

# **19<sup>TH</sup> ANNUAL REPORT 2003**

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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) Mr. D. B. Jain	Joint Managing Director
(4) Mrs. P. B. Jain	Director
(5) Mr. S. M. Thakkar	Director
(6) Mr. J. K. Patel	Nominee Director (GILC)
(7) Mr. D. R. Patel	Nominee Director (GSFC)

## Factory

Block No. 1&12 to 16,  
Village - Karanj,  
Taluka - Mandvi,  
Dist. - Surat.

## Company Secretary

Mrs. Rashmi Bhatt

## Bankers

Canara Bank  
Oriental Bank of Commerce

## Auditors

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

## Registered Office

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

## Corporate Office

738, Ajanta Shopping Centre  
Ring Road, Surat-395002



## NOTICE

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the members of **NAKODA TEXTILE INDUSTRIES LIMITED** will be held on Wednesday, the 30<sup>th</sup> June, 2004 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 on 31<sup>st</sup> December 2003 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri G. P. Shah who retires by rotation and being eligible, offers himself for re appointment.
3. 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:

#### 4. As A Special Resolution

"RESOLVED THAT subject to the confirmation of the Company Law Board, Clause II of the Memorandum of Association be substituted by the following Clause:

"The Registered office of the Company will be situated in the state of Gujarat"

"RESOLVED FURTHER THAT the aforesaid resolution becoming effective, the Registered office be moved from Union Territory of Dadra & Nagar Haveli to the state of Gujarat."

#### 5. 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 1<sup>st</sup> April 2004, 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."

#### 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 D. B. Jain Joint Managing Director with effect from 1<sup>st</sup> April 2004, 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."

By Order of the Board  
**RASHMI BHATT**  
Company Secretary

Place: Surat  
Date : 28.04.2004

## 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 20<sup>th</sup> June 2004 to 30<sup>th</sup> June 2004 (both days inclusive)
4. Company's shares are delisted from Ahmedabad Stock Exchange whereas approval from Vadodara Stock Exchange is awaited.
5. The transaction at sr. No. 4 requires consent of shareholders through postal ballot. The notice is enclosed herewith. If the resolution is assented to by the requisite majority of the share holders in the Postal ballot, it shall be deemed to have been passed at the said annual general meeting.
6. 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.  
  
Shri G. P. Shah, Director of the Company is having a rich experience in textile industry. He has been associated with the Company since 1984 retires by rotation and being eligible offers himself for re-appointment.
7. 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.
8. 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) who hold share in dematerialization form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
  - d) to forward their queries, if any, so as to reach the Corporate office of the Company on or before 23<sup>rd</sup> June, 2004 enabling the management to keep the information ready.
9. The Company has already transferred all unclaimed dividends upto the financial year ended 30<sup>th</sup> June 1995



to the General Revenue Account of the Central Government or the Investor Education & Protection Fund, as the case may be, as per the provisions of the Act.

10. Pursuant to the provision of Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31<sup>st</sup> December, 1996, which remain unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and protection fund (IEPF) established by the Central Government pursuant to Section 205C of the companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below.

Financial year ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEP Fund
31.12.1996	30.06.1997	17.08.2004	15.09.2004

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company's Corporate office immediately. Shareholders are requested to note that no claims shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of 7 years from the date that became due for payment and no payment shall be made in respect of any such claims.

11. Members are requested to note that all correspondence relating to share transfer and Dematerialization should be addressed to the Corporate office at 738, Ajanta Shopping Centre, Ring Road, Surat 395002.
12. 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.

In case of dematerialized shares any change required in Address, Bank particulars etc., may be advised to your Depository Participant.

By Order of the Board  
**RASHMI BHATT**  
Company Secretary

Place:Surat  
Date : 28.04.2004

## ANNEXURE TO NOTICE

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

#### Item No. 4

Clause II of Memorandum of Association of the Company provides that the Registered office of the Company will be

situated in the state of Union Territory of Dadra & Nagar Haveli.

The Company's main plant is situated at Karanj in the state of Gujarat. The activities of the Company at Silvassa in the Union Territory of Dadra & Nagar Haveli have been stopped. Therefore it is proposed to shift the registered office of the Company from Union territory of Dadra & Nagar Haveli to Gujarat state at Karanj. The shifting is considered necessary in view of above change.

The proposed resolution is to be passed through postal ballot for which necessary notice is enclosed herewith.

None of the directors are interested in the aforesaid resolution.

#### Item No. 5

In partial modification of the agreement executed by the Company with the Managing Director, the Board in its meeting held on 28<sup>th</sup> April 2004 made the following modifications in the remuneration of Sh. B. G. Jain w.e.f. 1<sup>st</sup> April 2004 which is subject to your approval.

1. He shall be entitled to following remuneration and perquisites.
  - a. Salary Rs. 60,000/- 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 Joint Managing Director, the Board in its meeting held on 28<sup>th</sup> April 2004 made the following modifications in the remuneration of Sh. D. B. Jain w.e.f. 1<sup>st</sup> April 2004 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.

## DIRECTORS REPORT

TO,  
The Members,

Your Directors have pleasure in presenting their 19<sup>th</sup> Annual Report together with Audited Accounts for the period ended 31<sup>st</sup> December 2003.

### FINANCIAL RESULTS

	AS AT 31.12.2003 (Rs. In Lacs)	AS AT 31.12.2002 (Rs. In Lacs)
Turnover & other Income	14048.32	14188.67
Gross Profit (before Financial Charges & Depreciation)	985.40	1120.91
Interest & Financial Charges	396.56	417.13
Profit before Depreciation (Cash Profit)	588.84	703.78
Depreciation	268.68	337.97
Profit for the year	320.16	365.81

### OPERATIONAL REVIEW

Your Company has achieved turnover of Rs. 14048.32 lacs compared to Rs. 14188.67 lacs in the previous year. Gross profit for the year is Rs. 985.40 lacs compared to Rs. 1120.91 lacs for the previous year. The decrease is mainly because production & sales during the month of March, April, May & partially in June were affected due to the weaver's strike to protest against the introduction of CENVAT on fabrics. The plant had to close down for the first time for about more than two months. Despite this the overall performance is satisfactory.

### ISO 9001-2000 Certification

It is a matter of pleasure that your Company has been awarded ISO 9001-2000 certification by STQC Certification Services, Department of Information Technology vide SQ/ISO 9001/456 DTD. 20.04.2004.

### FINANCIAL OVERVIEW

Your Company is presently banking with a consortium of two banks Canara Bank as the leader with 85% share and Oriental Bank of Commerce with 15% share. To part finance the expansion project and consequent increase in working capital requirement your Company has proposed to avail a term loan of Rs. 10 Crore from Canara Bank and enhancement in working capital limits. Your Company has regularly serviced the repayment obligation in respect of the term loans from GILC, GSFC & IndusInd Bank Ltd. The interest outflow decreased during the year. The working capital term loan and HP assistance from GSFC has been fully repaid.

### DIVIDEND

The Board of Directors do not recommend any dividend for the accounting year 2003 to conserve resources.



## OVERVIEW AND FUTURE OUTLOOK

In May, 1994 your company had entered into a purchase agreement with M/s IOCL for acquisition of POY plant. The agreement was not executed due to legal differences. The matter of dispute went to the Arbitration and it has been resolved now. Your Company has acquired the said plant as per Arbitration award which has commenced production at the Karanj unit of your Company. The enhanced capacity of the Company has gone up to 36000 MTPA. The international and domestic scenario of POY market is quite favorable and the expansion will definitely prove to be beneficial to the Company in achieving economies of scale simultaneous with pushing up the position of the Company amongst top producers of POY in the country.

The Company has discontinued texturising and draw twisted yarn manufacturing activity to concentrate on single product POY at Karanj.

## DIRECTORS

Sh. G. P. Shah is retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Dr. T. D. Patel a very senior Director of our Company, left for his heavenly abode in the month of June 2003. We appreciate and will remember always the services rendered by him to our Company.

## 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 Auditors 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 & Vadodara Stock Exchanges. Annual listing fees have been paid to the Stock Exchanges in time. The shares have been delisted from Ahmedabad Stock Exchange and approval to delisting at Vadodara Stock Exchanges is awaited.

## 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.

For and on behalf of the Board  
 Place: Surat Managing Director Shri B. G. Jain  
 Date : 28.04.2004 Jt. Managing Director Shri D. B. Jain



## MANAGEMENT DISCUSSION & ANALYSIS

### INDUSTRY STRUCTURE & DEVELOPMENT

The partially oriented yarn industry is dominated by 5/6 players, producing approximately 65% of the commodity through continuous polymerization and direct spinning process. About 35% of the Industry is represented by 30 manufacturers using chips melt spinning process. The POY is consumed by texturisers for ultimate use in Fabric manufacturing by the Weavers. The power loom industry is highly fragmented which does not support economics of scale. Structure of the industry is continuously redefined by the marketing process.

However, polyester and cotton are two main competitors in the yarn market. For some years now polyester has been eating in to cottons share of the market. It is estimated that cotton production will increase marginally whereas polyester has shown the highest growth in terms of production and demand. The price competitiveness of polyester is also expected to improve against cotton yarn in the wake of reduction in excise duty on POY. It is expected that the demand for MMF would increase significantly.

### OPPORTUNITIES & THREATS

The Company expects to gain from the increase in demand of POY due to sustained industrial recovery and GDP growth of 8 percent. Cotton prices are expected to be firm. The polyester producers are evidently going to benefit from its better price competitiveness. However margins are likely to be under pressure in the current year, owing to rise in prices of major inputs like petroleum products, fuel, electricity and growing competition in the wake of significant addition to capacity by POY spinners. The Company is taking appropriate steps to meet rising costs by effecting cost reduction on all fronts to maintain cost competitiveness in market. Threat of imports from China continues which do not face anti dumping duties.

### FUTURE OUTLOOK

The future is bright for polyester producers, POY demand will grow on the back of rising demand in China and India and limited cotton availability in global market. Although the POY industry has seen new entrants and capacity addition by existing players, the 7.8 percent demand growth will result in an increase in operating rates over the next five years. Polyester will continue to penetrate in to cotton market and is expected to be more price competitive with excise and custom duty on polyester getting cut and the price difference

between the two narrowing.

### HUMAN RESOURCE DEVELOPMENT (HRD)

Human Resource Development continued to receive focused attention. The organization imparted an average of 24 hours of training and development to all its employees at various levels towards the development of positive attitude culture. Industrial relations continued to be cordial throughout the year. Your Directors wish to place on record their appreciation of the contribution made by your Companies employees at all levels during the year under review.

Company's Human Resource vision is enshrined in the line "We build people to build our business". The Company's Human Resource policy is to help people perform their best by being able to conceptualize and internalize the most competitive human resource practices. The Company sees HR management as critical to the achievement of its core objectives.

### RISK & CONCERNS

Raw material prices will be the most critical factor in determining the margin of producers. Since domestic raw material prices move in line with international prices, Polyester prices are highly susceptible to the volatility in raw material prices. The Company manages this risk by maintaining a conservative financial profile and by following prudent business and risk management practices.

### CAUTIONARY STATEMENT

Statements in this MDA may be 'forward looking statements' within the meaning of applicable securities laws and regulations. There are several factors which would be beyond the control of Management and as such, may affect the actual results which could be different from that envisaged.



**ANNEXURE TO THE DIRECTORS' REPORT**  
**FORM A**  
**DISCLOSURES OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

	AS AT 31.12.2003	AS AT 31.12.2002
<b>A. POWER AND FUEL CONSUMPTION</b>		
1. Electricity (Silvassa Texturising Plant)		
a) Purchased Units (In 000's)(only lighting)	9.31	393.75
Total Amount (Rs. In Lacs)	1.84	10.98
Rate / Unit (Rs.) (Excluding Electricity Duty)	N.A.	2.78
b) Own Generation		
i) Through Diesel Generator Units (In 000's)	13162.50	13859.35
Unit per liter of HSD/LDO/HCR	3.73	3.78
Cost/Unit (Rs.)	3.67	3.36
ii) Through Steam Turbine / Generator	0.00	0.00
2. Furnace Oil (Fuel for Boiler)		
Liters (In 000's)	1001.33	1548.00
Amount Rs. (In lacs)	123.63	170.49
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>	<b>KWH/KGS</b>	<b>KWH/KGS</b>
Products		
POY	0.81	0.71

**FORM B**

**A. RESEARCH AND DEVELOPMENT**

1. Specific area in which R & D carried out by the Company : Not Applicable
  2. Benefits derived as a result of above R & D : Not Applicable
  3. Future plan of Action : Not Applicable
  4. Expenditure on R & D : Not Applicable
- B. Technology absorption adoption and Innovation : Not Applicable
- C. Foreign Exchange Earnings : NIL
- Foreign Exchange Outgo : Rs. 70953424.00

Place: Surat  
Date :28.04.2004

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

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members of  
Nakoda Textile Industries Limited  
738, Ajanta Shopping Centre,  
Ring Road, Surat 395002.

We have reviewed the compliance of conditions of Corporate Governance by Nakoda Textile Industries Ltd. ("The Company") for the year ended 31st December, 2003 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

(N.M.SINGAPURI)  
PARTNER

Place : SURAT  
Date : 28.04.2004