

18TH
ANNUAL REPORT
2002

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nakoda textile industries limited

NAKODA TEXTILE INDUSTRIES LIMITED

BOARD OF DIRECTORS

| | |
|-----------------------|-------------------------|
| (1) Mr. G. P. Shah | Chairman |
| (2) Mr. B. G. Jain | Managing Director |
| (3) Mrs. P. B. Jain | Director |
| (4) Dr. T. D. Patel | Director |
| (5) Mr. S. M. Thakkar | Director |
| (6) Mr. D. B. Jain | Director |
| (7) Mr. J. K. Patel | Nominee Director (GILC) |
| (8) Mr. D. R. Patel | Nominee Director (GSFC) |

PLANTS

POY DIVISION

Block No. 13 to 16,
Village - Karanj,
Taluka - Mandvi,
Dist. - Surat.

TEXTURISING DIVISION

- (1) Block No. 1 & 12
Village - Karanj,
Taluka - Mandvi,
Dist. - Surat.
- (2) 11, Govt. Industrial Estate,
Masat, Silvassa (D. & N.H.)

REGISTERED OFFICE

11, Govt. Industrial Estate,
Masat, Silvassa (D. & N.H.)

COMPANY SECRETARY

Mrs. Rashmi Bhatt

AUDITORS

N. M. Singapuri & Co.
Chartered Accountants,
O-18, Kanaknidhi Apartment,
Opp. Gandhi Smruti, Nanpura,
Surat.

BANKERS

Canara Bank
K. M. Road, Surat

CORPORATE OFFICE

738, Ajanta Shopping Centre,
Ring Road, Surat -395002



NOTICE

Notice is hereby given that the 18th Annual General Meeting of the members of NAKODA TEXTILE INDUSTRIES LIMITED will be held on Saturday, the 28th June, 2003 at 11.30 A. M. at the Company's Registered office at 11, Govt. Industrial Estate, Masat, Silvassa.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts for the year ended 31st December 2002 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. T. D. Patel who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri D. B. Jain who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

To consider and if thought fit, to pass with or without modification(s), the following resolutions:

5. As A Special Resolution

"RESOLVED THAT pursuant to provision of Section 198, 269, 309 read with schedule XIII and other applicable provisions if any of the Companies Act, 1956, as amended up to date, consent of the Company be and is hereby accorded to the appointment of Sh D. B. Jain as Joint Managing Director of the Company for a period of five years with effect from 1st July 2003 and payment of remuneration to him upon the terms and conditions as set out in the draft agreement to be entered into between the Company and Sh. D. B. Jain which is submitted to this meeting and signed by the Chairman for the purpose of identification and which agreement is hereby specifically approved with liberty to the Board of Directors (herein after referred to as "the Board" which includes any committee of the Board) to alter and vary the terms and conditions of the said appointment and/or agreement from time to time in such manner as may be agreed between the Board of Directors and Sh. D. B. Jain in the best interest of the Company.

"RESOLVED FURTHER THAT the said remuneration shall be payable to the Joint Managing Director irrespective of the fact whether the Company has earned any profit or not, i.e. this remuneration shall be payable as minimum remuneration even in the event of inadequacy or absence of profit."

6. As A Special Resolution

"RESOLVED THAT under Section 198, 269, 310 and other enabling applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded to the revision in remuneration of Sh B. G. Jain Managing Director with effect from 1st April 2003, detailed more specifically in the Explanatory Statement."

"RESOLVED FURTHER THAT the said remuneration shall be payable to the Managing Director irrespective of the fact whether the Company has earned any profit or not, i.e. this remuneration shall be payable as minimum remuneration even in the event of inadequacy or absence of profit."

7. As A Special Resolution

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to take necessary action to discontinue listing of the Company's securities at Vadodara and Ahmedabad Stock Exchanges subject to the necessary approvals from the concerned authorities including the Ministry of Finance, concerned stock exchanges and / or other concerned Govt. authorities like SEBI, etc."

Place: Surat
Date : 29.04.2003

By Order of the Board
RASHMI BHATT
Company Secretary

NOTES

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote thereat and the proxy need not be a member of the Company. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the annual general meeting.
2. Members/ Proxies should bring the attendance slip duly filled in for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 20th June 2003 to 28th June 2003 (both days inclusive)
4. Listing fees for the year 2002-2003 has been paid of The Stock Exchange Mumbai, The Stock Exchange Ahmedabad and The Stock Exchange Vadodara.
5. As required in the terms of paragraph VI(A) of the Clause 49 of the Listing Agreement, the details of the Directors retiring by rotation and eligible for re-appointment are furnished below.
 - a) Dr. T. D. Patel, Director of the Company is having a rich experience in textile industry. He has been associated with the Company since 1985 retires by rotation and being eligible offers himself for re-appointment.
 - b) Shri D. B. Jain, has been a Director of the Company since 2000. He is an MBA in finance and the Company has benefited by his varied experience in textile industry. Shri D. B. Jain retires by rotation and being eligible offers himself for re-appointment.
6. Pursuant to the recommendation of SEBI Committee on Corporate Governance for appointment of Directors / re-appointment of the retiring Directors, a statement containing details of the concerned Directors forms part of Corporate Governance report.
7. Members are requested:
 - a) to bring their copies of Annual Report and Attendance slip at the time of the meeting.
 - b) to quote their Folio No.(s) in all correspondence.
 - c) to forward their queries, if any, so as to reach the corporate office of the Company on or before 23rd June, 2003 enabling the management to keep the information ready.
8. Members are requested to notify any change in their address immediately to the Company's corporate office at 738, Ajanta Shopping Centre, Ring Road, Surat - 395002.

Place: Surat
Date : 29.04.2003

By Order of the Board
RASHMI BHATT
Company Secretary

ANNEXURE TO NOTICE

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956:

Item No. 5

Sh. D. B. Jain is appointed as Joint Managing Director of the Company for a period of five years effective from 1st July 2003. Sh. D. B. Jain is an MBA in finance and having a rich experience in textile industry. His experience and expertise would be of immense value to the Company. The Board in its meeting held on 29th April 2003 has decided to appoint him as a Joint Managing Director of the Company w.e.f. 1st July 2003. The abstract of the terms & conditions are as follows which is subject to your approval.

1. He shall be entitled to following remuneration and perquisites.

- a. Salary Rs. 25,000/- per month
- b. Perquisites:
 - i) Provident fund, superannuation and gratuity benefit in accordance with the Company's rules and regulations in force from time to time.
 - ii) Reimbursement of medical expenses actually incurred, total cost of which to Company shall not exceed Rs. 15,000/- in any year.
 - iii) Leave on full pay and allowance as per the rules of the Company but not exceeding four weeks leave for every completed year of service, subject to the condition that leave accumulated but not availed will not be allowed to be encashed.
 - iv) Reimbursement of actual fare for self and family (wife and minor children) once a year to and from any place in India.
 - v) Free use of Company car and driver, monetary value of which may be evaluated as per rule 3 of the Income Tax Rules, 1962.
 - vi) Free telephone facilities at his residence and reimbursement of actual electricity expenses at his residence.
 - vii) Personal accident insurance of an amount premium of which does not exceed Rs. 3,000/
 - viii) Reimbursement of entrance fee and subscription for membership of a club.

2. In addition to above, he will be reimbursed entertainment or other expenses actually and properly incurred in connection with the Company's business subject to a maximum of Rs. 3,000/- per month.

3. The remuneration aforesaid including the benefits and amenities aforesaid shall nevertheless be paid and allowed as the minimum remuneration, for any year in case of absence or inadequacy of profit of such year.

This Explanatory statement together with the accompanying Notice should be treated as an abstract of the terms of Agreement and Memorandum of concern or interest under section 302 of the Companies Act, 1956.

The Board recommended the passing of resolution as set out in item no. 5 of the notice read with the explanation given above.

Shri B. G. Jain, Shri G. P. Shah, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this resolution.

Item No. 6

In partial modification of the agreement executed by the Company with the Managing Director, the Board in its meeting held on 29th April 2003 made the following modifications in the remuneration of Sh. B. G. Jain w.e.f. 1st April 2003 which is subject to your approval.

1. He shall be entitled to following remuneration and perquisites.

- a. Salary Rs. 40,000/- per month
- b. Perquisites:
 - i) Provident fund, superannuation and gratuity benefit in accordance with the Company's rules and regulations in force from time to time.
 - ii) Reimbursement of medical expenses actually incurred, total cost of which to Company shall not exceed Rs. 15,000/- in any year.

iii) Leave on full pay and allowance as per the rules of the Company but not exceeding four weeks leave for every completed year of service, subject to the condition that leave accumulated but not availed will not be allowed to be encashed.

iv) Reimbursement of actual fare for self and family (wife and minor children) once a year to and from any place in India.

v) Free use of Company car and driver, monetary value of which may be evaluated as per rule 3 of the Income Tax Rules, 1962.

vi) Free telephone facilities at his residence and reimbursement of actual electricity expenses at his residence.

vii) Personal accident insurance of an amount premium of which does not exceed Rs. 3,000/

viii) Reimbursement of entrance fee and subscription for membership of a club.

2. In addition to above, he will be reimbursed entertainment or other expenses actually and properly incurred in connection with the company's business subject to a maximum of Rs. 3,000/- per month.

3. The remuneration aforesaid including the benefits and amenities aforesaid shall nevertheless be paid and allowed as the minimum remuneration, for any year in case of absence or inadequacy of profit of such year.

This Explanatory statement together with the accompanying Notice should be treated as an abstract of the terms of Agreement and Memorandum of concern or interest under section 302 of the Companies Act, 1956.

The Board recommended the passing of resolution as set out in item no. 6 of the notice read with the explanation given above.

Shri B. G. Jain, Shri G. P. Shah, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this resolution.

Item No. 7

In terms of the prospectus for the company's Public Issue in July 1992, the company's securities are listed at the stock exchanges, namely, Mumbai, Vadodara & Ahmedabad.

With the extensive networking of The Stock Exchange Mumbai (BSE) and the extension of the BSE terminals to other cities as well, investors have access to online dealings in the company's securities across the country. The bulk of the trading in the company's equity shares in any case takes place on the BSE and the depth and liquidity of trading in the company's securities on Vadodara & Ahmedabad Stock Exchanges is nil.

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. Under this Guidelines a Company may delist from stock exchange where its securities are listed provided that:

1. The securities of the Company have been listed for a minimum period of 3 years on any stock exchange; and
2. An exit opportunity has been given to the investors at an exit price to be determined in accordance with "book building process". However, in cases where the securities of the Company continue to be listed in a stock exchange having nation wide trading terminals, i.e. BSE, exit opportunity need not be given.

The members' approval is being sought by passing a Special Resolution for delisting of company's equity shares from Vadodara & Ahmedabad Stock Exchanges.

Your directors recommend the Special Resolution for approval of the Members.

This is not likely to affect the shareholders interest in general, since your company's securities will continue to be listed on Mumbai Stock Exchange.

The shareholders are requested to accord their approval to the proposed resolution.

None of the directors of the Company is, in any way, concerned or interested in the resolution.

DIRECTORS' REPORT

TO,

The Members,

Your Directors have pleasure in presenting their 10th Annual Report together with Audited Accounts for the period ended 31st December 2002.

FINANCIAL RESULTS

| | AS AT 31.12.2002 (Rs. in Lacs) | AS AT 31.12.2001 (Rs. in Lacs) |
|---|--------------------------------------|--------------------------------------|
| Turnover & other Income | 14188.67 | 10996.37 |
| Gross Profit (before Financial Charges & Depreciation) | 1120.91 | 1043.97 |
| Interest & Financial Charges | 417.13 | 486.39 |
| Profit before Depreciation (Cash Profit) | 703.78 | 557.58 |
| Depreciation | 337.97 | 261.71 |
| Profit for the year | 365.81 | 295.87 |
| Difference between Depreciation on WDV method over straight line method | 1206.60 | ---- |

OPERATIONS

Your Company has reported a very good operating performance during the period under review. The Company has achieved a turnover of Rs. 14188.67 lacs against Rs. 10996.37 lacs for the previous year. Gross profit for the year increased by 7.37% to Rs. 1120.91 lacs compared to Rs. 1043.97 lacs of the previous year. Net profit also increased from Rs. 295.87 lacs to Rs. 365.81 lacs representing an increase by 23.64 %.

Production & Sales during the month of March & April-2003 were partially affected due to weavers' strike in protest against proposed introduction of CENVAT in Finance Bill 2003.

WORKING CAPITAL MANAGEMENT

Your Company is presently banking with Canara Bank as its sole banker. Considering the increasing exposure, it is thought fit that the Company should invite one more Bank to form a consortium with Canara Bank. Oriental Bank of Commerce has agreed to join consortium and to extend finance up to Rs. 4.00 Crores. It will bring down exposure of Canara Bank by equivalent amount. The bank has approved and granted foreign currency loan to the extent of Rs. 4.76 Crores, replacing hypothecation limit to that extent. Thereby interest burden to the Company has been reduced.

DIVIDEND

The Board of Directors does not recommend any dividend for the accounting year 2002 to conserve resources.

OVERVIEW AND FUTURE OUTLOOK

The Company has changed method of provision for depreciation from SLM to WDV in the financial accounts, considering fast technological developments in the textile industry. Due to change in Accounting Practice reserves of the Company are reduced by Rs. 403.84 lacs. The demand for polyester is expected to grow reasonably strong and at consistent rate up to 2006-07 as envisaged

by CRIS; however price movements of inputs will be important key drivers of the future business performance. Currently input prices of key raw material PET chips has increased significantly without corresponding increase in prices of finished product. In spite of 8.20% reduction in excise levy margins are squeezed.

Your Company has signed an MOU with Noyval ASA, Switzerland for putting up 450 tonnes per day capacity - continuous polymerisation plant. The project is scheduled to be completed in 18 to 24 months time.

DIRECTORS

Dr. T. D. Patel is retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Sh. D. B. Jain is retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. He is being appointed as Joint Managing Director for an initial period of five years with effect from 01.07.2003. Necessary resolution regarding his appointment and remuneration has been recommended for approval of the shareholders.

During the year Sh. J. K. Patel has been appointed as Nominee Director by GIC in place of Sh. J. B. Jadia.

CORPORATE GOVERNANCE

In line with guidelines recommended by Security & Exchange Board of India (SEBI) Committee on Corporate Governance adequate steps have been taken to ensure that all the mandatory provisions of Clause 49 of the Listing Agreement already complied with. A separate report on Corporate Governance is included as part of the Annual Report. The Auditor's certificate confirming compliance of Corporate Governance is included in the said Corporate Governance report.

SAFETY, ENVIRONMENT & POLLUTION CONTROL MEASURES

During the year, due to various safety measures taken, no major accident took place in plant operations. Training programmes for safety awareness and safe working conditions were held round the year. Your Company has complied with various emission standards and other environmental requirements as per pollution control norms.

In order to improve environment tree plantations within the factory complex is being done on a continuous basis.

LISTING

Securities of your Company continue to be listed with Mumbai, Ahmedabad & Vadodara Stock Exchanges. Annual listing fees have been paid to the Stock Exchanges in time. However keeping in view the insignificant volume of transactions at Ahmedabad & Vadodara Stock Exchanges it is proposed to delist the shares from these Stock Exchanges. Necessary resolution is put up for your approval at the ensuing annual general meeting.

EMPLOYEES

There is no employee getting remuneration as prescribed under section 217(2A) of the Companies (Particulars of Employees) rules, 1975 as amended.



STATUTORY INFORMATION

Statutory information required under the Companies (Disclosure of Particulars in the report of Board of Directors Rules, 1988) applicable to the Company and forming part of this report are set out in Annexure to this report.

AUDITORS

M/s. N. M. Singapuri & Co. Chartered Accountants, Surat retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

DIRECTORS CONFIRM :

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (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 and of the profit and 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 provision of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors express their gratitude and sincere appreciation for the continued co-operation received from bankers and financial institutions throughout the year and for the utmost faith reposed by the investors and shareholders of the Company. They also place on record their sincere appreciation for the efforts put in by employees of the Company at all levels.

Place: Surat
Date : 29.04.2003

For and on behalf of the Board
Managing Director Shri B. G. Jain
Director Shri D. B. Jain

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT

"Man-Made Textile" Industry in which your Company operates has emerged as product of mass due to versatility, durability and resilience which constitute 42% of India's textile industry.

The Synthetic textile industry was passing through a lean phase for quite some time and the Industry has started doing well since last one year. Demand for POY is expected to increase at a CAGR of 8.5% due to an increase in economic growth rate. Fresh capital investment is not envisaged by major players. However existing players are enhancing production by improving efficiency and installing balancing equipments. In the situation POY prices are expected to increase due to an increase in landed cost of POY as a result of increase in international prices and shortage of POY in domestic market. Margin of POY players are likely to increase as the increase in domestic prices of POY is expected to be higher than the increase in raw material prices in long term.

OPPORTUNITIES & CHALLENGES

The company stands to gain from the expected increase in demand of POY in future. Globally, the synthetic fiber industry exhibits significant cyclicity. It is susceptible to price volatility. But liberal import policy may change the domestic scenario.

The excise duty on POY declined in which case market prices could remain stable inspite of an increase in ex factory prices due to increase in raw material prices. With the use of latest technology and stringent quality control measures adopted further betterment is expected.

RISK & CONCERNS

Your Company is exposed to the industry risk factors of interest rate variation, volatility in prices of the raw materials co-related with global prices of crude oil and market prices of finished products. Your Company manages these risks by maintaining a conservative financial profile, and by following prudent business and risk management practices.

ADEQUACY OF INTERNAL CONTROL

Your Company has a proper and adequate system of internal controls to ensure monitoring of all business transactions and reconciliation as well as periodical physical verification of the assets.

Your Company ensures adherence to all the internal control policies and procedures as well as compliance with all regulatory guidelines.

FUTURE OUTLOOK

Demand for POY is expected to increase at a CAGR of 7.5% with the further addition in new texturising capacities and new capacities set up in the first half of financial year 2003, becoming fully operational. In addition demand is expected to increase due to the improved cost competitiveness of POY vis-a-vis other yarns and increased availability. This will lead to an increase in POY prices and an improvement in POY margins.

HUMAN RESOURCE DEVELOPMENT (HRD)

Continuing with our belief that an organization can only reach the height of excellence through a cadre of highly trained and motivated work force. Your Company has been initiating various innovative steps towards empowerment in adopting best people management practices.

Various training programmes were arranged during the year for the employees.



**ANNEXURE TO THE DIRECTOR'S REPORT
FORM - A**

DISCLOSURES OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

| | AS AT 31.12.2002 | AS AT 31.12.2001 |
|--|---------------------|---------------------|
| A. POWER AND FUEL CONSUMPTION | | |
| 1. Electricity (Silvassa Texturising Plant) | | |
| a) Purchased Units (In 000's) | 393.75 | 896.01 |
| Total Amount (Rs. In Lacs) | 10.98 | 28.03 |
| Rate / Unit (Rs.) (Excluding Electricity Duty) | 2.78 | 3.13 |
| b) Own Generation | | |
| i) Through Diesel Generator Units (In 000's) | 13850.35 | 12575.18 |
| Unit per liter of HSD/LDO/HCR | 3.78 | 3.75 |
| Cost/Unit (Rs.) | 3.36 | 3.16 |
| ii) Through Steam Turbine / Generator | 0.00 | 0.00 |
| 2. Furnace Oil (Fuel For Boiler) | | |
| Liters (In 000's) | 1548.00 | 420.00 |
| Amount Rs. (In lacs) | 170.49 | 38.40 |
| B. CONSUMPTION PER UNIT OF PRODUCTION | KWH/KGS | KWH/KGS |
| Products | | |
| POY | 0.71 | 0.87 |
| Texturised Yarn | 0.94 | 1.09 |

FORM - B

- A. RESEARCH AND DEVELOPMENT**
- Specific area in which R & D carried out by the Company:
 - Development of POY product suitable for high speed draw Texturising Machine.
 - Development of POY product of fine denier.
 - Benefits derived as a result of above R & D:
 - Better performance and customer satisfaction as high speed texturising machines specially reduce their cost of production.
 - Saving in wastage significantly and flexibility in production planning.
 - Future plan of Action:

Development of POY suitable for 1000 m/min using intermingling in POY.
 - Expenditure on R & D:

Inverter cost Rs. 18.00 Lacs.
- B. TECHNOLOGY ABSORPTION ADOPTION AND INNOVATION:**
- Increase in production capacity and curtailed production cost.
 - Introduction of fine denier yarn.
 - Optimisation of process parameters to improve quality.
 - Reduction in wastage.
- C. Foreign Exchange Earnings** : NIL
Foreign Exchange Outgo : 15976648/-

Place: Surat
Date: 29.04.2003

For and on behalf of the Board
Managing Director Shri B. G. Jain
Director Shri D. B. Jain

AUDITORS' CERTIFICATE

To,
The Members of
Nakoda Textile Industries Limited

We have reviewed the compliance of conditions of Corporate Governance by Nakoda Textile Industries Ltd. ("The Company") for the year ended 31st December, 2002 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange. The compliance of conditions of Corporate Governance is the responsibility of the management. Our review was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company. In our opinion and according to the explanations given to us, we certify that the Company has complied with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement. We state that no investor grievances are pending for a period exceeding one month against Company as per the records maintained by the shareholders / investor's grievances committee. We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For N.M. SINGAPURI & CO.
CHARTERED ACCOUNTANTS

Place: Surat
Date: 29.04.2003

(N.M. SINGAPURI)
PARTNER