



**Annual
Report
2011**

NAKODA LIMITED
Annual Report 2011

BOARD OF DIRECTORS

Mr. B. G. Jain	Chairman & Managing Director
Mr. P. P. Vora	Director
Mr. P. J. Shah	Director
Mr. S. K. Bhoan	Director
Mr. B. L. Maheshwari	Director
Mr. Ishtiaq Ali	Director
Mr. Arvind Sinha	Director
Dr. J. A. Prem	Director
Mrs. P. B. Jain	Director
Mr. D. B. Jain	Jt. Managing Director

COMPANY SECRETARY

Mrs. Rashmi Bhatt

AUDITORS

N. M. Singapuri & Co.
Chartered Accountants,
Surat - 395 001

REGISTERED OFFICE & MANUFACTURING FACILITY

Block No. 1&12 to 19,
Village - Karanj ; 394 110
Taluka - Mandvi,
Dist. - Surat

ADMINISTRATIVE OFFICE

A-701, International Trade Centre,
Majura Gate, Ring Road,
Surat -395 002

CORPORATE OFFICE

15B, 15th Floor, Earnest House,
194, Nariman Point,
Mumbai - 400 021

BANKERS

Canara Bank
Corporation Bank
State Bank of Patiala
Syndicate Bank
UCO Bank
Indian Overseas Bank
Karur Vysya Bank Ltd.
Union Bank of India
Lakshmi Vilas Bank Ltd.
Axis Bank Ltd.

GREEN INITIATIVE

As you may be aware, the Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. Companies can send various notices and documents, including Annual Report, to its shareholders through electronic mode to their registered e-mail addresses. To support this green initiative of the Government in full measures, members are requested to register their email addresses at rashmi.bhatt@nakodaltd.com, in respect of electronic holdings with the Depository Participants.

NOTICE

Notice is hereby given that the 27th Annual General Meeting of the members of **NAKODA LIMITED** will be held on Saturday the 23rd June 2012 at 4.00 P. M. at the Company's Registered Office at Block No. 1 & 12 to 16, Village - Karanj, Taluka -Mandvi, Dist.- Surat – 394110.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Accounts for the year ended on 31st December 2011 together with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. P. P. Vora who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. P. J. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.
5. To declare dividend.

SPECIAL BUSINESS:

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

6. As an Ordinary Resolution

"Resolved that Mr. Arvind Sinha 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, in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

7. As an Ordinary Resolution

"Resolved that Mr. Ishtiaq Ali 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, in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

8. As an Ordinary Resolution

"Resolved that Dr. J. A Prem 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, in writing proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

9. As a Special Resolution:

"RESOLVED THAT, pursuant to the provisions 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. 1,50,00,00,000 (Rupees One Hundred Fifty Crores only) divided in to 30,00,00,000 (Thirty Crore) Equity Shares of Rs. 5/- each."

"FURTHER RESOLVED 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 new Clause V thereof:

V. The Authorised Share capital of the Company is Rs. 1,50,00,00,000 (Rupees Hundred Fifty Crores only) divided in to 30,00,00,000 (Thirty Crore) Equity Shares of Rs. 5/- 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 (5) of Articles of Association of the Company be and is hereby altered by substituting the existing article with the following new Article: (5)

(5) The Authorised Share capital of the Company is Rs. 1,50,00,00,000 (Rupees Hundred Fifty Crores only) divided in to 30,00,00,000 (Thirty Crore) Equity Shares of Rs. 5/- each."

By Order of the Board of Directors of
 Nakoda Limited
Rashmi Bhatt
 Company Secretary

Place: Mumbai
 Date: 12.05.2012

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 18th June 2012 to 23rd June 2012 (both days inclusive).
4. The Board of Directors at its meeting held on 12th May 2012 has recommended a dividend of Rs. 0.25 per equity share of Rs. 5/- each for the financial year ended 31st December 2011. Dividend, if declared, at the Annual General Meeting, will be paid by the Company on and from 15th July 2012 to those members entitled thereto whose names appear in the Register of Members of the Company as on 23rd June 2012. With respect to shares held in dematerialized form in the Depository System, dividend thereon will be paid to the beneficial owners as per the data received from the Depositories.
5. Payment of Dividend through ECS:
 - a) Members holding shares in physical form are advised to submit particulars of their bank account as per attached ECS form to the Company's Registrar and Share Transfer Agents M/s. MCS Ltd., Neelam Apartment, 88, Sampatrao Colony, B/h Federation Bldg., Alkapuri, Baroda-390007
 - b) Members holding shares in demat form are requested to update the particulars of bank account to their respective depository participant.
6. As required in the terms 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, 3, 6, 7 & 8 is given in Annexure-A.
7. Members are requested:
 - a) to bring their copies of Annual Report and Attendance Slip at the time of the meeting.
 - b) to quote their Folio No.(s) in all correspondence.
 - c) to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting, in case they hold shares in dematerialized form.
 - d) to forward their queries, if any, so as to reach the Administrative Office of the Company on or before 18th June, 2012 enabling the management to keep the information ready.
8. The members are requested to intimate immediately, any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the company's Share Transfer Agent, MCS Ltd., if the shares are held by them in physical form.

EXPLANATORY STATEMENT

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

Item No. 6

In accordance with Section 260 of the Companies Act, 1956 Mr.

Arvind Sinha 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. Arvind Sinha to the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr. Arvind Sinha is B. Tech and Master of Management Studies having 34 years working experience with various companies nationally and internationally. He has worked on various assignments in India and abroad. He is actively engaged with World Bank & IMF for their various projects and receiving appreciation certificate for last four years. He is dealing in camouflage fabrics for last many years with various armed forces, presented many papers and articles on defense textiles, business with China, economics and environment studies. He has been a certified food safety management systems auditor for international managements.

Except Mr. Arvind Sinha no other Directors are interested in the proposed resolution.

Item No. 7

In accordance with Section 260 of the Companies Act, 1956 Mr. Ishtiaq Ali 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. Ishtiaq Ali to the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr. Ishtiaq Ali is B.Sc., LL.M. is a Senior Partner of Classis Law, a leading international Law firm. He is having more than 30 years of rich experience in handling diverse Legal matters including 17 years with IFCI Ltd. He is associated with various international forums and has presented papers at number of seminars in India and abroad. He is an internationally acclaimed Project Finance Lawyer. He is also associate with the promotion of Islamic Banking in India.

Except Mr. Ishtiaq Ali no other Directors are interested in the proposed resolution.

Item No. 8

In accordance with Section 260 of the Companies Act, 1956 Dr. J. A. Prem 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 Dr. J. A. Prem to the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Dr. Prem, B.Tech in Textiles and did his post graduation in Personnel Management from Mumbai University and Ph.D. in counseling & Leadership from University of Louisiana, U.S.A. He has 40 years experience of working in various positions in Textile Industry, various Ministries in Govt. of India and his last assignment being Deputy Commissioner of Custom in the Indian Revenue Service till 2001. Presently he is Managing Director of a reputed Consultancy firm in Mumbai. He is also associated with various Social Welfare Organizations apart from being founder Chairman of Crossroads Prison Ministries (NGO engaged in rehabilitation of prisoners and their families). He has also represented India in the International Conference of Prison Ministries at Budapest, Hungary and in the International YMCA Conference at Kentucky, USA & Glasgow, UK.

Except Dr. J. A. Prem no other Directors are interested in the proposed resolution.

Item No. 9 & 10

The Company has allotted Convertible Warrants to the promoters and a strategic investor as per the authority given by the members at their Extra Ordinary General Meeting held on 06th March, 2012. It would be necessary to increase Authorised Share Capital of the Company from Rs. 100.00 Crores to Rs. 150.00 Crores before conversion of such Warrants into the equity shares of the Company, 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.

By Order of the Board of Directors of

Nakoda Limited

Rashmi Bhatt

Company Secretary

Place: Mumbai
Date: 12.05.2012

Annexure-A

Details of Directors seeking appointments / re-appointments at the 27th Annual General Meeting (Pursuant to Clause 49(IV)(E) of the Listing Agreement)

1	Name of the Director	Sh. P. P. Vora
	Date of Birth	01.10.1943
	Date of Appointment	04.08.2010
	Qualifications	B COM, FCA CAIIB
	Expertise in specific functional area	Finance
	Directorships held in other Public companies	Omaxe Ltd. J Kumar Infra Projects Ltd. National Securities Depository Ltd. Reliance Capital Trustee Company Ltd. Reliance Home Finance Ltd. Sterling Addlife India Ltd. Halonix Limited
2	Name of the Director	Sh. P. J. Shah
	Date of Birth	02.05.1958
	Date of Appointment	10.05.2010
	Qualifications	B. Com. LL. B.
	Expertise in specific functional area	Corporate Legal Matters
	Directorships held in other Public companies	PSL Ltd.
3	Name of the Director	Sh. Arvind Sinha
	Date of Birth	14.05.1955
	Date of Appointment	06.08.2011
	Qualifications	B. Tech., MMS
	Expertise in specific functional area	Textile & Finance
	Directorships held in other Public companies	–
4	Name of the Director	Sh. Ishtiaq Ali
	Date of Birth	30.05.1953
	Date of Appointment	06.08.2011
	Qualifications	B.Sc., LL.M.
	Expertise in specific functional area	Corporate Legal Matters
	Directorships held in other Public companies	–
5	Name of the Director	Dr. J. A. Prem
	Date of Birth	27.01.1950
	Date of Appointment	06.08.2011
	Qualifications	B. Tech, Ph. D. in Counseling & Leadership
	Expertise in specific functional area	Textile Counseling
	Directorships held in other Public companies	–

DIRECTORS REPORT

Your Directors have pleasure in presenting their 27th Annual Report together with the Audited Accounts for the year ended 31st December 2011.

FINANCIAL RESULTS

The Company's financial performance during the year is summarized below:

(Rs. In Cr)		
Year Ended 31 st December 2011	2011	2010
Turnover & Other Income	2145.70	1343.31
Gross Profit (before Financial Charges & Depreciation)	109.90	65.86
Interest & Financial Charges	35.65	24.98
Profit before Depreciation (Cash Profit)	74.25	40.88
Depreciation	24.83	7.73
Profit for the year	49.42	33.15

FINANCIAL HIGHLIGHTS

The Gross Income of the Company for the year rose to Rs. 2145.70 Cr from Rs. 1343.31 Cr during the previous year showing a growth of 59.73%. Gross Profit before Financial Charges and Depreciation grew by 66.87% and stood at Rs. 109.90 Cr during the year compared to Rs. 65.86 Cr during the previous year. Profit for the year grew at an impressive rate of 49.08% and was registered at Rs. 49.42 Cr against Rs. 33.15 Cr during the previous year. The Company, accordingly, exhibited an all round improved performance with handsome growth.

DIVIDEND

To plough back the profit for Company's proposed expansion plan your Directors recommend a dividend of Rs. 0.25 per equity share of Rs.5 each on 19,84,00,000 shares for the year ended 31st December, 2011 for your consideration.

The Dividend, if approved at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the register of members of the Company as on the Book closure date.

OPERATING RESULTS

The year 2011 was another year of rapid growth for the Company. Your Company showed a significant improvement in business as compared to the previous year despite high raw material and fuel prices. Your Company recorded 59.73% growth in net revenue at Rs. 2145.70 Cr from Rs. 1343.31 Cr in the year-ago period, which enabled the Company to maintain its track record of sustained year-on-year growth. The growth in revenue was largely driven by higher sales volumes, aided by new capacities of Polyester Chips of about 50149.77 MTPA which commenced commercial production during the year, and increase in product prices.

The volatility in raw material prices continued throughout the year. Effectively the average international price increase resulting in higher raw material costs for MEG and PTA was about 25% and 22% respectively. In rupee terms, the average price of raw materials during the year increased by 17% compared with the previous year. Notably, in the second half of the year, the Company's raw material prices increased by an unprecedented 61%. The speed and magnitude of the rise results in slowdown in demand but your Company was able to pass on the price increases to a large extent.

Tightness in supply due to planned and unplanned plant maintenance shut downs of major raw material suppliers resulted in shortage of PTA and MEG as well as increase in prices. This affected Company's operations for a part of the year.

EXPANSION PROGRAMME

The on-going spinning expansion plan at an estimated cost of Rs.234 Cr. is in the advance stage of implementation and is expected to be completed during the last quarter of the current financial year.

Your Company has decided to venture in to further capacity expansion at a new location by setting up a 2,80,000 MTPA plant comprising of Continuous Polymerisation, Direct Melt Spinning for the manufacture of POY and FDY in the denier range of 30 to 500 having 12 to 578 filaments in Bright, Semi-dull, Full-dull, Cationic and Dope-dyed yarns. After the completion of the Expansion Project, Nakoda will be in a position to cater to the entire range of Polyester yarns in the domestic as well as international market. The project is estimated to cost Rs. 1935 Cr. and is proposed to be financed by a mix of equity and internal resources and also the long terms debts. The required equity for the same is already raised partly through GDRs and partly through preferential allotments to the promoters and strategic investors.

Highlights:

- State of the art R&D facilities to develop specialty yarns which cannot be afforded by small and medium units.
- About 50% of the production to be captively utilized at Surat Super Yarn Park Ltd. (SSYPL) located in vicinity of the project.
- To be the only fully integrated Polyester Filament Yarn plant in the country.
- To be the first fully automatic plant in India.
- 100% coal based captive power generation assuring uninterrupted quality power supply at much cheaper rates.
- Significant savings in packaging cost by elimination of cartons for the material to be supplied to SSYPL.
- Similar savings in the cost of certain inventories like spools, caps, pallets and some other goods.

CAPITAL STRUCTURE

During the year under review, the share capital of your Company was changed / altered by further allotments as under:

Company has issued and allotted 7,20,00,000 equity shares of Rs. 5/- each at a premium of Rs. 10/- per equity share on conversion of 3,60,00,000 Warrants of Rs. 30/- each on 19.12.2011 to the Promoters' Group of the Company and Strategic investors.

It has also issued and allotted 2,03,20,000 Warrants of Rs. 50/- each optionally convertible into 10,16,00,000 equity shares of Rs. 5/- each at a premium of Rs. 5/- per equity share (i.e. 5 Equity Shares for each Warrant allotted) within 18 months from the date of allotment i.e. 30.03.2012 to the Promoters' Group of the Company and Non-promoter investors.

SUBSIDIARY COMPANIES

During the year, Nakoda Green Power Ltd. has been formed as wholly owned subsidiary of the company.

A statement in respect of each of the subsidiaries, giving the details of capital, reserves, total assets and liabilities, details of investment, turnover, profit before taxation, provision for taxation, profit after taxation and proposed dividend is attached to this report.

Annual accounts of subsidiary companies and the related detailed information will be made available to the holding and subsidiary company investors, seeking such information. Copies of the annual accounts of the subsidiary companies are available for inspection by any investor at the registered Office as well as the Administrative office of the company between 11.00 a.m. to 1.00 p.m. on all working days.

DIRECTORS

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

Sh. Arvind Sinha, Sh. Ishtiaq Ali and Dr. J. A. Prem were appointed as Additional Directors of the company on 6th August 2011 to hold office till the date of annual general meeting. Their appointment as a regular director is proposed in the ensuing meeting.

INTERNAL CONTROL SYSTEMS

Your Company has adequate internal control procedures commensurate with the size of operations and the nature of the business. These controls ensure efficient use and protection of Company's financial and non-financial resources. They also have ensured compliance of stipulated policies, procedures and statutes, ensuring accuracy of accounting records and corporate governance.

Regular internal audits and checks ensure that responsibilities are executed effectively.

CORPORATE GOVERNANCE

In line with guidelines recommended by Securities & Exchange Board of India (SEBI), adequate steps have been taken to ensure that all the mandatory provisions of Clause 49 of the Listing Agreement are 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, no major accident took place in plant operations at Karanj for proper safety awareness a safety committee has been formed consisting of group of persons from different departments which overlooks safe working conditions.

The company has provided Safety shoes, Helmets, Safety belts with

full attachments, Gloves, Aprons etc as personal protective equipments, Fire alarm system is attached to security office and various other safety are taken for the safety of employees. Safety training and awareness programmes are being conducted throughout the year.

Your Company has complied with various emission standards and other environmental requirements as per pollution control norms.

In order to improve environment, continuous tree plantations is being done within the factory complex. The Company has constructed water pond for rain water harvesting for increasing ground water level. It provides all types of safety products to all concerned employees.

LISTING

Equity Shares of your Company continue to be listed on the Mumbai Stock Exchange. Annual listing fees have been paid to the Stock Exchange. GDRs are listed on Luxembourg 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.

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 520 permanent employees.

The Company has drawn up plans to attract and retain talent at all levels. The Company also keeps an eye on the attrition levels and draws up appropriate plans to ensure that the employees at all levels find an environment that encourages performance, and transparency in performance appraisal.

FORWARD-LOOKING STATEMENTS

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.

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

We wish to express our gratitude and appreciation for the valuable support and cooperation received from our customers, business associates, banks, financial institutions, shareholders, various statutory authorities and agencies of Central and State Governments. We place on record our appreciation of the contribution made by employees at all levels.

For and on behalf of the Board of Directors

Place: Mumbai
 Date : 12.05.2012

B. G. Jain
 Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

Industry Review

The textile industry is of significant importance to the Indian economy. Industrial Sector accounts for about 25% of GDP and Textile industry's share is about 14% out of it. As per Ministry of Textiles data, textiles account for 2% of GDP, 12% of total manufacturing exports and employs about 35 million people. It is the second-largest employer after agriculture.

Manmade Fibres contribute to 67% of global fibre basket with cotton at 31%. The shift is even more prevalent with the intensifying issues of cotton shortage and price volatility.

In value terms, India's Textile industry is estimated to be worth US \$ 22 billion and domestic market of US \$ 56 billion. The industry had grown from US \$ 58 billion in 2006 at a CAGR of 7.69%. Segmentwise, garments constituted and estimated 64% of the domestic market, followed by household fabrics (nearly 17%), technical textiles (nearly 14.3%) and home textile (nearly 4.7%). In terms of textile units, the Indian Textile industry is one of the largest in the world.

As regards polyester products, the domestic demand increased by 13% during the year 2010-11. However, the year 2011-12 witnessed a sluggish phase due to volatility in the raw material prices, weakening of Rupee, higher interest cost and overall subdued market. The global polyester market also remained depressed during the period.

Opportunities, Threats & Future Outlook

The share of MMF is expected to grow further as the world cotton production is almost nearing its physical maximum and the MMF industry is expected to fulfill the incremental demand. Polyester has overtaken cotton as the dominant fibre, but the cost and availability still plays a significant role in the inter-fibre substitution. Rising crude oil prices and moderating cotton prices will lead the polyester industry to grow at a slower rate in the near future.

Global PFY capacity is expected to grow at a CAGR of 4.4% from the unit 27 MMT to 42 MMT by 2020.

Your company maintains a price-premium for the vast majority of its products spanning chips to yarn. During the year we started the production and sales of specialty chips such as semi dull and Bright which provided better margins in the segment.

A resilient Indian economy with inclusive growth encompassing all round rural development should ensure increased demand for textiles and polyester textiles in particular. Polyester filament fabric owing to its low-cost, versatility of characteristics, durability and wrinkle –resistance as well the very low per-capita consumption holds outstanding potential in India. Nakoda, with a strong positioning in the industry is particularly well placed for the years to come. Your Company's capacity expansion in chips and yarn will yield benefits in times to come.

Indian Economy

According to International Monetary Fund (IMF) Report, the Indian economy is expected to grow by about 7% for 2012. The Indian economy is being driven by high domestic demand and excellent export growth owing to its competitiveness. The population is young, well-employed and fuelled with strong wage increases across states and income categories. The economy is supported by a very healthy savings rate of 34.7% of GDP, the largest increase in working-age population in the world and a healthy financial sector.

Yet there are signs of a perceptible slowdown as witnessed by quarterly growth rates in last two quarters.

Rising manufacturing cost and high inflation may further slow the economy. Global stock market declines will hurt Indian equities and sentiments. Yet these may end up being positive for the economy in the long-term as extremely low interest rates in India of the past, skyrocketing labor costs and land rates as well as asset bubbles were threatening to derail the economy in far more dangerous ways.

Even if the economy were to slowdown the demand for polyester is expected to remain strong as polyester is a defensive sector. In the past consumers have shifted to value products like polyester in uncertain times.

Risks and Concerns

Your Company remains exposed to adverse movements in raw material prices. Large changes in prices tend to cause uncertainty and reduce domestic demand for polyester filament yarn. Your company's emphasis on specialty value-added products, diversified product line, strong marketing capabilities, and brand premium should partly offset this risk. Yet short-term inventory losses may be inevitable in the case of large price declines.

High Crude oil prices will result in high raw material as well as natural gas and fuel oil costs which are key inputs for the Company. Unlike in the previous year it is possible that the Company and industry may not always be able to pass on the entire increase to the customer. Past history has shown that price increases are generally passed on.

Creation of new capacities in polyester yarn and chips may out-pace demand growth in the next 1-2 years. It may lead to price instability and pressure on profit margins. Yet the medium-term for the industry is widely expected to be very bright owing to the rapid demand growth expected.

In the 2008 financial crisis demand held up remarkably well in India as consumers shifted purchases toward value items like polyester clothing. Except for the drastic fall in oil prices which led to inventory losses in the industry, that year was generally a good one for the industry. This time oil prices are much lower than the \$147/barrel peak reached in pre-financial crisis and so has less room to cause large inventory losses. Moreover a recession-induced fall in oil prices will actually help the industry by reducing the price of PTA and MEG which are oil-derivatives. A global downturn will reduce oil prices, generalized economic growth and thus inflationary pressures. This will encourage the RBI to reduce interest rates which will have a positive impact on the Company. Any recession-induced oil price reduction will lower PTA and MEG prices, thus benefitting your Company.

Energy Conservation

The Conservation of energy in all the possible areas is undertaken as an important means of achieving cost reduction. Savings in electricity, fuel and power consumption receive due attention of the management on a continuous basis. Various measures have been taken to reduce air leakages resulting in energy savings.

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

	AS AT 31.12.2011	AS AT 31.12.2010
A. POWER AND FUEL CONSUMPTION		
Electricity (Hathuran Texturising Plant)		
Purchased Units (In 000's)	2085.15	1343.12
Total Amount (Rs. In Lacs)	104.67	68.96
Rate / Unit (Rs.)	5.02	5.13
(Excluding Electricity Duty)		
Own Generation		
i) Through Diesel		
Generator Units (In 000's)	3962.79	2325.08
Unit per liter of		
HSD/LDO/FO	3.82	3.38
Cost/Unit (Rs.)	7.76	7.47
ii) Through Gas		
Engine Units (In 000's)	43340.96	38402.73
Unit per scm	3.35	3.77
Cost/Unit (Rs.)	4.03	3.56
B. CONSUMPTION PER UNIT OF PRODUCTION		
	KWH/KGS	KWH/KGS
Products		
POY, FDY & Texturised Yarn	0.45	0.62

FORM – B

A. RESEARCH AND DEVELOPMENT

- Specific area in which R & D carried out by the Company : Not Applicable
- Benefits derived as a result of above R & D : Not Applicable
- Future plan of Action : Not Applicable
- Expenditure on R & D : Not Applicable

B. Technology absorption adoption and Innovation:

Timely completion of the projects as well as meeting the budgetary requirements are the two critical areas where different techniques help to a great extent. Many innovative techniques have been developed and put to effective use in the past and the efforts to develop new techniques continue unabated.

Replacement of Reciprocating compressors of low pressure & medium pressure Air of POY & FDY section with centrifugal compressor.

- | | |
|------------------------------|------------------|
| C. Foreign Exchange Earnings | : Rs.159.00 Lacs |
| Foreign Exchange Outgo | : Rs.157.92 Lacs |

For and on behalf of the Board of Directors

Place: Mumbai

B. G. Jain

Date : 12.05.2012

Chairman & Managing Director

CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company's commitment for effective corporate governance is continuous process to benchmark its efforts within accepted standards for the creation of golden and trustable value towards the shareholders.

Corporate Governance ensures fairness, transparency and integrity of the management. Corporate Governance is a way of life, rather than a mere legal compulsion. It further inspires and strengthens investor's confidence and commitment to the Company.

The Board of Directors represents the interest of the Company's stakeholders, for optimizing long-term value by way of providing necessary guidance and strategic vision to the Company. The basic philosophy of Corporate Governance in the Company is to achieve business excellence for long term stakeholder value. We believe that sound corporate governance is critical to enhance and retain stakeholders trust.

Corporate governance is a journey for constantly improving sustainable value creation and is an upward moving target. We have undertaken several initiatives towards maintaining the highest standards.

Key Board activities during the year

The Board provides and critically evaluates strategic direction of the Company, management policies and their effectiveness. Their remit is also to ensure that the long-term interests of the shareholders are being served.

Corporate Social Responsibility (CSR)

Social welfare and community development is at the core of Nakoda's CSR philosophy and this continues to be a top priority for the Company. The CSR teams at the Company's manufacturing divisions interact with the neighboring community on regular basis.

Shareholders communications

The Board recognizes the importance of two-way communication with shareholders and of giving a balanced report of results and progress and responds to questions and issues raised in a timely and consistent manner. Shareholders seeking information may contact the Company directly throughout the year.

Observance of the Secretarial Standards issued by the Institute of Company Secretaries of India

The Institute of Company Secretaries of India (ICSI) is one of the premier professional bodies in India. ICSI has issued Secretarial Standards on important aspects like Board meetings, General meetings, Payment of Dividend, Maintenance of Registers and Records, Minutes of Meetings, Transmission of Shares, Passing of Resolutions by Circulation, Affixing of common Seal and Forfeiture of Shares. Although these standards are recommendatory in nature, the Company substantially adheres to the standards voluntarily.

BOARD OF DIRECTORS

COMPOSITION

The present strength of the Board of Directors is Ten inclusive of chairman cum managing director, joint managing director, five non-executive directors and three additional directors. Four Board Meetings were held during the year 2011 and all the operational and statutorily required information were placed before the Board. The details of the composition of the existing 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. B. G. Jain	CMD	4	Yes	1	1	7
Sh. D. B. Jain	JMD	3	No	4	---	11
Smt. P. B. Jain	NED	2	No	1	---	3
Sh. B. L. Maheshwari	NED/I	3	No	1	1	9
Sh. S. K. Bhoan	NED/I	4	No	1	---	2
Sh. P. J. Shah	NED/I	3	No	1	---	2
Sh. P. P. Vora	NED/I	4	No	1	1	10
Additional Directors (w.e.f. 06.08.2011)						
Sh. Arvind Sinha	NED/I	2	No	---	---	1
Sh. Ishtiaq Ali	NED/I	1	No	---	---	2
Dr. J. A. Prem	NED/I	---	No	---	---	---

CMD – Chairman & Managing Director, JMD-Joint Managing Director, NED–Non Executive Director, I–Independent

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. B. L. Maheshwari, Sh. D. B. Jain and Sh. P. J. Shah. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. The committee met four times during the period under review.

Audit Committee met on 01.02.2011, 12.05.2011, 06.08.2011 & 07.11.2011 during the year under review.

The management of the Company is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audit of the Company's financial statements in accordance with the generally accepted auditing practices and for issuing reports based on such audits. The Audit Committee supervises these processes and thus ensures proper and timely disclosures to maintain the transparency, integrity and quality of financial control and reporting.

MANAGEMENT COMMITTEE

The Company has constituted a Management Committee, comprising of three directors viz. Sh. B. G. Jain, Sh. D. B. Jain and Sh. S. K. Bhoan to carry out day to day activities of the Company and approve certain matters which come up in an emergency situation between the two Board Meetings.

Management Committee met on 04.03.2011, 22.03.2011, 28.03.2011, 31.03.2011, 07.07.2011, 18.07.2011, 30.07.2011, 05.09.2011, 28.09.2011, 30.09.2011, 11.10.2011, 19.10.2011, 07.12.2011 & 19.12.2011 during the year under review.

The Non-Executive Directors are paid sitting fee at the rate of Rs. 10,000 for attending each Board meeting and Rs.5000/- for each committee meetings thereof. Each of the Non-Executive Directors is also paid commission amounting to Rs. 6,00,000 on an annual basis and the total commission payable to such directors shall not exceed 1% of the net profits of the company.

Sitting Fee and Commission to the Non-Executive Directors, for 2011 are as detailed below:

Name of the Non- Executive Director	Sitting Fee	Commission	Total
Smt. P. B. Jain	30000	600000	630000
Sh. B. L. Maheshwari	40000	600000	640000
Sh. S. K. Bhoan	40000	0	40000
Sh. P. J. Shah	40000	600000	640000
Sh. P. P. Vora	45000	600000	645000
Additional Directors (w.e.f. 06.08.2011)			
Sh. Arvind Sinha	20000	0	20000
Sh. Ishtiaq Ali	10000	0	10000
Dr. J. A. Prem	0	0	0
Total	225000	2400000	2625000

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	4,00,000/- P.M.	* Perquisites restricted to an amount equal to the annual salary
Sh. D. B. Jain	3,00,000/- P.M.	

* Perquisites 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.

INVESTOR GRIEVANCE COMMITTEE

The Company has constituted an Investor Grievance Committee, comprising of Sh. P. P. Vora, Sh. D. B. Jain and Smt. P. B. Jain. The Committee meets half yearly to review the Investors Grievance status as submitted by the Registrar and Transfer Agent M/s MCS Ltd. The Board has designated Smt. R. T. Bhatt, Company Secretary as the Compliance officer.

DETAILS OF COMPLAINTS FOR THE YEAR 2011

Sr. No.	Nature of Complaint	Received	Disposed	Pending
1	Non Receipt of Sub divided shares	3	3	Nil
2	Non Receipt of Bonus shares	6	6	Nil
3	Non receipt of Dividend Warrant	10	10	Nil
4	Non receipt of shares sent for transfer	4	4	Nil

GENERAL MEETINGS

General Meetings of the Company held during last three year:

Year	Location	Date	Time	Special Resolution
2008 AGM	Block No. 1&12 to 16, Village - Karanj, Taluka - Mandvi, Dist.- Surat.	24.06.09	12.30 P.M.	1. Mr. M. S. Nayak appointed as director of the Company.
EGM	Block No. 1&12 to 16, Village - Karanj, Taluka - Mandvi, Dist.- Surat.	04.01.10	12.30 P.M.	1. Alteration of AOA for subdivision of Authorised share capital. 2. Change in Name of the Company.
2009 AGM	Block No. 1&12 to 16, Village - Karanj, Taluka - Mandvi, Dist.- Surat.	10.06.10	12.30 P.M.	1. Mr. P. J. Shah appointed as director of the Company. 2. Resolution for issue of equity shares and/or Equity Shares through depository receipts and/or convertible bonds and/or other securities convertible into Equity Shares. 3. Resolution for Issue of Warrants on preferential basis. 4. Alteration of MOA for enhancement in Authorised share capital. 5. Alteration of AOA for enhancement in Authorised share capital. 6. Resolution to authorize the Board of Directors to create mortgage and or charge over all or any of the company's immovable and movable assets.
2010 AGM	Block No. 1&12 to 16, Village - Karanj, Taluka - Mandvi, Dist.- Surat.	27.06.11	11.30 . A.M	1. Mr. P. P. Vora appointed as director of the Company. 2. Alteration of articles 80(2) & 60 of the Articles of Association of the Company. 3. Resolution for payment of commission to the Non Executive Directors of the Company

SUBSIDIARY COMPANIES

Clause 49 defines a 'material non-listed Indian Subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

As on 31st December, 2011, the company has no such material non-listed subsidiary.

DISCLOSURES

- There were no materially significant transactions with related parties, which were in conflict with the interests of the Company. Suitable disclosures as required by Accounting Standard (AS-18)- Related Party Transactions, has been made in the Annual Report.
- There were no penalties, strictures imposed on the Company by Stock Exchanges or Securities & Exchange Board of India (SEBI) or any other Statutory Authority on any matter related to Capital Markets during the last three years.
- No personnel have been denied access to the audit committee.
- Disclosure with respect to the utilization of monies raised through preferential issue to the audit committee has been made as required as per Clause 49(IV)(D) of Listing agreement.

CODE OF CONDUCT

The Board of Directors has adopted a code of conduct for Directors and Senior Management Personnel of the Company. It is placed on the website of the Company. All Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for

the year under review.

CEO / CFO CERTIFICATION

The requisite certification from the Managing Director / CFO required to be given under Clause 49(V) was placed before the Board of Directors of the Company.

MEANS OF COMMUNICATION

- The Board of Directors of the Company approves and takes on record the quarterly, half yearly financial results in the proforma prescribed by Clause 41 of the Listing Agreement within 45 days of the close of the respective period.
- The approved financial results are forthwith sent to the Listed Stock Exchanges and are published in the leading newspapers namely the Western Times English, Dhabkar Gujarati, Surat within forty-eight hours of approval thereof. The highlights of the results are also published in Economic Times (+e paper), Business Standard (+e Paper), Business Line and DNA Money.
- As the Company's quarterly financial results are published in press and also posted on its website, the same are not mailed to the shareholders.
- Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

GENERAL SHAREHOLDER INFORMATION

1.	Annual General Meeting Day, Date, Time & Venue	Saturday, the 23 rd June, 2012 at 4.00 P. M. at Block No. 1 & 12 to 16, Village - Karanj, Taluka - Mandvi, Dist. - Surat - 394 110.
2.	Financial calendar December 2012 (Tentative) Annual General Meeting Results For the Quarter ended 31.03.2012 Results For the Quarter ended 30.06.2012 Results For the Quarter ended 30.09.2012 Results For the Quarter ended 31.12.2012	: May – June 2013 : Second Week of May 2012 : Second Week of August 2012 : Second Week of November 2012 : Second Week of February 2013
3.	Date of Book Closure	18 th June 2012 to 23 rd June 2012 (both days inclusive)
4.	Dividend Payment Date	On and from 15 th July 2012
5.	Registered office	Block No. 1 & 12 to 16, Village – Karanj, Taluka -Mandvi, Dist.- Surat - 394 110.
6.	Listing on Stock Exchanges	Equity Shares Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Scrip Code : 521030 ISIN: INE559B01023 GDRs Luxembourg Stock Exchange, Luxembourg. Annual Listing fee for the year 2012-13 has been paid to the exchange. As on 31 st March 2011, there were 16237 shareholders of the Company.

7. Stock Market data During 2011

MONTH	SHARE PRICE		BSE SENSEX Corresponding to Share Price	
	HIGH	LOW	HIGH	LOW
January	17.00	13.50	20664.80	18038.48
February	14.45	09.75	18690.97	17295.62
March	13.90	11.00	19575.16	17792.17
April	14.20	12.00	19811.14	18976.19
May	12.93	11.55	19253.87	17786.13
June	12.90	10.76	18873.39	17314.38
July	12.40	10.80	19131.70	18131.86
August	11.49	09.25	18440.07	15765.53
September	12.80	09.65	17211.80	15801.01
October	11.59	10.15	17908.13	15745.43
November	10.80	08.86	17702.26	15478.69
December	10.45	07.95	17003.71	15135.86

8. Distribution of Shareholding as on March 31, 2012

Shareholding		Shareholders		Share Amount	
		Number	% To Total	In Rs.	% To Total
01	500	6991	43.06	9934375	43.06
501	1000	3250	20.02	13595945	20.02
1001	2000	4035	24.86	27748635	24.86
2001	3000	543	3.34	7060375	3.34
3001	4000	411	2.53	7730310	2.53
4001	5000	240	1.48	5734845	1.48
5001	10000	402	2.48	15200460	2.48
10001	50000	287	1.77	30000440	1.77
50001	100000	28	0.17	10266200	0.17
100001	And above.	49	0.30	864728415	0.30
	TOTAL	16237	100.00	992000000	100.00