



NEPC TEXTILES LIMITED

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13th
ANNUAL REPORT
2005 - 2006



| | |
|--|--|
| BOARD OF DIRECTORS | Shri Ravi Prakash Khemka (<i>Chairman</i>) Shri Raj Kumar Shri Tirupathi Kumar Shri. K. Narasimhan Shri. Venkatesh Dahima |
| COMPANY SECRETARY | Mr. N.Padmanabhan |
| AUDITORS | M/s Swamy & Ravi Chartered Accountants, 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 | IDBI Bank Ltd. ICICI 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 Thirteenth Annual General Meeting of the members of the Company will be held on Thursday, the 25th day of January 2007 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, 2006 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 a Director in the place of Mr. Venkatesh Dahima who retires by rotation and being eligible offers himself for re-appointment.
4. 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."

Report

(By Order of the Board)

For NEPC TEXTILES LIMITED

PLACE : Chennai
DATE : 22-12-2006

Ravi Prakash Khemka
Chairman

**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 22.01.2007 to 25.01.2007 (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. 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.
9. At this Annual General Meeting Mr. K. Narasimhan and Mr. Venkatesh Dahima retire by rotation and being eligible, offer themselves for re-appointment.

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

- a. Mr. K. Narasimhan, aged about 56 years, has been associated with the Company as Director from 1993. 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 and National Wind Power Corporation Limited.

- b. Mr. Venkatesh Dahima, aged about 54 years, has been associated with the Company as Director from 2005. He is well experienced in Business and Commerce.

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

(By Order of the Board)
For NEPC TEXTILES LIMITED

PLACE : Chennai
DATE : 22-12-2006

Ravi Prakash Khemka
Chairman

**DIRECTORS' REPORT**

To the Members of **NEPC TEXTILES LIMITED**

Your Directors have pleasure in presenting the Thirteenth Annual Report and Audited Accounts of your Company for the financial year ended 31st July, 2006.

FINANCIAL HIGHLIGHTS

Rs. in lakhs.

| Particulars | Year ended 31-07-2006 | Year ended 31-07-2005 |
|--|--------------------------|--------------------------|
| Gross Income | 1627.72 | 1560.72 |
| Profit before Depreciation | 146.04 | 124.81 |
| Depreciation | 144.68 | 144.47 |
| Profit / (Loss) after Depreciation | 1.37 | (19.66) |
| Extraneous Item of Income | 425.07 | - |
| Provision for taxation | - | - |
| Profit / (Loss) after taxation | 426.44 | (19.66) |
| Balance Profit / (Loss) Account B/F | (2644.49) | (2624.83) |
| Add: Transfer from Dividend Payable A/c | - | - |
| Add: B/F of balance General Reserve | - | - |
| TOTAL | (2218.05) | (2644.49) |
| Appropriations: | | |
| General Reserve | - | - |
| Capital Work in Progress written off | - | - |
| Balance Profit / (Loss) carried to Balance Sheet | (2218.05) | (2644.49) |

OPERATING RESULTS

During the year under review, your Company has achieved a higher sales turnover due to favourable market conditions.

DIVIDEND

The Directors do not recommend Dividend for the year ending 31st July 2006, in view of the loss incurred by the Company.

DIRECTORATE

Mr. K. Narasimhan and Mr. Venkatesh Dahima retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves 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 to 5 in Schedule 19, the company appointed a Committee and reviewed and revalued current assets. Loans & advances, Current liabilities. The Company is in the process of getting confirmations from the debtors/Creditors.

With regard to para 4(f)(b) of Auditor's report and note no. 5 in Schedule 19, Regarding One Time Settlement(OTS) with ING Vysya Bank Ltd, settlement was made for the Group as a whole and difference is reflected in the Profit & Loss a/c.

With regard to para 4(f)(c) of Auditor's report and note no. 6 in Schedule 19, 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 : 22-12-2006

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ANNEXURE TO THE DIRECTORS' REPORT

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

| | <u>2006</u> | <u>2005</u> |
|---|-------------|-------------|
| A. Power and Fuel Consumption | | |
| 1. Electricity | | |
| a) Purchased Unit (Nos) | 4620913 | 4360928 |
| Total amount (Rs. in Lakhs) | 196.27 | 198.53 |
| Rate/Unit (Rs.) | 4.25 | 4.55 |
| b) Own Generation | | |
| i) Through Generator Unit (Nos) | 24768 | 41883 |
| Units per Ltr. of oil (Nos) | 3.15 | 3.15 |
| Cost/unit (Rs) | 10.79 | 8.61 |
| ii) Through Wind turbine/generator sold to TNEB | | |
| Units (Nos) | Nil | Nil |
| Cost/unit (Rs) | Nil | Nil |
| Amount (Rs) | Nil | Nil |
| 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) | 1517661 | 1498000 |
| Electricity Consumed (in Units) | 4645681 | 4402811 |
| Electricity Consumed per Kg of Yarn | 3.06 | 2.94 |



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 | : | Continuous 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 : 22-12-2006

RAVI PRAKASH KHEMKA
CHAIRMAN



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED JULY 31, 2005

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 stakeholders 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 area. The Company reports the following compliance of Corporate Governance for the financial year 2005-06.

BOARD OF DIRECTORS

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

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

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

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

Five meetings of the Board were held during the financial year on August 29, 2005, November 28, 2005, December 23, 2005, February 27, 2006 and May 29, 2006.

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 2005-06 | No. of meetings attended during 2005-06 | Last AGM Present/Absent |
|-------|----------------------------------|-------------------------------------|---|-------------------------|
| 1 | Mr. Ravi Prakash Khemka-Chairman | 5 | 5 | Present |
| 2 | Mr. Raj Kumar | 5 | 5 | Present |
| 3 | Mr. Tirupathi Kumar | 5 | 5 | Present |
| 4 | Mr. K.Narasimhan | 5 | 5 | Present |
| 5 | Mr. Venkatesh Dahima | 5 | 5 | Present |