appointment.
4. 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 authorize the Board to fix their remuneration.

**SPECIAL BUSINESS :**

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:  
"RESOLVED THAT Shri K. N. Bhandari, 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".
6. 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 re-appointment of Shri. Arun Jain, as the Managing Director for a period of three years with effect from 25<sup>th</sup> January, 2011 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. Arun Jain."  
"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any year during the tenure of the Managing Director, Shri. Arun Jain 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 but not limited to entering into an agreement with Shri. Arun Jain with such modifications as may be necessary on receipt of approval of the Central Government."

**NOTES :**

- a) 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.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from 6<sup>th</sup> September, 2011 to 14<sup>th</sup> September, 2011 (both days inclusive).
- c) 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. 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.4 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, 2<sup>nd</sup> 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 31<sup>st</sup> March, 2004 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 31.3.2004 are due for transfer to IEPF as per details given below :-

Financial Year	Date of Declaration of Dividend	Due date for transfer to IEPF
2003-04	24/09/2004	29/10/2011

- 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 at the meeting.
- 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 Director/s who is/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 Kailash Nath Bhandari	69	B.A., L.L.B.	Held Senior Position in Various public insurance Companies like: Chairman cum MD of New India Assurance Company Ltd., United India Insurance Co. Ltd., Chairman GIPSA Member, Tariff Advisory Committee and various Committee of IRDA, Secretary-General Insurance Company of India.	-	19/10/2010	Andhra Cements Ltd., Agriculture Ins.Co. of India Ltd., Credence Logistics Ltd., Ispat Energy Ltd., Hindalco Industries Ltd., Su-Raj Diamonds and Jewellery Ltd., Saurashtra Cement Ltd., Shrishti Infrastructure Development Corp. Ltd., Magma HDI General Insurance Co. Ltd., Jay Bharat Textile & Real Estate Ltd., KSL Industries Ltd., Silar Papers Mills Ltd., Duncans Tea Ltd.	M - Audit CH - Audit M - Audit
2	Shri Madhukar Mishra	54	B.Sc. DMS (Mgd)	Shri Madhukar Mishra has wide range of industries Experience like pharmaceuticals, chemicals, food ingredients, Cement, Synthetic Fibres, etc. He is a member of advisory committee of IIT Roorkee, Saharanpur Campus.	-	30/11/2006	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.	SIGC-M
3	Shri R. S. Agarwal	69	B.Sc. B.E. (Chem. Engg.) Dip. In Ind. Engineering	9-12 years Industrial Experience Executive Director of IDBI for 3 years, Nominee Director of Dabhol Power Co. Experience in the various Govt./Semi Govt. Companies.	-	30/07/2007		SIGC/Audit Committee

i) 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's e-mail address is [secretarial@nrclimited.com](mailto:secretarial@nrclimited.com) the members may use this speedier mode of communication.

n) 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 Meeting.

Registered Office:

Ewart House  
Homi Modi Street  
Mumbai 400 001  
Dated : 23<sup>rd</sup> May, 2011

By Order of the  
Board of Directors

Arun Jain  
Managing Director

**Important Communication**

**The Ministry of Corporate Affairs, vide its Circular No.18/2011 dated 29<sup>th</sup> April, 2011, clarify that as a measure of "Green initiative in Corporate Governance" it will be in compliance, if the Annual Report i.e. documents listed in section 219(1) of the Companies Act, 1956) is sent through e-mail. To support this green initiative, members holding shares in demat form are requested to provide their e-mail ID to the depository through their concerned depository participant and members holding shares in physical form are requested to provide e-mail ID to the Company's Registrar & Share Transfer Agents, M/s. TSR Darashaw Limited by filling the form available on the Company's website and also update the e-mail address as and when there is any change.**

**EXPLANATORY STATEMENT**
**Item No.5**

Shri K. N. Bhandari was appointed as an Additional Director of the Company by the Board of Directors effective from 19<sup>th</sup> October, 2010. 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 K. N. Bhandari 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 K. N. Bhandari as a Director.

The Board of Directors is of the view that the vast experience of Shri K. N. Bhandari 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 K. N. Bhandari, himself, is interested in the Resolution.

**Item No. 6**

The Board of Directors of the Company at its meeting held on 20<sup>th</sup> January, 2011, has re-appointed Shri Arun Jain, as the Managing Director of the Company for a period of three years with effect from 25<sup>th</sup> January, 2011, 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: -

In accordance with the provisions of Section 302 of the Companies Act, 1956, 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, are given below:

1	Period of Agreement	25.01.2011 to 24.01.2014
2	Remuneration of	Managing Director
A	Basic Salary	Rs.5,25,000/- p.m.
B	HRA	50% of the basic salary
C	Special Allowance	Rs.1,50,000 p.m.
D	Other Allowance	Rs.77,000/- p.m. in aggregate towards books and knowledge enrichment, servants and watchmen, Gas and Electricity and Soft furnishing.
E	Company maintained vehicle	Provision of two cars, all expenses to be borne by company.
F	Drivers and cleaner wages	At actual
G	Medical reimbursement	8.33% of the basic
H	Leave Travel Assistance	8.33% of the basic
I	Provident Fund	Company's contribution – 12% of basic salary, as per rules prevailing form time to time.
J	Gratuity	Payable at the rate of 15 days basic salary per year of service payable at the end of tenure. In computing the gratuity payable, the period of employment shall be considered from 25 <sup>th</sup> January, 2008, being the date of initial appointments.

K	Insurance coverage	As may be approved by the Board from time to time.
L	Club membership fee	Reimbursement of club Membership/ subscription fee for two clubs.
M	Earned/Privilege leave including encashment	As per the company's scheme and as may be decided form time to time by the Board.
3	Performance pay/ Commission	Such percentage of the net profit of the Company as may be decided by the board from time to time but not exceeding Rs.25 lacs per annum.
4	Calculation of value of perquisites	For the purpose of calculating the value of perquisites, the same shall be evaluated as per Income Tax Rules, 1962, wherever applicable.
5	Minimum Remuneration	In the event of absence or inadequacy of net profits in any financial year, the remuneration as mentioned in para 2 shall be the minimum remuneration payable to the Managing Director.
6	Actual Business Expenditure	The Managing Director shall be entitled to the reimbursement of all actual expense or charges including travel, entertainment, communication (including reimbursement of Phone and other communication facilities at residence) or other out of pocket and incidental expenses incurred by him in furtherance of company's business and objectives.
7	Termination	The agreement for appointment may be terminated by either party by giving three months notice in writing or paying three months salary and applicable allowances in lieu thereof.

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. Arun Jain 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. Arun Jain 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.

Registered Office:  
Ewart House, Fort  
Homi Modi Street  
Mumbai 400 001.  
Dated : 23<sup>rd</sup> May, 2011

By Order of the  
Board of Directors  
Arun Jain  
Managing Director

**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.6**
**I. General Information**

- Nature of the Industry – Rayon, Nylon and Chemicals.
- Date of expected date of commencement of commercial production : N. A.
- In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus - N. A.
- Financial Performance - (Based on the audited Accounts for the 18 months period ended 31.3.2011)
 

	(Rs. in Crores)
Turnover	0.69
Net Profit/(Loss) before tax	(87.51)
Total Expenditure	89.10
- Export performance and net foreign exchange collaborations : Exports Nil. There are no foreign collaborations.
- Foreign Investments or Collaborators : NIL

**II. Information about the Appointees:**

- Information about Shri. Arun Jain, Managing Director :  
Shri. Arun Jain is a B.Sc. and Chartered Accountant  
Shri Arun Jain, did his B.Sc. and thereafter passed Chartered Accountant's examination with ranks.  
Shri Arun Jain, (58), is having more than 30 years of wide range of rich experience in the public Companies. As Executive Director, he was responsible for performance of the group Companies with the Yash Birla Group of Companies. He was associated with the aforesaid Companies for last 30 years in various capacities and had played a key role in Company's turn around and growth.  
He has been actively associated with day to day management and techno commercial decisions making and planning for more than 15 years.
- Past Remuneration: Shri. Arun Jain was Executive Director in his previous Company and was drawing remuneration as was applicable to his position.
- Job profile and his suitability: The Job Profile is to look after day to day affairs of NRC Ltd. His foremost job is to revive the company and bring NRC in profit. His qualification and experience are very much suitable to handle job profile assigned to him.
- Remuneration proposed: The Abstract containing details of remuneration proposed to be paid to the Managing Director is contained in the Explanatory Statement No. 6 to the Notice of the 63rd Annual General Meeting.
- 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. Arun Jain.
- Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel if any: Shri. Arun Jain, 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:**

- Reasons of loss or inadequate profit : The inadequacy of profits in terms of Section 198 of the Companies Act, 1956 arise due to lockout in the Plant.
- Steps taken for improvement : Various initiatives have been taken by the Managing Director such as negotiation with various labour unions to get consensus over various issues and early receipt of the land sale proceeds.
- Expected increase in productivity and profits in measurable terms: The preparation of the Company's Rehabilitation Scheme is held up due to various matters pending with courts/BIFR. It is expected that the company would prepare the scheme after getting a direction for the same.

**IV. Disclosures:**

- 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 Nos. 5 as required under Section 173 of the Companies Act, 1956.
- All the relevant information pertaining to the Managing Directors, 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, Fort  
Mumbai 400 001

By Order of the  
Board of Directors  
Arun Jain  
Managing Director

**DIRECTORS' REPORT FOR THE EIGHTEEN MONTHS PERIOD ENDED 31<sup>ST</sup> MARCH, 2011.**

**To**

**The Members,**

Your Directors present the 63<sup>rd</sup> Annual Report and Audited Accounts of the Company for the 18 months period ended 31<sup>ST</sup> March, 2011.

**FINANCIAL RESULTS**

Rs. in lacs

	<b>18 months period ended 31/03/2011</b>	<b>15 months period ended 30/09/2009</b>
Gross Sales	<b>69</b>	3032
Profit / Loss before Interest, Depreciation and Tax	<b>(2580)</b>	(9400)
Interest	<b>3900</b>	3047
Profit / Loss before Depreciation and Tax	<b>(6480)</b>	(12447)
Depreciation	<b>2272</b>	1974
Profit/(Loss) before Exceptional items & Tax	<b>(8752)</b>	(14421)
Exceptional Items	<b>(858)</b>	(82)
Taxation		
- Current Tax (including MAT/FTB)	-	(9)
Profit/(Loss) After exceptional items and Tax	<b>(9610)</b>	(14512)
Surplus /(Deficit) from Previous Year	<b>(34414)</b>	(19902)
Profit/(Loss) available for Appropriation	<b>(44024)</b>	(34414)

**OPERATIONS AND PERFORMANCE**

Due to prevailing situations your Company was constraint to declare lockout w.e.f. 15.11.2009. Since then the Company is continuously under the lockout and thus there is no operations during the relevant period.

**REFERENCE TO BIFR/AAIFR**

The appeal filed with AAIFR against the BIFR Order was decided on 28.5.2010. The AAIFR order that the Section 22(A) of SICA will not applicable on land sale Agreement, but the balance land sale proceed became ways and means of finance of DRS. To implement the AAIFR Order Company entered into a supplementary Agreement with the Purchaser. The Purchaser preponed and paid Rs.24.50 lakhs which are kept in a No Lien Account. The Company given possession of the non colony land to the Purchaser.

Aggrieved by the AAIFR order dated 28.05.2010, the Company, the labour & staff union and a group of workers filed Writ Petitions in Bombay High Court. Same are pending.

The Company will prepare & file DRS and take further necessary steps towards revival of the Company.

**FINANCE**

Due to delay in receipt of land sale proceeds, the Company could not meet its liabilities including payment to banks, employees and other creditors. With the cooperation of secured lenders, employees, recognized labour unions and all other stake holders Management is confident of restarting the plant and implementing the revival scheme to be sanctioned by BIFR.

**DIVIDEND**

In view of the losses, your Directors regret their inability to recommend any dividend for the 18 months period ended 31<sup>st</sup> March, 2011.

**DIRECTORS**

The Board has re-appointed Mr. Arun Jain, as Managing Director of the Company for a period of three years with effect from 25<sup>th</sup> January, 2011 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 Kailash Nath Bhandari has been appointed as additional Director of the Company w.e.f. 19/10/2010.

Further, in terms of the Articles of Association of the Company and Section 256 of the Companies Act, 1956 Shri Madhukar Mishra & Shri R. S. Agarwal retire by rotation at the forthcoming Annual General meeting and being eligible, offers himself for re-appointment.

**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 18 months period ended 31<sup>st</sup> March, 2011, 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 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 period of 18 months ended 31<sup>st</sup> March, 2011 and of the loss 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 18 months period ended 31<sup>st</sup> March, 2011 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. The working environment is periodically monitored by drawing samples. The records of the same are maintained.

**INDUSTRIAL RELATIONS**

Industrial Relations during the period under review continued to remain cordial and peaceful barring few instances involving certain groups of workmen and the Company is under Lock-out w.e.f. 15.11.09.

**PUBLIC DEPOSITS**

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

**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, Caustic Soda and Sulphuric Acid for the period of 18 months ended 31<sup>st</sup> March, 2011 subject to the approval of the Central Government.

**APPOINTMENT OF AUDITORS**

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

**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**

Report on Corporate Governance as stipulated under the Revised Clause 49 of the Listing Agreement with the Stock Exchanges forms part of Annual report. A certificate from Auditors of the Company confirming compliance of conditions of Corporate Governance as per aforesaid clause 49 is annexed to this Report. Management Discussion and Analysis report is also part of this Annual Report.

**ACKNOWLEDGEMENTS**

Your Directors would like to express their grateful appreciation for assistance and cooperation received from the Government Agencies, Financial Institutions, Banks, Investors and Business Associates and look forward to their continued support. Your Directors also wish to place on record their deep sense of appreciation for the committed services of the employees of the Company.

For and on behalf of the Board of Directors  
G. P. GOENKA  
Chairman

Mumbai ,  
23/05/2011.

**INFORMATION UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**
**A. CONSERVATION OF ENERGY**

- a) Energy conservation measures taken:
  - As the Plant was under Lock out during the period, no such measures could be taken other than maintaining the power factor.
- b) Following proposals are being implemented:
  - As the plant is not in operation all the energy saving / measures / proposal are kept under abeyance.

**The total energy consumption and energy consumption per unit of production:**

	2009 - 11	2008 - 09
I. Power and Fuel Consumption:		
1. Electricity:		
a) Purchased Units ( KWH in Thousands )	7,085	25,183
Total amount ( Rs. In Lacs )	188.02*	1,584.20



Rate/Unit (Rs.) includes maximum demand charges	7.74	6.30
b) Own Generation:		
i) Through D G Power Plant		
Units (KWH in Thousands)	1	2,010
Fuel Cost / Unit (Rs.)		6.08
ii) Through Diesel Generator		
Units (KWH in Thousands)	0	0
Fuel Cost / Unit (Rs.)	0.00	0.00
iii) Through Steam Turbine Generated by Coal/Oil		
Units (KWH in Thousands)	0	12,804
Fuel Cost / Unit (Rs.)	0.00	1.12
2. Coal		
Quantity in M.T.	-	9,756
Total Cost (Rs. In Lacs)	-	366.09
Average Rate (Rs./M.T.)	-	3,753
3. Furnace Oil		
Quantity in K. Ltrs.	-	19,914
Total Cost (Rs. In Lacs)	-	5.48
Average Rate (Rs./M.T.)	-	27,519
4. L S H S		
Quantity in M.T.	-	-
Total Cost (Rs. In Lacs)	-	-
Average Rate (Rs./M.T.)	-	-

\* Excludes earlier years credit of Rs. 390 lacs

## II. Consumption per unit of Production:

During Current FY the plant was under lock out.

	2009 - 11	2008 - 09
1. Electricity (KWH/M.T.)		
Viscose Rayon Yarn	0	5,800
Nylon Tyre Cord-Old Plant	0	0
Nylon Tyre Cord-New Plant	0	0
Caustic Soda	0	2,959
Sulphuric Acid	0	68
Carbon-di-Sulphide	0	1,516
2. Coal (M.T./M.T.)		
Viscose Rayon Yarn	0	5.69
Nylon Tyre Cord-Old Plant	0	-
Nylon Tyre Cord-New Plant	0	-
Caustic Soda	0	0.05
Sulphuric Acid	0	0.09



Carbon-di-Sulphide	0	0.97
3. Furnace Oil (M.T./M.T.)		
Viscose Rayon Yarn	0	-
Nylon Tyre Cord	0	-
Carbon-di-Sulphide	0	-
4. L S H S / Furnace Oil (M.T./Th. KWH)		
D G Power Plant	0	0.270

## B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION

a) Specific area in which R & D carried out by the company:

- As the plant is under lockout all the R&D measures / proposals are kept under abeyance.

b) Future plan of action: NIL

c) Technology absorption: NIL

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earnings amounted to Rs. Nil (Previous Year Rs. Nil lacs). Total Foreign Exchange outgo amounted to Rs. Nil (Previous Year Rs. Nil lacs).

On behalf of the Board

G.P. GOENKA

Chairman

## PARTICULARS OF EMPLOYEES UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956

Name (a) Designation/ Nature of Duties (b) Age (years) (c) Remuneration (Rs.) (d) Qualification (e) Experience (Years)(f) Date of Commencement of Employment (g) Last employment.

Arun Jain (a) Managing Director (b) 57 (c)1,55,17,280 (d) B.Sc, C.A. (e) 32 (f) 25.01.2008 (g) Executive Director- Zenith Birla (India) Ltd.

### NOTES:

Remuneration includes Salary and Allowances, Leave Travel Assistance, Medical Expenses, Performance Related Pay, Company's Contribution to Provident and Superannuation Funds and other facilities / benefits the monetary value of which has been evaluated as per Income-tax Rules.

The above employee is not relative of any Director of the Company and the nature of their employment is contractual.

On behalf of Board,

G.P. Goenka

Chairman.

Mumbai, 23rd May, 2011

## MANAGEMENT DISCUSSION & ANALYSES

The Company has three strategic business units viz. Rayon, Nylon Tyre Cord & Chemicals. The Company also has a Captive Power Plant of 24 MW capacity. All units are under lockout from 15.11.2009.

A brief reporting on the market segments is as follows:

### BUSINESS SEGMENT – RAYON

#### A. INDUSTRY STRUCTURE & DEVELOPMENTS:

During the period there was a steep rise in the price of major raw material. Price viz. wood pulp with the result the Avg. price of VFY also increased by 12% to 20%. The domestic demand continue to be higher than domestic production and the gap is met by imports, which stood at 19588 MT (approx) during the year 2010.

#### B. Opportunities, Threat & Risk:-

Our plant continues to remain under lockout. This has resulted in decrease in Industry's stock from 23 days to 11 days. Import from China also meeting the supply and demand gap.

#### C. Rayon performance :-

Due to lockout in the Plant all the operational activities were stopped during the period under review.

#### D. Outlook:-

The total consumption of VFY in the country is likely to remain at about 5000 MT to 5100 MT.

### BUSINESS SEGMENT - NYLON:

#### A. INDUSTRY STRUCTURE & DEVELOPMENTS:

- Total Indian N6 Tyre cord production capacity is at about 110,000 TPA.
- There are only two manufacturers of N6 Tyre cord fabrics in India and they cover over 65% of the Indian market needs. Remaining quantity is imported.
- The tyre majors as well as the medium tyre manufacturers strongly prefer Spin Draw yarn.
- Demand for dipped fabric has been rising.

#### B. Opportunities, Threat & Risk

Threats:

- Radialisation of Truck and Bus Tyres with improved road conditions and vehicle design.

- Improvements in share of cargo services by trains and other means.

#### - Opportunity:

- Global demand especially in developing and underdeveloped countries of Asia, Africa and West Asia region will continue to have N6 tyre cord as major Tyre reinforcement.

Chinese prices of NTC Fabric seems to be insulated and remain major threat.

Caprolactum (Raw Material for NTC Fabric) is a petroleum related product and so is the case regarding captive power generation. This increases the susceptibility to high cost of production.

### C. Performance –

Production in Nylon Plant remained suspended during the period under review.

### D. Out Look -

Outlook for industry is good but each player has to be very competitive in cost and quality to sustain variations in pricing structures.

The current global economic meltdown has severely affected the economies of the world. There is a credit crunch in the markets.

Demand is slowing down, Indian economy and Industry is no exception to this. Auto Industry has been very badly affected. This has direct impact on the Tyre Industry, & forced to cut production. This has cascading affect on the NTC Fabric manufacturers who are reeling with massive cuts in orders and piling up of stocks. The short term and medium term scenario seems to be bleak.

### BUSINESS SEGMENT – CHEMICALS:

#### A. INDUSTRY STRUCTURE & DEVELOPMENTS:

On the whole the market was satisfactory for our chemicals. The demand and realization were normal.

During the period under review the Caustic Soda Plant remained closed.

Carbon di Sulphide (CS<sub>2</sub>) is one of the critical raw materials for Rayon, fungicide and rubber chemicals industries. Due to high price of CS<sub>2</sub>, major consumers of CS<sub>2</sub> started importing material from European Country. Sulphuric Acid market was stable during the year under review. The prices of Sulphuric Acid and CS<sub>2</sub> have become remunerative due to reduction in raw material price i.e. sulphur.

#### B. OPPORTUNITIES THREATS & RISKS

Though demand for CS Lye is growing. The CS Lye industry has geared up to meet the demand. Imports of CS Lye continues to be a cause of worry. High energy costs continue to effect the high energy consuming products – CS Lye and CS<sub>2</sub>, thus affecting the margins.



However, Chlorine market is stable.

### **C. SEGMENT PERFORMANCE.**

Due to lockout in the plant, chemical plant remained non-operative.

### **D. OUTLOOK.**

It seems that Indian economy will keep growing @ 7% during the current year. These augers well for the Indian Industry.

### **INTERNAL CONTROL SYSTEMS & ADEQUACY**

The Company has adequate internal control procedures commensurate with its size and nature of business. It ensures that all assets are safeguarded and protected against improper use and that transactions are authorized, recorded and reported correctly.

The Internal Auditor carried out periodic checks to review the efficacy of the checks and balances in the organization. The management also independently carries out checks at its various branches and offices with a focus on adequate internal control. In addition, Audit Committee of the Board of Directors also periodically reviews the internal control system and the Management carries out their suggestions for improvement.

The operations being labour intensive, there is constant monitoring by the Management with regard to planning, deployment of workers, recording and checking of attendance of workers, payment of wages, etc. Procedures for purchase and distribution of stores, identification of obsolete and non-moving materials, sale of unusable / scrap machinery, control over assets are also being regularly reviewed by the Management and wherever necessary, improvements effected.

### **FINANCIAL & OPERATIONAL PERFORMANCE**

Particulars	Rs in Crores	
	2009-11 (18 months)	2008-09 (15 months)
Gross Turnover	0.69	30.32
Net Turnover	0.66	27.29
Profit / (Loss) before Int., Depn. & Tax	(25.80)	(94.00)
Interest	39.00	30.47
Profit/ (Loss) before Depn. & Tax	(64.80)	(124.47)
Depreciation	22.72	19.74
Profit/(Loss) before Tax and Extra-ordinary items	(87.52)	(144.21)
Extra-ordinary Items	(8.58)	(0.82)
Deferred Tax Asset / (Asset Reverse)	-	-
Current Tax (FBT )	-	(0.09)
Profit / (Loss) for the year	(96.10)	(145.12)

The Operation during the period was stopped due to lockout declared w.e.f. 15.11.2009

### **HUMAN RESOURCES & INDUSTRIAL RELATIONS:**

Although the company is under Lock Out with effect from 15.11.2009, but, the industrial relations remained cordial, as Management has constantly interacted with the employees representative in a very cordial atmosphere regarding action plan to implement and to come out from the present crisis.

Efforts are being made to retain committed team of manpower to achieve the positive desired goal and success, so that plant can restart smoothly after lifting the lockout.

### **CAUTIONARY STATEMENT**

Any statements made in these analyses relating to Company's objectives, expectations, estimates, projections, etc. may be considered as "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results may differ from such estimates, projections, etc. whether expressed or implied. Factors which could make a significant difference to the Company's operations include climatic conditions, market price in the domestic and overseas markets, changes in Government regulations and tax laws, economic conditions affecting demand/supply and other environmental factors over which the Company does not have any control.