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23rd ANNUAL REPORT 2007

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NAKODA TEXTILE INDUSTRIES LIMITED

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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. B. L. Maheshwari	Director
(5)	Mr. S. K. Bhoan	Director

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

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

Bankers
Canara Bank
State Bank of Patiala
Syndicate Bank

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NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the members of **NAKODA TEXTILE INDUSTRIES LIMITED** will be held on Wednesday, 18th June, 2008 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 2007 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. B. L. Maheshwari 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 An Ordinary Resolution**

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or enactment thereof for the time being in force), the company hereby approves the re-appointment and the terms of remuneration of Shri D. B. Jain as Joint Managing Director of the Company for a period of 5 years with effect from July 01, 2008 upon the terms and conditions as set out in the Explanatory Statement annexed to this Notice and that the Board of Directors be and is hereby authorized to execute an agreement in such manner as may be agreed upon between the Board of Directors and Shri D. B. Jain."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary and / or alter the terms and conditions of the agreement in such manner, from time to time as it may be agreed between the Company and Shri D. B. Jain."

5. **As An Ordinary 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 2008, 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."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary and / or alter the terms and conditions of the agreement in such manner, from time to time as it may be agreed between the Company and Shri B. G. Jain."

6. **As An Ordinary Resolution**

"RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 25.06.2007 pursuant to provision of Section 293(1)(d) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, on such terms and conditions and with or without security as the Board of Directors may in its discretion think fit notwithstanding that the money or monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not so set aside for any specific purposes, provided however, that the total amount so borrowed and remaining outstanding at any particular time shall not exceed Rs. 1000.00 crores (Rs. One Thousand Crores only)."

7. **As A Special Resolution**

"RESOLVED THAT, subject to the confirmation by the Registrar of Companies, Gujarat Memorandum of Association of the company be and is hereby altered by inserting two new clauses III(A)(3) & III(A)(4) under the main objects as under:

III(A)(3): To carry on in India or elsewhere the business to generate, receive, produce, improve, buy, sell, resell, acquire, use, transmit, accumulate, employ, distribute, develop, handle, protect, supply and to act as agent, broker, representative, consultant, collaborator, or otherwise to deal in electric power in all its branches at such place or places as may be permitted by appropriate authorities by establishment of thermal power plants, hydraulic power plants, atomic power plants, wind power plants, solar power plants and other power plants based on any source of energy as may be developed or invented. To construct, lay down, establish, promote, erect, build, install, commission, carry out and run all necessary power sub-stations, work shops, repair shops, wires, cables, transmission lines, accumulators, street lights for the purpose of conservation, distribution, and supply of electricity to participating industries, State Electricity Boards and other Boards for industrial, commercial, domestic, public and other purposes and also to provide regular services for repairing and maintenance of all distribution and supply lines.

III(A)(4): To carry on the business of builders and contractors. To purchase, acquire, take on lease, or in exchange or in any other lawful manner any area, land, buildings, structures and to turn the same into account, develop the same and dispose of or maintain the same and to build townships, markets, or other buildings, or conveniences thereon and to equip the same or any part thereof with all or any amenities or conveniences, drainage facility, electric, telegraphic, telephonic, television installations and to deal with the same in any manner whatsoever.

8. **As A Special Resolution**

"RESOLVED THAT pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the companies Act, 1956, the approval of the members of the Company be and is hereby given for commencing and undertaking the new business as stated in the Object Clauses III(A)(3) & III(A)(4) of the Memorandum of Association of the Company upon the said Clause becoming effective."

9. **As a Special Resolution**

"RESOLVED THAT, pursuant to the provision of section 94 and all other applicable provisions, if any, of the Companies Act, 1956 (Including any statutory modification or re-enactment thereof for the time being in force), the Authorised Share capital of the Company be and is hereby increased to Rs. 50,00,00,000 (Rupees Fifty Crores only) divided in to 4,00,00,000 (Four Crore) Equity Shares of Rs. 10/- each and 10,00,000 (Ten Lacs) preference shares of Rs. 100/- each."

"RESOLVED FURTHER THAT, pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing clause V of the Memorandum of Association of the company be and is hereby altered by substituting the following Clause V thereof:

V. The Authorised Share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) divided in to 4,00,00,000 (Four Crore) Equity Shares of Rs. 10/- each and 10,00,000 (Ten Lacs) preference shares of Rs. 100/- each."

10. **As a Special Resolution**

"RESOLVED THAT, Pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (Including any statutory modification or re-enactment thereof for the time being in force), the existing Article V of Articles of Association of the Company be and is hereby altered by substituting the existing article with the following Article:

The Authorised Share capital of the Company is Rs. 50,00,00,000 (Rupees Fifty Crores only) divided in to 4,00,00,000 (Four Crores) Equity Shares of Rs. 10/- each and 10,00,000 (Ten Lacs) Preference shares of Rs. 100/- each."

By Order of the Board
RASHMI BHATT
Company Secretary

Place: Surat
Date : 15.04.2008

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 14th June 2008 to 18th June 2008 (both days inclusive).
4. **The transaction at sr. No. 7 requires consent of shareholders through postal ballot. The details are enclosed herewith. If the resolution is assented to by the requisite majority of the**

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shareholders in the Postal Ballot, it shall be deemed to have been passed at the said Annual General Meeting.

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.
   Sh. B. L. Maheshwari, Director of the Company is having a rich experience in Finance. He has been associated with the Company since April 2006 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) 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 11th June, 2008 enabling the management to keep the information ready.
8. As required under Clause 49 of Listing Agreement, the particulars of Directors seeking re-appointment at Item No. 2 & 4 is given in Annexure-A.
9. 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 390 007.

By Order of the Board
RASHMI BHATT
Company Secretary

Place: Surat
Date : 15.04.2008

ANNEXURE TO NOTICE

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

Item No. 4

Shri D. B. Jain was appointed as Joint Managing Director with effect from 01.07.2003 for a period of 5 years. The term expires on 30.06.2008. Considering his qualification and experience, the Board felt desirable that the company should avail of his services. The Board of Directors has subject to approval of members of the company, reappointed Shri D. B. Jain as Joint Managing Director for a period of 5 years with effect from 01.07.2008 on the following terms and conditions.

1. The Joint Managing Director shall be entitled to following remuneration and perquisites.
   a) Salary Rs. 1,25,000/- 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 member-ship of a club.
2. In addition to above, the Joint Managing Director 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 neverthless be paid and allowed as the minimum remuneration, for any year in case of absence or inadequacy of profit of such year.

In compliance with the provisions of the companies Act, 1956, the appointment of Mr. D. B. Jain as Joint Managing Director and terms of reappointment specified above are now being placed before members in general meeting for approval.

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. 4 of the notice read with the explanation given above.

Shri B. G. Jain, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this 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 15th April 2008 made the following modifications in the remuneration of Sh. B. G. Jain w.e.f. 1st April 2008 which is subject to your approval.

1. The Managing Director shall be entitled to following remuneration and perquisites.
   a) Salary Rs. 2,00,000/- 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 member-ship of a club.
2. In addition to above, the Managing Director 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 neverthless 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, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this resolution.

Item No. 6

At the AGM of the company held on 25.06.2007 the consent of the members had been obtained for directors to borrow a maximum amount of Rs. 500 crores not with standing that the money to be borrowed by the Company (apart from temporary loans obtain from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, rese ves not set apart for any specific purpose. The Company is planning to go for expansion / integration project as detailed in the directors report is estimated to cost Rs. 325.00 Crores. Hence, the Board of Directors of the Company should be authorized to borrow moneys from time to time, from banks, financial institutions and any other sources. The moneys to be borrowed by the Company may exceed the aggregate paid-up capital and its free reserves, provided however, the total amount of such borrowing shall not exceed the sum of Rs. 1000.00 Crores at any time. This authority can only be exercised by the Board in accordance with the provisions of Section 293(1)(d) of the Companies Act, 1956.

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Your Board proposes resolution, as set out in Item No. 6 for approval as an ordinary resolution.
None of the directors is concerned or interested in the resolution.

Item No. 7

Your company is planning to enlarge the area of its operation into the realty sector and energy sector. It was understood that the same can be conveniently and advantageously be combined with the existing business of the company. For this it is necessary to alter the object clause of the company so as to include the two new objects related to the realty & infrastructure business and energy business.
In view of above it is proposed to amend the Memorandum of Association of the company by inserting two new clauses III(A)(3) & III(A)(4) under the main objects which would enable your company to undertake the activities as detailed in the said clause.
As per the provisions of Section 17 of the Companies Act, 1956 the Objects of the Company may only be amended after the consent of the members by way of Special Resolution subject to confirmation of the Registrar of Companies.
The proposed resolution is to be passed through **postal ballot** for which necessary details are enclosed herewith.
Your directors recommend that the proposed resolution be adopted in the interest of the Company.
None of the directors of the Company is concerned or interested in the proposed resolution.

Item No. 8

In order to validate the commencement of new business the Company is required to obtain the approval of members by way of a special resolution.
Keeping in view the amendment made in the Object Clause of the memorandum of Association of the company, it is necessary for the members to give their consent to the Company under Section 149(2A) by way of a special resolution for commencing the business as set out in item No. 7.
Your directors recommended to pass necessary resolution as set out in Item No. 8 of the notice.
None of the Directors of the Company are concerned or interested in the resolution except as members of the Company.

Item Nos. 9 & 10

The Company in order to meet its growth objectives and to strengthen its financial position is required to generate long term resources by issuing securities. It is therefore deemed appropriate to increase Authorised Share Capital of the Company from Rs. 40.00 Crore to Rs. 50.00 Crore and for that purpose, the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered as set out at item No. 9 & 10 of the accompanying Notice.
The provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the authorized share capital and for the alteration of capital clause of the Memorandum of Association and the Articles of Association of the Company.
The Board of Directors accordingly recommends the resolutions set out at item Nos. 9 & 10 of the accompanying Notice for the approval of the Members.
None of the Directors of the Company is, in any way, concerned or interested in the said resolutions.

Annexure-A

Details of Directors seeking appointments / re-appointments at the Annual General Meeting (Pursuant to Clause 49(IV)(E) of the Clauses 49 of the Listing Agreement)

1	Name of the Director:	Shri D. B. Jain
	Date of Birth	07.04.1978
	Date of Appointment	29.07.2000
	Qualifications	MBA Finance
	Expertise in specific functional area	Textile & Finance
	Directorship held in other Public companies	Surat Super Filament Ltd.
2	Name of the Director:	Shri B. L. Maheshwari
	Date of Birth	30.01.1960
	Date of Appointment	28.04.2006
	Qualifications	B. COM, FCA
	Expertise in specific functional area	Finance
	Directorship held in other Public companies	--

DIRECTORS REPORT

TO,
The Members,
Your Directors have pleasure in presenting their 23rd Annual Report together with Audited Accounts for the period ended 31st December 2007.

FINANCIAL RESULTS

	AS AT 31.12.2007 (Rs.In Lacs)	AS AT 31.12.2006 (Rs.In Lacs)
Turnover & other Income	**58228.25**	35695.99
Gross Profit (before Financial Charges & Depreciation)	**2184.69**	1456.33
Interest & Financial Charges	**891.47**	551.06
Profit before Depreciation (Cash Profit)	**1293.22**	905.27
Depreciation	**363.00**	291.02
Profit for the year	**930.22**	614.25

OPERATIONAL REVIEW

Your Company has achieved turnover of Rs. 58228.25 lacs compared to Rs. 35695.99 lacs in the previous year. Gross profit for the year is Rs. 2184.69 lacs compared to Rs. 1456.33 lacs for the previous year. The gross turnover was higher by 63.12% at Rs. 58228.25 lacs.

FINANCIAL OVERVIEW

Your company is presently banking with a consortium of Bankers i.e. Canara Bank (the lead bank), State Bank of Patiala & Syndicate Bank. During the current year company has projected more than 150% turnover as compared to year 2007. To meet the additional working capital requirement for substantial increase in manufacturing and trading activities, Bankers have assessed enhanced working capital limits to Rs. 267 Crore for the year 2008 from Rs. 164.50 Crore in 2007. Consortium has also agreed to admit one more bank in consortium of Bankers to share some portion of enhanced working capital limit.
Company has regularly satisfied the repayment obligation in respect of loans of Canara Bank and State Bank of Patiala. The company continued its focus on efficient Financial Management & Control covering area of working capital and debt.

DIVIDEND

Your directors have declared an interim dividend @5% on 1,50,00,000 equity shares of Rs. 10/- each i.e. 0.50 paise per share for the financial year 2007, which was paid to the members as on the record date 08.02.2008 fixed for the purpose. The total cash outflow on account of interim dividend including dividend tax is Rs. 87,74,625/-.
Your directors have decided the interim dividend paid, as the final dividend for the financial year 2007.

OVERVIEW AND FUTURE OUTLOOK

The year 2007 has been a year of achievement for the company. It has set up a separate unit for manufacturing of FDY/SDY by installing and commissioning 6 lines of the high speed direct FDY plant imported from Korea. In addition the company has added certain balancing plant & machinery for its existing POY plant so as to improve the bottom line of the company.
Your company is contemplating to go for backward integration programme by setting up a continuous polymerization plant for manufacturing of Chips/POY/FDY etc. adjacent to our existing POY/FDY units at Karanj. As a part of forward integration the company will set up texturising units in integrated textile park being set up by Surat Super Yarn Park Ltd. at Hathuran near Surat. This backward integration / expansion / forward integration project is estimated to cost Rs. 325 Crores as per detailed project report prepared by Mott-MacDonald India. The project will be funded through mix of debt equity and internal accruals.
Nakoda Textile Industries Ltd. is exploring the possibility of venturing into the business of infrastructure & leasing and energy sector and thereby diversify its activities.

ISSUE OF FCD AND WARRANTS

The company has on 24.08.2007 allotted 2,60,000 FCD's and 28,44,000 Convertible Share Warrants to promoters and persons other than promoters on preferential basis. The holders of the FCDs / Share Warrants will be entitled to apply for and be allotted 1,50,00,000 (7,80,000 / 1,42,20,000) equity shares at a price of Rs. 20/- per share (including premium of Rs. 10/-) against each FCD's / Warrants any time after the date of allotment but before the expiry of 6/18 months from the date of allotment respectively. The FCD's & Warrants and the equity shares allotted on execution of the option attached to the FCD's / Warrants issued as above shall be locked in from the date of their allotment for such period as specified in clause 13.3.1 of SEBI guidelines.
Above referred 2,60,000 FCDs were converted into 7,80,000 equity shares of Rs.10/- each at a premium of Rs.10/- per share on 20.02.2008. Upon conversion, the paid-up share capital of the company has increased to Rs. 15,78,00,000.

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DIRECTORS

Shri B. L. Maheshwari is retiring by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

The Board has reappointed Mr. D. B. Jain as the Joint Managing Director of the company for a period of five years w.e.f. 1st July 2008 subject to the approval of shareholders.

FORWARD-LOOKING STATEMENT

This report contains forward looking statements. All statements that address expectations or projections about the future are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performances or achievements could thus differ materially from those projected in any such forward-looking statements.

CORPORATE GOVERNANCE

In line with guidelines recommended by Securities & 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. Installation of Bi-fuel kits on DG sets which reduced SPM & sox discharged. The Company has constructed water pond for rain water harvesting thereby increasing ground water table.

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. 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 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.

For and on behalf of the Board

Place: Surat. Chairman & Managing Director Shri B. G. Jain

Date : 15.04.2008 Joint Managing Director Shri D. B. Jain

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY STRUCTURE & DEVELOPMENT

The removal of quota restrictions has been the most significant demand driver for the Indian textiles industry over the last few years. The lifting of quotas paved way for increased outsourcing of textiles and apparel from low-cost manufacturing bases such as India and China. The exports of manmade fibre based garments are expected to grow at a CAGR of around 7.1 per cent. India's cost competitiveness in POY has improved over the years. In fact, the country currently ranks as the second least-cost producer after China.

The domestic nonclothing market (home and technical textiles) would be largely driven by improving standards of living, rising income levels and nuclearisation of families.

OPPORTUNITIES & THREATS

In clothing, demand for polyester will be largely driven by sarees and ladies dress materials. Urbanisation combined with a rising female working population will drive the demand for female western wear, which uses polyester or blended yarn. Moreover, a large part of the Indian population still wears affordable non-cotton clothes (such as sarees, trousers and shirts), thus representing a sizeable market for the polyester industry.

Though there exists strong potential for demand, the polyester industry will continue to face pressure on margins over the medium term. Feed stock prices are expected to remain firm over the medium term. The pricing flexibility of polyester makers is therefore expected to be limited.

FUTURE OUTLOOK

In India, though preference for cotton is high, a sizeable segment of the population does wear apparels made of polyester and other synthetics, which are more affordable and will therefore continue to support the demand for polyester. The domestic home textiles market will emerge as a key growth driver for the polyester market. Polyester is preferred over cotton in the home furnishings segment, as it is easier to wash and maintain. Favourable income and age demographics are also supporting the growth of apparels and non-apparels in the domestic market. In addition, technical textiles, though currently in the infancy stage in India, are likely to emerge as a key demand driver for the man-made fibre industry.

Demand for POY is expected to increase from segments such as roads, bridges and airports under construction (Geo-textiles), which have been attracting huge investments, for tyre cords and protective airbags in automobiles in auto tech and packaging materials.

It is expected that total polyester demand will grow at a CAGR of around 9.0 per cent from approximately 1.9 million tones in 2006-07 to 2.9 million tones in 2011-12. Polyester filament yarn / partially oriented yarn (PFY/POY) is expected to grow at a slightly higher rate of around 9.2 per cent CAGR till 2011-2012. In contrast, polyester staple fibre (PSF) is projected to grow at a lower CAGR of around 8.7 per cent.

HUMAN RESOURCE DEVELOPMENT (HRD)

Human Resource Development continued to receive focused attention. Industrial relations continued to be cordial throughout the year. The company has strength of 250 permanent employees. The company and its management value the dedication of its employees and acknowledge their contribution in attaining goals of the company. The company has been encouraging employees by providing a better working environment and other additional benefits.

ENERGY CONSERVATION

Nakoda Textile Industries Ltd. has replaced present power plant based on LDO/FO to GAS. From this replacement the company is going to have substantial cost saving, pollution free supply of power. We are also to claim carbon credit because of the use of gas as a fuel for power generation. The process for accredition for claiming carbon credit has already been started.

RISK & CONCERNS

The domestic polyester industry has witnessed significant capacity addition in the last 2 years. These capacities had been set up envisaging higher consumption from the end-use garments and made-ups sectors. However, the additions have taken place too swiftly and far outstrip the growth in demand. The demand supply gap is wide in the industry and that overcapacity will continue in the medium term.

Although feedstock rates are projected to fall in 2008-09, the over supply situation implies that polyester players will have to pass on the decline to consumers, exerting pressure on margins.

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.

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Nakoda

ANNEXURE TO THE DIRECTORS' REPORT
FORM - A
DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	AS AT 31.12.2007	AS AT 31.12.2006
A. POWER AND FUEL CONSUMPTION		
Electricity		
Own Generation		
i) Through Diesel Generator Units (In 000's)	**2594.65**	6487.98
Unit per liter of HSD/LDO/FO	**4.16**	3.71
Cost/Unit (Rs.)	**8.10**	7.04
ii) Through Gas Engine Units (In 000's)	**15085.36**	8110.39
Unit per scm.	**3.53**	4.00
Cost/Unit (Rs.)	**4.42**	4.27
B. CONSUMPTION PER UNIT OF PRODUCTION	**KWH/KGS**	**KWH/KGS**
Products		
POY / FDY	**0.65**	0.55

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

1. Replacement of 2Nos old Cooling Tower Aluminum Fan Blade with FRP Blade helps us to improve Cooling Tower efficiency.
2. Redistribution of medium Air pressure Air in wet and dry helps us to reduce load on dryer and improve efficiency of Compressor by reducing Air flow through dryer (0.6~0.8 Kg/Cm2 Air pressure drop takes place across dryer).

C. Foreign Exchange Earnings : NIL
Foreign Exchange Outgo : 832949549.00

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

Place: Surat
Date : 15.04.2008

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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, 2007 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 compiled 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 : 15.04.2008

N.M. SINGAPURI
PARTNER
MEMBERSHIP NO. 11601

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