

24th
ANNUAL REPORT
2008

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nakoda textile industries limited

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

Registered Office & Plant

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

Company Secretary

Mrs. Rashmi Bhatt

Auditors

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

Corporate Office

121, Mittal Court, 12th Floor
"A" Wing, Nariman Point,
Mumbai 400021

Administrative Office

738, Ajanta Shopping Centre,
Ring Road, Surat 395002

Bankers

Canara Bank
State Bank of Patiala
Syndicate Bank
Axis Bank Ltd.

www.nakoda.co.in



NOTICE

Notice is hereby given that the 24th Annual General Meeting of the members of **NAKODA TEXTILE INDUSTRIES LIMITED** will be held on Wednesday, the 24th June, 2009 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 2008 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Smt. P. B. Jain who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint Auditors and to fix their remuneration.
4. To declare dividend.

SPECIAL BUSINESS:

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

5. As An Ordinary Resolution

"RESOLVED THAT in terms of section 81 and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of Articles of Association of the Company and subject to the consent of the Securities and Exchange Board of India (SEBI) and all other concerned authorities and departments, if any and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed in granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (herein after referred to as "The Board" which term shall be deemed to include any committee of the Board), at its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer and issue equity and/or preference shares at premium by way of Public / Rights / Preferential issue / Private Placement or in such other manner, in such trench or trenches in Indian Rupees and / or foreign currency of an aggregate amount of Rs. 100 Crores including premium if any, either in cash or for consideration other than cash to such person or persons (including Banks, Financial Institutions, Mutual Funds, Employees, Foreign Suppliers of Equipments or Technology and Public), whether shareholders of the Company or not and at such time as the Board may, in their absolute discretion and in the best interest of the Company may deem fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to the issue and allotment of the said shares including the power to allot the unsubscribed shares, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company."

6. 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 2009, 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 may be required."

7. 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 D. B. Jain Joint Managing Director with effect from 1st April 2009, 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 may be required."

8. As a Special Resolution

"RESOLVED THAT Mr. M. S. Nayak who was appointed as an additional director by the Board of Directors and holds office upto the date of Annual General Meeting of the Company, and in respect of whom the company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Non Executive Director of the Company and will be liable to retire by rotation."

By Order of the Board
RASHMI BHATT
Company Secretary

Place: Mumbai
Date : 30.05.2009

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 17th June 2009 to 24th June 2009 (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 at item no.2 given in Annexure-A.
Smt. P. B. Jain, Director of the Company is having a rich experience in textile industry. She has been associated with the Company since incorporation retires by rotation and being eligible offers herself 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 Administrative office of the Company on or before 15th June, 2009 enabling the management to keep the information ready.
7. Members are requested to note that all correspondence relating to share transfer, Change of Address and Dematerialization should be addressed to the Administrative 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.
8. Dividend on equity shares as recommended by the Board of Directors, if declared at the meeting, will be payable to those Members, whose names appear on the register of members of the company, after giving effect to valid share transfers in physical form lodged with the company at the close of business hours on Wednesday, June 24, 2009, to their registered addresses and the respective Beneficial Owners as per the list furnished by National Securities Depository Limited and Central Depository Services (India) Limited, at the close of business hours on Wednesday, June 24, 2009.

Place: Mumbai
Date : 30.05.2009

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

The resolution in item No. 5 is put forth thereby enabling the Company to have full authority to create, offer and issue equity and /or preference shares by way of either public / Rights / Preferential issue / Private Placement or in such other manner at any stage later on.

Your directors recommend that the proposed resolution be adopted. The directors of the Company are deemed to be concerned or interested in the resolution to the extent of their share holding in the Company.

Item No. 6

In partial modification of the agreement executed by the Company with the Managing Director, the Board in its meeting held on 30th May 2009 made the following modifications in the remuneration of Sh. B. G. Jain w.e.f. 1st April 2009 which is subject to your approval.

1. The Managing Director shall be entitled to following remuneration and perquisites.
 - a) Salary Rs. 3,00,000/- 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. 25,000/- 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. 6,000/-.
 - viii) Reimbursement of entrance fee and subscription for membership 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. 6,000/- 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, Smt. P. B. Jain & Shri D. B. Jain directors of the Company are interested in this resolution.

Item No. 7

In partial modification of the agreement executed by the Company with the Joint Managing Director, the Board in its meeting held on 30th May 2009 made the following modifications in the remuneration of Sh. D. B. Jain w.e.f. 1st April 2009 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. 20,000/- 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. 5,000/-.
 - viii) Reimbursement of entrance fee and subscription for membership 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. 5,000/- 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. 7 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. 8

In accordance with Section 260 of the Companies Act, 1956 Mr. M. S. Nayak holds office as a Director of the Company till the forthcoming Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. M. S. Nayak to the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr. M. S. Nayak aged 62 years is having a rich experience in Finance and his induction on the Board would benefit the Company. Hence, the Board recommends that the resolution set out in item no. 8 be carried out. None of the directors are interested in this resolution.

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	Smt. P. B. Jain
	Date of Birth	07.07.1956
	Date of Appointment	Since Incorporation
	Expertise in specific functional area	Textile
	Directorship held in other Public companies	—
2	Name of the Director	Sh. M.S. Nayak
	Date of Birth	07.01.1947
	Date of Appointment	21.02.2009
	Expertise in specific functional area	Finance
	Directorship held in other Public companies	—

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MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure & Development

The man-made fibres industry is insulated from the effects of the global economic meltdown as derived demand accounts for only 14 percent of total demand.

Riding on a high growth trajectory, organized retail in India is expected to expand at nearly 28 percent per annum over the next 5 years. The primary factors contributing to this robust growth rate are rising disposable income, demographic changes, changing face of consumerism, growth of retail malls and growing performance of shopping through credit cards. Of the organized retail, clothing and textile comprise the largest share at 28 percent.

Opportunities & Threats

Usage of PFY (POY / FDY) in non cotton fabric accounts for 76 percent of total domestic consumption of PFY. Over the past 5 years, demand for non cotton fabrics has grown at a CAGR of 5.7 percent which has translated into a 5.3 percent growth of domestic consumption of PFY. Going forward, we expect non cotton fabrics to grow at a faster pace which will translate into faster growth of PFY. Margins of domestic POY (partially oriented yarn, POY is converted to PFY by a process known as texturising) players are expected to improve over the medium term from current levels as domestic operating rates improve.

Other key factors, besides operating rates, determining margins are feedstock and cotton yarn prices. However at the present time, feedstock prices being linked to crude prices are expected to decline and cotton yarn prices are also expected to remain high. Both the facts coupled with improving operating rates will support higher POY margins.

Demand for man-made fibres in 2009 is expected to remain stagnant at its 2008 levels on account of a temporary slack due to the weakness in the global and domestic economy.

However, the domestic demand for polyester filament yarns remained steady having temporary sluggishness in the last quarter of 2008. The market has shown firmness thereafter and is expected to grow in future.

Future Outlook

Gross margin (price less input cost) of POY/FDY are expected to improve gradually over the next 5 years. Declining feedstock costs, high cotton prices, and improving operating rates are likely to support higher margins in the long term.

Growth of the technical textile industry will drive growth of POY/FDY. Lower polyester prices due to lower prices of fibre intermediates (because of lower crude oil prices) will make polyester more attractive vis-à-vis Cotton and Viscose. Demand for POY/FDY is expected to grow by 4.7 percent in 2009, growing at a CAGR of 8.9 percent in the period 2009-2012.

Average household income is expected to grow by 40-45 percent by 2012 over 2007 levels, which will increase disposable income. Therefore, increased consumer spending will drive growth of the apparel and non-apparel segment.

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 275 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

The use of gas machines have led to substantial cost saving and pollution free supply of power. The process for accreditation for claiming carbon credit also has already started and within short period the registration is expected.

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 may outstrip the growth in demand temporarily thereby causing some pressure on the margins of domestic players for the time being.

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 those envisaged.

ANNEXURE TO THE DIRECTORS' REPORT

FORM A

DISCLOSURES OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	ASAT 31.12.2008	ASAT 31.12.2007
A. POWER AND FUEL CONSUMPTION		
Electricity		
Own Generation		
i) Through Diesel		
Generator Units (In 000's)	652.61	2594.65
Unit per liter of		
HSD/LDO/FO	4.53	4.16
Cost/Unit (Rs.)	6.93	8.10
ii) Through Gas		
Engine Units (In 000's)	34468.28	15085.36
Unit per scm	3.75	3.53
Cost/Unit (Rs.)	3.95	4.42
B. CONSUMPTION PER UNIT OF PRODUCTION		
	KWH/KGS	KWH/KGS
Products		
POY / FDY	0.80	0.65

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. Installation of 2 nos. Inverter on cooling Water Pumps in FDY section helps us to run Pumps on lower frequency.	
2. Installation of 2 nos. Inverter on chilled Water Pumps in FDY section helps us to run Pumps on lower frequency.	
3. Installation of Inverter in Fan of cooling towers in POY and FDY section helps us to run towers on lower frequency.	
4. POY and FDY section chilled water line inter connection helps us to stop chilling plant in POY section in winter season.	
5. Spinning fresh air AHU stopped in POY section by increasing return from spinning floor.	
6. FDY section yarn suction gun pressure reduced.	
C. Foreign Exchange Earnings	: NIL
Foreign Exchange Outgo	: Rs. 28557500.00

For and on behalf of the Board

Place: Mumbai Shri B. G. Jain Chairman & Managing Director
Date : 30.05.2009 Shri D. B. Jain Joint Managing Director



CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company believes in continuous good corporate governance and always strives to improve performance at all levels by adhering to corporate governance practices, such as managing its affairs with diligence, transparency, responsibility and accountability. We have, therefore designed our systems and action plan to enhance performance and stakeholder value in the long run. We take pleasure in reporting that your company has complied with the features of corporate governance specified in Clause 49 of the Listing Agreement.

Your company firmly believes that building a culture of compliance is more than meeting regulations and standards. Your company is always proactive in meeting mandated standards and practicing Corporate Governance in spirit and not just the letter of the Law.

Your company's philosophy on Corporate Governance is based on following principles:

- Preserving core values and ethical business conduct.
- Commitment to maximizing shareholder value on a sustained basis.
- To enhance the efficiency of the Board and inculcate a culture of transparency, accountability and integrity across the company.
- Perceiving and mitigating the various risks that impact the company.
- Make timely and transparent disclosures.
- Legal and statutory compliances in its true spirit.

Your company's contributory factor is self regulatory system of prompt reporting, monitoring, certification and voluntary code of practice and standards which improves management effectiveness, supervision and accountability to stakeholders.

CORPORATE ETHICS

As a responsible corporate the company consciously follows corporate ethics in both business and corporate interactions. The various Codes and Policies adopted by the company, act as a guiding principal to its functioning. Some of our Codes and Policies are:

- Code of Conduct and Ethics for Senior Management.
- Code of Conduct for Prevention of Insider Trading.
- Policy of Corporate Social Responsibility.
- Policy of Corporate Governance.
- Legal Compliance Policy.
- Whistle Blower Policy.
- Policy on Customer Grievances.
- Employee participation in Management.

These Codes/ Policies and their effective implementation underpin the commitment of the company to uphold highest principles of Corporate Governance consistent with the company's goal to enhance stakeholder value.

BOARD OF DIRECTORS

PECUNIARY RELATIONSHIP

Non executive Directors / Independent Directors are committed to high level of Corporate Governance and as such they do not have any material pecuniary relationship with the company except as stated in the Corporate Governance Report.

COMPOSITION

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. Five Board Meetings were held during the year 2008 and all the operational and statutorily required information were placed before the Board. The details of the composition of the existing Board of Directors are 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. B. G. Jain	CMD	5	No	---	---	6
Sh. D. B. Jain	JMD	4	Yes	3	2	10
Smt. P. B. Jain	NED	5	No	2	---	2
Sh. B. L. Maheshwari	NED/I	2	No	2	1	5
Sh. S. K. Bhoan	NED/I	5	No	---	---	5
Sh. M.S. Nayak*	NED/I	0	No	---	---	---

CMD -Chairman & Managing Director, JMD-Joint Managing Director, NED-Non Executive Director, I-Independent (*appointed on 21.02.2009)

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 directors viz. Sh. D. B. Jain, Sh. B. L. Maheshwari 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.