

**20TH
ANNUAL REPORT
2004**

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nakoda textile industries limited

NAKODA TEXTILE INDUSTRIES LIMITED

ISO 9001-2000

Board of Directors

- | | |
|-----------------------|------------------------------|
| (1) Mr. B. G. Jain | Chairman & Managing Director |
| (2) Mr. D. B. Jain | Joint Managing Director |
| (3) Mrs. P. B. Jain | Director |
| (4) Mr. S. M. Thakkar | Director |
| (5) Mr. J. K. Patel | Nominee Director (GIIIC) |
| (6) Mr. D. R. Patel | Nominee Director (GSFC) |

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Registered Office & Plant

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

Company Secretary

Mrs. Rashmi Bhatt

Corporate Office

738, Ajanta Shopping Centre,
Ring Road, Surat - 395 002

Bankers

Canara Bank
State Bank of Patiala

Auditors

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

www.nakoda.co.in



NOTICE

Notice is hereby given that the 20th Annual General Meeting of the members of **NAKODA TEXTILE INDUSTRIES LIMITED** will be held on Thursday, the 30th June, 2005 at 12.30 P.M. at the Company's Registered Office at Block No. 1&12 to 16, Village - Karanj, Taluka - Mandvi, Dist. - Surat.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended on 31st December 2004 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri S. M. Thakkar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

Place: Surat
Date : 07.05.2005

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 Registrar of Members and Share transfer Books of the Company will remain closed from 20th June 2005 to 30th June 2005 (both days inclusive)
4. 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 S. M. Thakkar, Director of the Company is having a rich experience in managing finance companies and textile industry since 1993. He has been associated with the Company since 1995 retires by rotation and being eligible offers himself for re-appointment.
5. 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.
6. 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 23rd June, 2005 enabling the management to keep the information ready.
7. The Company has already transferred all unclaimed dividends upto the financial year ended 30th June 1996 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.
8. Members are requested to note that all correspondence relating to share transfer, Change of Address and Dematerialization should be addressed to the Corporate office at 738, Ajanta Shopping Centre, Ring Road, Surat - 395002 / MCS Ltd., Neelam Apartment, 88, Sampatrao Colony, B/h Federation Bldg., Alkapuri, Baroda - 390007.

Place: Surat
Date : 07.05.2005

By Order of the Board
RASHMI BHATT
Company Secretary

DIRECTORS REPORT

TO,
The Members,

Your Directors have pleasure in presenting their 20th Annual Report together with Audited Accounts for the period ended 31st December 2004.

FINANCIAL RESULTS

	AS AT 31.12.2004 (Rs.In Lacs)	AS AT 31.12.2003 (Rs.In Lacs)
Turnover & other Income	15264.74	14048.32
Gross Profit (before Financial Charges & Depreciation)	903.71	985.40
Interest & Financial Charges	388.54	396.56
Profit before Depreciation (Cash Profit)	515.17	588.84
Depreciation	213.12	268.68
Profit for the year	302.05	320.16

OPERATIONAL REVIEW

Your Company has achieved turnover of Rs. 15264.74 lacs compared to Rs. 14048.32 lacs in the previous year. Gross profit for the year is Rs. 903.71 lacs compared to Rs. 985.40 lacs for the previous year. The gross turnover was higher by 8.66 % at Rs. 15264.74 lacs.

During the year under review the increasing cost of inputs and sluggish domestic demand had a dampening effect on margins, which resulted into reduction in net profit for the year. Despite stagnant domestic market and fierce competition, the Board considers the all round performance of the Company during the year under review satisfactory.

FINANCIAL OVERVIEW

Your Company is presently banking with a consortium of two banks Canara Bank as the leader with 86% share and State Bank of Patiala with 14% share. To part finance the expansion project your Company has availed a term loan of Rs. 8.80 lacs from Canara Bank. Your Company has been sanctioned a Corporate loan of Rs. 8.00 Crore from State Bank of Patiala for augmenting long term working capital requirement, and normal capital expenditure. It has regularly serviced the repayment obligation in respect of the term loans from GILC, GSFC & IndusInd Bank Ltd. The GILC & GSFC term loan has been fully repaid during the year.

DIVIDEND

The Board of Directors do not recommend any dividend for the accounting year 2004 to conserve resources.

OVERVIEW AND FUTURE OUTLOOK

The Union Budget 2005-06 provided complete excise exemption to the cotton textiles sector while maintaining the excise duties on POY (partially oriented yarn) at 16 per cent.



In spite of the fact that our production as well as sales were affected during the year on account of volatility of raw material price as the same is obtained from petrochemical products, we could achieve around 92% of the target. The prices of raw material are volatile in POY industry as the main raw material for POY industry PTA/DMT and MEG are obtained from petrochemical products. Raw material prices have increased constantly during the year whereas the prices of finished goods have not increased proportionately. Hence margin is squeezed which resulted into reduction in net profit.

Despite high prices, polyester filament yarn continues to be price competitive vis-a-vis cotton yarn of finer counts. Consequently, it will continue to substitute cotton, although the substitution effect will slow down in the short-to-medium term. POY demand is expected to grow at nearly 5.6 per cent in the medium term.

DIRECTORS

Sh. S. M. Thakkar is retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Shri G. P. Shah Chairman of your Company, left for his heavenly abode in the month of March 2005. We appreciate and will remember always the services rendered by him to the Company.

Shri B. G. Jain Managing Director of the Company has been appointed as the Chairman by the Board of Directors.

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 Stock Exchange. Annual listing fees have been paid to the Stock Exchange.

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. Singpuria & 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 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 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 For and on behalf of the Board
Date: 07.05.2005 Chairman & Managing Director Shri B. G. Jain
Joint Managing Director Shri D. B. Jain



MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT

Industrial scenario in the Textile Sector remained unchanged during the year under review with stagnant domestic market and fierce competition in the international market. The Company is, however, confident of sustained growth through a series of initiatives in the areas of product development, technical upgradation and strengthening of distribution network.

OPPORTUNITIES & THREATS

The textile quotas are dismantled from January 2005 India's man-made fibres industry has a lot to do before it can fully realize its potential in the export markets in a quota-free environment. This is partly due to the fact that India has traditionally been a larger player in the cotton textiles market and its share of synthetic in the total textiles exports basket is very low (less than 30 per cent is in the form of synthetic yarns, fabrics and garments). India's man-made fibres industry, despite having large man-made fibres producers has predominantly catered to the domestic market. Moreover, historically, the main users of polyester yarn, the weavers, are very small and fragmented, a fallout of the government's fiscal policies (providing tax concessions to the powerloom sector) that encouraged smaller capacities.

FUTURE OUTLOOK

The polyester industry is in the grip of a tight feedstock supply, which has caused an upsurge in prices. In September 2004, MEG (mono ethylene glycol) prices shot up by 50 per cent (year-on-year) and PTA (purified terephthalic acid) prices spurted by over 35 per cent. At these price levels, the margins of polyester producers are under severe pressure. The tight supply situation is expected to continue up to the end of 2006. Thus, polyester producers will continue to face pressure on their margins in 2004-05 and 2005-06 and supply disruption in materials may hamper production.

Despite high prices, polyester filament yarn continues to be price competitive vis-a-vis cotton yarn of finer counts. Consequently, it will continue to substitute cotton, although the substitution effect will slow down

in the short-to-medium term. POY demand is expected to grow at nearly 5.6 per cent in the medium term.

HUMAN RESOURCE DEVELOPMENT (HRD)

Human Resource Development continued to receive focused attention. 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.

ENERGY CONSERVATION

Nakoda has pursued energy conservation measures by installing waste heat-recovery system on DG sets for converting energy for refrigeration load (through VAC) and has also replaced winders for better package weights and less waste generation. This has led to a substantial cost savings.

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 31.12.2004	AS AT 31.12.2003
A. POWER AND FUEL CONSUMPTION		
1 Electricity		
Own Generation		
i) Through Diesel Generator Units (In 000's)	16409.65	13162.50
Unit per liter of HSD/LDO/HCR	3.66	3.73
Cost/Unit (Rs.)	3.73	3.67
ii) Through Steam Turbine / Generator	0.00	0.00
2. Furnace Oil (Fuel for Boiler)		
Liters (In 000's)	457.77	1001.33
Amount Rs. (In lacs)	58.23	123.63
B. CONSUMPTION PER UNIT OF PRODUCTION	KWH/KGS	KWH/KGS
Products		
POY	0.76	0.81

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. 65935406.00

Place: Surat
Date : 07.05.2005

For and on behalf of the Board
Chairman & 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, 2004 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 : 07.05.2005

**(N.M.SINGAPURI)
PARTNER**



CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company continues to follow procedures and practices in conformity with the code of Corporate Governance enshrined in the Listing Agreement.

We endeavor to have work culture, which is performance driven and conducive to improve discipline, accountability, team spirit and honesty in all our personal and professional relationships.

BOARD OF DIRECTORS

The present strength of the Board of Directors is six of which one is chairman cum managing director, one joint managing director and four non-executive directors. The Board members include nominees of GIC & GSFC.

Six Board Meetings were held during the year 2004 and all the operational and statutorily required information were placed before the Board.

The details of the composition of the Board of Directors is given below.

Name of the Directors	category	Attendance		No of other directorship and committee member / chairmanship		
		Board Meeting	Last AGM	Committee Membership	Committee Chairmanship	Other Directorship
Sh. G. P. Shah	PC	6	Yes	---	---	3
Sh. B. G. Jain	CMD	6	No	1	1	3
Sh. D. B. Jain	JMD	6	No	5	1	3
Smt. P. B. Jain	NED	6	No	2	---	2
Sh. S. M. Thakkar	NED	6	Yes	4	3	3
Sh. J. K. Patel	NED	0	No	---	---	---
Sh. D. R. Patel	NED	0	No	---	---	---

PC-Past Chairman, CMD - Chairman & Managing Director, JMD-Joint Managing Director, NED-Non Executive Director

BOARD PROCEDURE

The Board meets atleast once a quarter to review the quarterly performance and the financial results. A detailed agenda folder is sent to each Director in advance of the Board Meetings. To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting on the overall performance of the Company and with presentations by functional heads.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

The Company has constituted an audit committee, comprising of three non-executive directors viz. Sh. S. M. Thakkar, Sh. D. B. Jain and Smt. P. B. Jain. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. The committee met three times during the period under review.

Audit Committee met on 15.01.2004, 15.04.2004 & 15.10.2004 during the year under review.

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the institute of Chartered Accountants of India during the year. Compliance of the AS as applicable to the Company has been ensured in the Financial Statements for the year ended December 31, 2004.

REMUNERATION COMMITTEE

Remuneration Committee constituted by Board of Directors consists of Shri S. M. Thakkar as Chairman of the Committee and Shri D. B. Jain as its member.

Sitting Fee and Remuneration

The Non-executive directors of the Company are paid total sitting fees Rs. 4000/- for attending the meetings of the Board / committees during the year under review.

The details of the remuneration paid to Sh. B. G. Jain, Managing Director & Sh. D. B. Jain Joint Managing Director is given below:

Name	Salary	Perquisites
Sh. B. G. Jain Sh. D. B. Jain	60,000/- P.M. 40,000/- P.M.	* Perquisites shall be restricted to an amount equal to the annual salary

*Perquisites shall include Housing, Medical Reimbursement, Entertainment reimbursement, Leave, Traveling reimbursement, Club fees, Personal Accident Insurance, Provident fund, superannuation fund, Telephone, Car, Gratuity etc. There was no Stock Option issued to any directors of the Company.