



NEPC TEXTILES LIMITED

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11th
ANNUAL REPORT
2003 - 2004

**BOARD OF DIRECTORS**

Shri Ravi Prakash Khemka (*Chairman*)
 Shri Raj Kumar
 Shri Tirupathi Kumar
 Shri. K. Narasimhan
 Shri. Venkatesh Dahima (Additional Director)

COMPANY SECRETARY

Mr. N.Padmanabhan

AUDITORS

M/s Swamy & Ravi
 Chartered Accounts, 537, 1st Floor
 N.S.R Road, Saibaba Colony,
 Coimbatore - 641 011

**REGISTERED OFFICE
& FACTORY**

SF 256, Kannampalayam Village
 Palladam Taluk, Coimbatore 641402

CORPORATE OFFICE

35, Wallajah Road, Chennai - 600 002
 Tamilnadu

BANKERS

The Vysya Bank Ltd.

AUDIT COMMITTEE

Shri. Raj Kumar
 Shri. Tirupathi kumar
 Shri. K. Narasimhan
 Shri. Venkatesh Dahima

LISTING OF SHARES

The Company's Equity Shares are listed in the Stock Exchanges at Coimbatore, Chennai, Mumbai (NSE and BSE), Delhi, Kolkata and Ahmedabad.

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**NOTICE TO THE SHAREHOLDERS**

NOTICE is hereby given that the Eleventh Annual General Meeting of the members of the Company will be held on Friday, the 31st day of January 2005 at 10.00 A.M. at 1678, Trichy Road, Ramanathapuram, Coimbatore – 641 045 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st July, 2004 and the Profit and Loss Account for the year ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. K. Narasimhan who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT the retiring Auditors M/s.Swamy & Ravi., Chartered Accountants, Coimbatore be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, on a remuneration of Rs. 40,000/- (Rupees Forty thousand only) exclusive of fees for taxation matters, certification work & other service charges and out of pocket expenses in connection with the Company's Audit."

SPECIAL BUSINESS :

4. To Consider, and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT in accordance with the provisions of section 257 and all other applicable provisions if any, of the Companies Act 1956, Mr. Venkatesh Dahima, who was appointed by the Board of Directors as an additional Director of the Company and who holds office upto the date of ensuing annual general meeting under section 260 of the Companies Act 1956 and in respect of whom the Company has received a notice in writing proposing the candidature of Mr. Venkatesh Dahima for the office of Director, be and is hereby appointed a director of the Company liable to retire by rotation".

(By Order of the Board)
For NEPC TEXTILES LIMITED

Ravi Prakash Khemka
Chairman

PLACE : Chennai
DATE : 20.12.2004

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his stead and the proxy need not be a member of the Company. The instrument of proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 24.01.2005 to 28.01.2005 (both days inclusive)
3. Members are requested to notify immediately any change in their address to the Company.
4. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.



5. Members are requested to bring their copies of Annual Report to the Meeting.
6. Members are already informed that Securities and Exchange Board of India (SEBI) have made it compulsory for all investors to trade the Company's securities in dematerialisation form, effective 27.11.2000. Members are, therefore, requested to avail of dematerialisation facility.
7. Members with identical order of names who are holding in multiple Folios are requested to write to the Company to consolidate their holdings into one Folio.
8. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, setting out all material facts in respect of Item 4 of the Notice, attached.
9. Members who hold share in the physical form can nominate a person in respect of all the share held by them singly or jointly. Members who holds share in single name are advised, in their own interest, to avail of nomination facility by filling Form 2B. Members who holds share in the dematerialised form may contact their Depository Participant for recording nomination in respect of their shares.
10. At this Annual General Meeting Mr. K. Narasimhan retires by rotation and being eligible, offers himself for re-appointment.

The brief background, and the functional expertise of the Director proposed for re-appointment/ appointment is furnished below along with details of directorships of other Companies.

- a) Mr. K. Narasimhan, aged about 54 years, has been associated with the Company as Director from 2001. He is well experienced in Business and Commerce.

Details of other Directorships held by him: Director in the Boards of NEPC India Limited, NEPC Agro Foods Limited, Skyline NEPC Limited, Sai Televisions Limited & National Wind Power Corporation Limited.

- b) Mr. Venkatesh Dahima, aged about 52 years, has been associated with the Company as additional Director w.e.f 24.05.2004. He has wide and diverse experience in engineering Industry on the techno commercial aspects of large business.

Details of other Directorships held by him: Director in the Boards of NEPC India Limited, Skyline NEPC Limited and Gujarat Wind Farms Limited.

EXPLANATORY STATEMENT

Pursuant to Articles of Association of the Company read with Section 173 (2) of the Companies Act, 1956.

Item No. 4

Shri Venkatesh Dahima was appointed by the Board of Directors as an Additional Director of the Company at its meeting held on 24th May 2004. Pursuant to section 260 of the Companies Act 1956 Shri Venkatesh Dahima will hold office upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member proposing the candidature of Mr. Venkatesh Dahima for the office of Director under the provisions of section 257 of the Companies Act 1956.

The Board commends passing of the resolution set out at item no 4 of the Notice.

None of the other directors of the Company are in anyway, concerned/ interested in the said resolution.

(By Order of the Board)
For **NEPC TEXTILES LIMITED**

PLACE : Chennai
DATE : 20.12.2004

Ravi Prakash Khemka
Chairman

**DIRECTORS' REPORT**

To the Members of **NEPC TEXTILES LIMITED**

Your Directors have pleasure in presenting the Eleventh Annual Report and Audited Accounts of your Company for the financial year ended 31st July, 2004.

FINANCIAL HIGHLIGHTS

Rs. in lakhs.

	Year ended 31-07-2004	Year ended 31-07-2003
Gross Income	1522.71	1297.94
Profit before Depreciation	(154.88)	(210.68)
Depreciation	144.34	143.78
Profit after Depreciation	(299.22)	(354.46)
Provision for taxation	-	-
Profit / (Loss) after taxation	(299.22)	(354.46)
Balance Profit / (Loss) Account B/F	(2325.61)	(1971.15)
Add: Transfer from Dividend Payable A/c	-	-
Add: B/F of balance General Reserve	-	-
	(2624.83)	(2325.61)
Appropriations:		
General Reserve	-	-
Capital Work in Progress written off	-	-
Balance Profit carried to Balance Sheet	(2624.83)	(2325.61)

OPERATING RESULTS

During the year under review, your Company has achieved a higher sales turnover. The trend of high cotton prices and lower yarn realisation continued during this year as well. However, your Company was able to achieve better results due to judicious mix of cotton and PSF and also due to favourable market conditions.

DIVIDEND

The Directors do not recommend Dividend for the year ending 31st July 2004, in view of the loss incurred by the Company.

DIRECTORATE

Mr. Ramesh Kumar Agarwal has resigned from the Board w.e.f 15.03.2004. The Board acknowledge his contribution and express its gratitude for the services rendered by him during his tenure as a Director.

Mr. Venkatesh Dahima was coopted as additional director on 24.05.2004. In accordance with the provisions of Companies Act 1956, the additional director ceases to hold office at the forth coming annual general meeting and is eligible for re-appointment.

Mr. Ravi Prakash has resigned his position as whole time Director w.e.f 30.08.2004. The Board acknowledge his contribution and express its gratitude for the support and services rendered by him during his tenure as a Whole time Director.

Mr. K. Narasimhan retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment to the Board.

PERSONNEL

The Directors express their appreciation for the support and contribution by the employees at all levels for the successful operation of the Company during the year under review.

PARTICULARS OF EMPLOYEES

No employee of the Company was paid remuneration in excess of limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with the relevant Rules as amended.

AUDITORS

M/s. Swamy & Ravi, Chartered Accountants, Coimbatore, Auditors of the Company retire at the conclusion of the Annual General Meeting. However, they are eligible for re-appointment and have given their consent to act as the Auditor of your Company, if appointed.

Auditor's Qualifications:

With regard to para 4(f)(a) of Auditor's report and note no. 3 in Schedule 17, the Company has counter claim on creditors as well as additional claims reliable due to delay in payments, and such claims are under active consideration and reconciliation. Hence, the confirmation of balances have not been obtained. However, it may be noted that after due reconciliation is over, the assets and liabilities of your Company will not have any material change nor will it have a bearing on the financials of your Company.

With regard to para 4(f)(b) of Auditor's report and note no. 5 in Schedule 17, the Company is in active discussions with the banks/loan parties for one-time settlement, involving substantial waiver of interest and payment of principal over a period of time. The Company is hopeful that the proposals submitted to banks/loan parties are practical and acceptable to them. Hence, interest has not been provided for.

With regard to para 4(f)(c) of Auditor's report and note no. 6 in Schedule 17, the Company is already in the process of making necessary arrangement for retirement benefits. Considering the experience of employees in the Company, the quantum of provision required is expected to be marginal and will not vitiate the financial statements.

DIRECTORS RESPONSIBILITY

In compliance with Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that :

- in the preparation of annual accounts the applicable Accounting Standards have been followed;
- the Accounting Policies selected and applied on a consistent basis, give a true and fair view of the affairs of the Company and of the loss for the financial year;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the aforesaid Act for safeguarding the assets of the Company; and for prevention and detection of fraud and other irregularities;
- the Annual Accounts have been prepared on a going concern basis.

**CORPORATE GOVERNANCE**

A detailed report on this subject forms part of this Report.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND
FOREIGN EXCHANGE EARNINGS AND OUTGO**

The statement pursuant to Section 217 (1) (e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 is given in the annexure forming part of this Report.

INDUSTRIAL RELATIONS

Your Company continues to maintain harmonious and cordial relations with its workers.

ACKNOWLEDGEMENT

Your Directors would like to place on record their deep appreciation and gratitude to the Company's members for their continued support and confidence.

Your Directors wish to thank and deeply acknowledge the co-operation and assistance extended by the Bankers, Government authorities, and other business associates. The Board would also take this opportunity to commend the employees of the Company at all levels for their contribution to the Company's success.

(By Order of the Board)
For **NEPC TEXTILES LIMITED**

Ravi Prakash Khemka
Chairman

PLACE : Chennai

DATE : 20.12.2004



ANNEXURE TO THE DIRECTORS' REPORT

FORM - A
(See Rule 2)DISCLOSURE OF PARTICULARS WITH RESPECT TO
CONSERVATION OF ENERGY

	<u>2004</u>	<u>2003</u>
A. Power and Fuel Consumption		
1. Electricity		
a) Purchased Unit (Nos)	4606200	2177580
Total amount (Rs. in Lakhs)	203.32	93.35
Rate/Unit (Rs.)	4.41	4.29
b) Own Generation		
i) Through Generator Unit (Nos)	110703	3608419
Units per Ltr. of oil (Nos)	3.15	3.21
Cost/unit (Rs)	9.18	4.45
ii) Through Wind turbine/generator sold to TNEB		
Units (Nos)	Nil	239697
Cost/unit (Rs)	Nil	2.70
Amount (Rs)	Nil	647182
2. Coal (Specify quality and where used)		
Quantity (tonnes)	Nil	Nil
Total cost (Rs.in thousands)	Nil	Nil
Average rate		Nil
3. Furnace Oil		
Quantity (K.ltrs)	Nil	Nil
Total amount	Nil	Nil
average rate	Nil	Nil
4. Others/internal generation (please give details)		
Quantity	Nil	Nil
Total cost	Nil	Nil
B. Consumption per unit of production		
Products (with details) unit		
Yarn Produced (in Kgs)	1369031	1187859
Electricity Consumed (in Units)	4716903	5785999
Electricity Consumed per Kg of Yarn	3.45	4.87

**FORM -B**

(See Rule 2)

**FORM FOR DISCLOSURE OF PARTICULAR WITH RESPECT TO
TECHNOLOGY ABSORPTION****RESEARCH AND DEVELOPMENT (R & D)**

- | | | | |
|----|---|---|---|
| 1. | Specific areas in which (R & D)
carried out by the Company | : | Continous improvement of
quality of yarn with accent on
cost reduction |
| 2. | Benefits derived as a result of
above R & D is reduced | : | Better yarn to suit market
requirements in competitive
environment |
| 3. | Future plan of action | : | Sustained efforts to pursue
better quality of yarn produced
and improved productivity |
| 4. | Expenditure on R & D | | |
| | (a) Capital | : | Nil |
| | (b) Recurring | : | Nil |
| | (c) Total | : | Nil |
| | (d) Total R & D expenditure as
percentage of total turnover | : | Nil |
| 5. | Technology absorption,
adoption and innovation | : | Nil |

FOREIGN EXCHANGE EARNINGS AND OUTGO

Inflow	:	Nil
Outflow	:	Nil

For and on behalf of the Board
for **NEPC TEXTILES LIMITED**

Place : Chennai
Date : 20-12-2004

RAVI PRAKASH KHEMKA
CHAIRMAN



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED JULY 31, 2004

Code of Corporate Governance

The code of Corporate Governance of the Company consists of managerial practices and procedures towards fulfillment of the obligation to business performance along with maximization of stakeholder value. The Company is committed to good corporate governance and continuously review various investor relationship measures with a view to enhance stakeholders value.

The Board of Directors are all experienced and eminent personnel and the pivotal role is performed by them. The Board has constituted various committees like Audit Committee, Investor Grievance Committee, Share Transfer Committee and Remuneration Committee to look into relevant aspects of specialised areas. The Company reports the following compliance of Corporate Governance for the financial year 2003-04.

BOARD OF DIRECTORS

a) Composition & Details of Membership / Chairmanship of Directors in Board Committees. The Board consists of 5 Directors of the Company consisted of

S. No	Name of the Directors	Executive Non-Executive Independent	No. of Directorships held	No. of Membership in other committees Chairmanship
1	Mr. Ravi Prakash Khemka	Executive	6	8
2	Mr. Raj Kumar	Non-Executive	6	8
3	Mr. Tirupathi Kumar	Non-Executive	6	9
4	Mr. K. Narasimhan	Non-Executive & Independent	6	10
5	Mr. Ramesh Kumar Agarwal	Non-Executive & Independent	6	9

Note : None of the Directors are Chairman of more than 5 Committees.

Mr. Ramesh Kumar Agarwal resigned from the Board on 15.03.2004. On 24.05.2004 Mr. Venkatesh Dahima was appointed as additional Director. In accordance with the provisions of Companies Act 1956, the additional director holds office till the forthcoming Annual General meeting and is eligible for appointment as director of the Company.

The Board functions as a full Board or through Committees. The Board of Directors and its Committees meet at regular intervals. This structure has enhanced Board's role in guiding the Company and contributed to the overall performance.

b) Attendance at Board Meetings & Last AGM & Details of Membership of Directors in Board Committees

Six meetings of the Board were held during the financial year on August 25, 2003, November 28, 2003, December 19, 2003, February 23, 2004 and March 08, 2004, May 24, 2004.

Attendance of Directors at the Board Meeting held during the year and last AGM are

S.No.	Name of the Directors	No. of meetings held during 2003-04	No. of meetings attended during 2003-04	Last AGM Present/Absent
1	Mr. Ravi Prakash Khemka	6	6	Present
2	Mr. Raj Kumar	6	6	Present
3	Mr. Tirupathi Kumar	6	6	Present
4	Mr. K. Narasimhan	6	6	Present
5	Mr. Ramesh Kumar Agarwal *	5	5	