



# NEPC TEXTILES LIMITED

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**14<sup>th</sup>**  
**ANNUAL REPORT**  
**2006-2007**

**BOARD OF DIRECTORS**

Shri Ravi Prakash Khemka (*Chairman*)  
 Shri Raj Kumar  
 Shri Tirupathi Kumar  
 Shri. K. Narasimhan  
 Shri. Venkatesh Dahima (till 10-02-2007)

**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**

36, 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

Report



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## NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of the Company will be held on Friday, the 17<sup>th</sup> day of August 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 31<sup>st</sup> March, 2007 and the Profit and Loss Account for the period ended on that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. Rajkumar, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. Tirupathi Kumar 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."

### **SPECIAL BUSINESS**

5. To consider and if thought fit to pass the following resolution with or without modification as an **ORDINARY RESOLUTION**:

**RESOLVED THAT** Mr. Rakesh Gupta, in respect of whom the Company had received a notice in writing from a member of the company, to be considered for the post of the directorship of the Company at this annual general meeting of the company along with the deposit of Rs.500/- as required under Section 257 of the Companies Act, 1956 and Mr. Rakesh Gupta being eligible for the said appointment, be and is hereby appointed as a Director liable to retire by rotation.

6. To consider and if thought fit to pass the following resolution with or without modification as an **ORDINARY RESOLUTION**:

**RESOLVED THAT** Mr. S. Rajendran, in respect of whom the Company had received a notice in writing from a member of the company, to be considered for the post of the directorship of the Company at this annual general meeting of the company along with the deposit of Rs.500/- as required under Section 257 of the Companies Act, 1956 and Mr. S. Rajendran, being eligible for the said appointment, be and is hereby appointed as a Director liable to retire by rotation.

7. To delist Equity shares of the Company from Stock Exchanges other than BSE / NSE

To consider and if thought fit, to pass, with or without modifications, the following resolution as a **SPECIAL RESOLUTION**

**"RESOLVED THAT** pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, (hereinafter referred to as the "Delisting Guidelines") (including any statutory modifications(s) or re-enactments thereof for the time being in force), Listing Agreement(s) with the Stock Exchanges, and all other applicable laws, rules, regulations, and guidelines, the consent of the Company be and is hereby accorded to the Board of Directors to delist the equity shares of the Company from the following Stock Exchanges":



- Coimbatore Stock Exchange, Coimbatore
- Madras Stock Exchange, Chennai
- Calcutta Stock Exchange, Kolkata
- Ahmedabad Stock Exchange, Ahmedabad
- Delhi Stock Exchange, Delhi.

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to sign and submit all applications, forms, papers and other documents and to comply with all other formalities / procedures and to do all such acts, deeds and things as may be required by the above Stock Exchange(s), SEBI, and / or by any other statutory/regulatory authority(ies), in connection with delisting of the equity shares of the Company from the Coimbatore Stock Exchange, Madras Stock Exchange, Calcutta Stock Exchange, Ahmedabad Stock Exchange, and Delhi Stock Exchange

#### **8. To consider appointment of Whole-time Director(s) of the Company**

8 (a) To consider and if thought fit, to pass, with or without modifications, the following resolution as an **ORDINARY RESOLUTION**

**"RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309, 310 and 316 read with Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals, if any and applicable, as may be required, the Company hereby accords its approval for the appointment of Mr. Ravi Prakash Khemka as Chairman and Whole -time Director of the Company for a period of five years w.e.f. 17-08-2007 on the remuneration and terms and conditions as given below:-

- a) Salary of Rs. 25,000/= (Rupees Twenty five thousands only) per month.
- b) Perquisites and Allowances : Not exceeding Rs.25,000/= per month".

**"RESOLVED FURTHER THAT** in the event of losses or inadequacy of profits in any financial year/s of the Company, the above said remuneration be paid / payable to the Chairman and Whole-time Director as the "minimum remuneration"

8 (b) To consider and if thought fit, to pass, with or without modifications, the following resolution as an **ORDINARY RESOLUTION**

**"RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309, 310 and 316 read with Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals, if any and applicable, as may be required, the Company hereby accords its approval for the appointment of Mr. Rajkumar as Whole-time Director (Business Development) of the Company for a period of five years w.e.f. 17-08-2007 on the remuneration and terms and conditions as given below:-

- a) Salary of Rs. 25,000/= (Rupees Twenty five thousands only) per month.
- b) Perquisites and Allowances : Not exceeding Rs.25,000/= per month".

**"RESOLVED FURTHER THAT** in the event of losses or inadequacy of profits in any financial year/s of the Company, the above said remuneration be paid / payable to the Whole-time Director (Business Development) as the "minimum remuneration".

8 (c) To consider and if thought fit, to pass, with or without modifications, the following resolution as an **ORDINARY RESOLUTION**

**"RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309, 310 and 316 read with Schedule XIII of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals, if any and applicable, as may be required, the Company hereby accords its approval for the appointment of Mr. Tirupathi Kumar, as Whole-time Director (Operations) of the Company for a period of five years w.e.f. 17-08-2007 on the remuneration and terms and conditions as given below:-

- a) Salary of Rs. 25,000/= (Rupees Twenty five thousands only) per month.
- b) Perquisites and Allowances : Not exceeding Rs.25,000/= per month".



"RESOLVED FURTHER THAT in the event of losses or inadequacy of profits in any financial year/s of the Company, the above said remuneration be paid / payable to the Whole-time Director (Operations) as the "minimum remuneration".;

**9. To approve the payment of remuneration to the relatives of the directors of the Company**

To consider and if thought fit, to pass, with or without modifications, the following resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to Section 314 and other applicable provisions if any, of the Companies Act, 1956 and subject to Director's Relatives (Office of Place of Profit) Rules, 2003 and subject to such other approvals/consents if any and applicable, as may be required in this connection, the consent of the members of the Company be and is hereby accorded to the payment of remuneration to the following persons who are relatives of the directors of the Company in the ensuing financial years of the Company" :

Name of persons	Remuneration payable
Mrs. Champa Devi	Rs.25,000/= p.m.
Mrs. Ritu Devi	Rs.25,000/= p.m.
Mrs. Shivani Devi	Rs.25,000/= p.m.

**10. To write-off accumulated losses of the Company against the Share Premium account and Share Capital of the Company**

To consider and if thought fit, to pass, with or without modifications, the following resolution as a **SPECIAL RESOLUTION**

"RESOLVED THAT pursuant to the provisions of Sections 78, 100 to 104 and all other applicable provisions of the Companies Act, 1956 and enabling provisions in the Memorandum and Articles of Association of the Company, and subject to the confirmation of the jurisdictional High Court / Tribunal and / or any other regulatory authority as may be prescribed under the Companies Act, 1956 or under any other Statute and other concerned authorities, if any, and such other approvals, permissions and sanctions, as may be necessary and subject to such conditions, modifications, as may be prescribed or imposed by any of the aforementioned authorities while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, an amount of **Rs.17,52,09,000/=** being the credit balance lying in the Securities Premium Account of the Company as at 01-04-2007 and an amount of **Rs.4,28,92,000/=** by reducing the existing paid up capital of the Company from Rs.19,22,82,380/- (divided into 1,92,28,238 Equity Shares of Rs.10/- each) to Rs.14,93,90,380/- (divided into 1,49,39,038 Equity Shares of Rs.10/- each), (ie. an aggregate amount of **Rs. 21,81,01,000/=**) be utilized to adjust in full the amount of **Rs. 21,81,01,000/=** standing to the debit of "Profit and Loss Account" which is the brought forward losses as it stood in the books of the Company as at 01-04-2007".

RESOLVED THAT the members of the company as on a Record Date (to be announced by the company soon after reduction of capital becoming effective) to be issued 0.776932 equity shares of Rs.10/- each in lieu of every One (1) equity share held by them.

RESOLVED FURTHER THAT no fractional certificates be issued by the Company, in respect of the fractional entitlements, if any, to which the members of the company may be entitled on reduction and cancellation of equity shares and the Board be authorised to consolidate all fractional entitlements and thereupon issue and allot equity shares in lieu thereof to a director or an officer of the company/ other agency, who shall hold the shares in trust on behalf of such members of the company, with the express understanding that such director or officer/other agency to whom such equity shares shall be allotted shall sell the same in the market at the best available price and pay the net sale proceeds (after deduction of expenses incurred in this regard) to the shareholders entitled to the same in proportion to their respective fractional entitlements.



RESOLVED FURTHER THAT in the even there are any pending share transfers, whether lodged or outstanding of any shareholders of the company, the Board be and is hereby empowered in appropriate cases, even subsequent to the Record Date (as may be fixed by the Board) as the case may be, at its sole discretion, to effectuate such a transfer in The Register of Members of the company as if such changes were operative as on the Record Date.

"RESOLVED FURTHER THAT for the purposes of giving effect to the above Resolution and for removal of any difficulties or doubts, the Board of Directors (which term shall include any Committee thereof or any person / persons that the Board may have constituted / nominated or hereinafter constitute / nominate to exercise its powers including powers conferred under this Resolution) be and is hereby authorized to perform all acts, deeds, matters and things as it may in its absolute discretion, deem necessary, expedient, usual or proper and to settle any question or difficulty that may arise with regard to utilization / adjustment of the securities premium account and reduction in the paid up share capital of the Company, including passing of such accounting entries and / or making such other adjustments in the books of accounts and to file petitions, affidavits and /or other legal documents as may be required for the confirmation of the full utilization of the share Premium account and partial reduction of the Share capital of the company by the Hon'ble High Court of Judicature of Madras as considered necessary to give effect to the above Resolution and to carry out such modifications / directions as may be ordered by the jurisdictional High Court / Tribunal to implement the aforesaid resolution".

(By Order of the Board)  
For NEPC TEXTILES LIMITED

Place: Chennai  
Date : 14-05-2007

Ravi Prakash Khemka  
Chairman

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 5**

The Company has received notice from a member of the company proposing the name of Mr. Rakesh Gupta to be considered for the post of the directorship of the company (as Independent Director of the Company) along with a deposit of Rs.500/- as required under Section 257 of the Companies Act, 1956. Further Mr. Rakesh Gupta is eligible for the appointment of the post of the directorship of the company and he has given his consent for the appointment of the directorship of the company if appointed by the company. Hence the resolution is placed before the members for their approval and adoption. The letter received from the member of the company under Section 257 of the Companies Act, 1956 is available for inspection of the members of the company at the registered office of the company on all working days and hours upto the date of the conclusion of this annual general meeting of the company.

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

Name	Mr. Rakesh Gupta
Age	34 years
Qualification	Master of Business Administration (M.B.A.)
Expertise and experience	12 years of experience in different organisations in Sales & Marketing, Administration, Commerce and Liaisoning
Name of Companies in which Directorship held	Nil
No. of Committees (of other companies) in which member Shareholding	Nil

None of the Directors of your company is in any way concerned or interested in the proposed resolution.

**Item No. 6**

The Company has received notice from a member of the company proposing the name of Mr. S. Rajendran to be considered for the post of the directorship of the company (as Independent Director of the Company) along with a deposit of Rs.500/- as required under Section 257 of the Companies Act, 1956. Further Mr. S. Rajendran is eligible for the appointment of the post of the directorship of the company and he has given his consent for the appointment of the directorship of the company if appointed by the company. Hence the resolution is placed before the members for their approval and adoption. The letter received from the member of the company under Section 257 of the Companies Act, 1956 is available for inspection of the members of the company at the registered office of the company on all working days and hours upto the date of the conclusion of this annual general meeting of the company.

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

Name	Mr. S. Rajendran
Age	70 years
Qualification	Master of Science (M.Sc.)
Expertise and experience	30 years of experience in International Trade, Commerce, Finance and Administrative areas
Name of Companies in which Directorship held	Nil
No. of Committees (of other companies) in which member Shareholding	Nil

None of the Directors of your company is in any way concerned or interested in the proposed resolution.





**Item No. 7 : To delist Equity shares of the Company from Stock Exchanges other than BSE / NSE**

With the extensive networking of The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE), and the extension of the BSE/NSE terminals to other cities as well, investors have access to online dealings in the Company's equity shares across the country. Earlier the trading in the Company's equity shares took place on the BSE and the NSE. However, the depth and liquidity of trading in the Company's equity shares on the other Stock Exchanges (viz. on the Coimbatore Stock Exchange, Madras Stock Exchange, Calcutta Stock Exchange, Ahmedabad Stock Exchange, and Delhi Stock Exchange), were either nil or insignificant. It is, therefore, proposed to get the shares delisted from the Stock Exchanges other than BSE / NSE. The Company has no intention to give an exit option to the shareholders of the regions where the stock exchanges are situated from which delisting is sought due to availability of extensive networking of BSE/NSE terminals across the country.

Your Directors, therefore, commend the Special Resolution for approval of members.

None of the Directors is, in any way, concerned or interested in the resolution.

**Item Nos. 8(a), (b) and (c) : To consider appointment of Whole Time Director(s) of the Company**

The members are aware that the Company had initiated various steps with a view to restructure the operations of the Company. Towards this objective, the Company had undertaken certain additional measures to increase the productivity, enhance the quality of finished products as well as improve the business performance of the Company. In this connection, the directors need to put forth their additional efforts to achieve the said objectives and also help the company in reducing the cost. This helps the Company in increasing the profitability of the Company and also enhances the shareholders value. In this connection, the Board has proposed to appoint Mr. Ravi Prakash Khemka, Mr. Rajkumar, and Mr. Tirupathi Kumar as Whole-time Directors of the Company on the terms and conditions as set out in the proposed resolution(s). Further, the appointment as Whole-time directors of the Company shall be effective for a period of Five (05) years from the date of the ensuing meeting. The aforesaid measure shall go a long way in motivating them to do better which in turn would result in increased productivity and profitability of the Company and thereby enhance the shareholders' value.

Further as required under sections 198, 269, 309, 310 and 316 read with Schedule XIII of the Companies Act, 1956 the same requires the approval of the members of the Company and hence these resolutions are placed before the members for their consideration, approval and adoption.

The resolution along with the explanatory statement shall be taken as an abstract as required to be circulated under Section 302 of the Companies Act, 1956.

Mr. Ravi Prakash Khemka, Mr. Rajkumar, and Mr. Tirupathi Kumar are concerned or deemed to be interested in the resolution(s) as it relates to their own appointment.

**Item No.9 : To approve of payment of remuneration to the relatives of the directors of the Company**

With the various steps initiated by the Company with a view to restructure its operations, the members may note that the Company is in a turn-around mode. In this connection, the Company proposes to use the services of the relatives of the directors of the Company (a) to review and reassure the quality of raw-material entering the production line, (b) to increase the productivity and (c) to further improve quality of the finished products of the Company, for which it is proposed to seek shareholders' approval for payment of remuneration to the relatives of the directors. Further, as required under Section 314 of the Companies Act, 1956, any payment / remuneration payable to the relatives of the directors of the Company requires approval by the members of the Company. Hence, this resolution is placed before the members for their consideration, approval and adoption for payment of the remuneration to the relatives of the directors of the Company as per the details given in the resolution.

Mr. Ravi Prakash Khemka, Mr. Raj Kumar, and Mr. Tirupathi Kumar are concerned or deemed to be interested in this resolution, the appointment being to their relatives.





**Item No. 10 : To consider write-off of accumulated losses of the Company against the Share Premium account and Share Capital of the Company**

The members are aware that due to stagnation in the economic situation prevailing in the earlier years and coupled with unprecedented and unhealthy competition in the textiles market among various market players and intermediaries, the Company was under intense pressure in the pricing of the final product, which has resulted in the Company accumulating losses of more than Rs.2181.00 lacs as at March 31, 2007. The Company undertook focused efforts and during the current accounting period of 8 months ended March 31, 2007, the Company has made a net profit of Rs. 36.02 lacs and after certain adjustments, the debit balance in the Profit and Loss Account as on April 01, 2007 stood at Rs. 2182.03 lacs. In view of the past brought forward losses, capital of the company is not adequately represented by the available assets.

It is felt that improvements in the performance of the Company cannot be appropriately reflected unless past losses are written off. The Board of Directors consider it desirable to undertake an internal financial restructuring of the Company which would result in the right sizing of the Balance Sheet of the Company leading to enhancement of shareholder value through improvement in certain ratios and return on capital employed, etc. Having regard to the substantial amount standing to the credit of the Securities Premium Account of **Rs. 17,52,09,000/=** and also by reducing the existing paid up share capital of the Company from Rs.19,22,82,380/- (divided into 1,92,28,238 Equity Shares of Rs.10/- each) to Rs.14,93,90,380/- (divided into 1,49,39,038 Equity Shares of Rs.10/- each) (ie., an amount of **Rs.4,28,92,000/=**) in accordance with the provisions of Section 78 read with Sections 100 to 104 of the Companies Act, 1956, the Board of Directors at their meeting held on May 14, 2007 proposed, subject to the members' approval, the scheme of application / full utilisation of the Securities Premium Account and reduction partly from the paid up share capital of the company for writing off the brought forward accumulated losses represented in the Balance Sheet by the debit balance of **Rs.21,81,01,000/=** standing in the Profit and Loss as on April 1, 2007. The Share Capital, Share Premium and the Balance of Loss in the Profit and Loss Account of the Company shall be varied as under:

Particulars	Prior to reduction	Post Reduction
Share Capital	19,22,82,380	14,93,90,380
Share Premium	17,52,09,000	Nil
Balance of Loss in the Profit and Loss Account of the Company	21,82,03,000	1,02,085.75

Upon implementation of the above proposed scheme, the Securities Premium Account will stand reduced to Rs. Nil as the entire amount lying in the Balance of the said Account ie., Rs.17,52,09,00/- would be utilized for the proposed set off and the paid up share capital of the company will stand reduced to Rs.14,93,90,380/= as an amount of Rs.4,28,92,000/= would also be utilized for the proposed set off of accumulated losses as at 1st April, 2007. To achieve this, the Company will have to comply with the procedure as applicable to reduction of capital. Further with the major portion of the accumulated losses being wiped out by the above set off, it would enable the Board to consider the payment of dividend to its shareholders in future years in order to reward them. Accordingly, the Board commends the resolutions to be considered and passed by the members of the company as the proposed setting off is not in any way detrimental to the interests of the shareholders and this measure is expected to add to their value in the ensuing years.

Further the equity share capital of the company prior to the reduction and post reduction shall be as follows:

Category	Prior to reduction		Post Reduction	
	No. of Equity	% of Holding	No. of Equity	% of Holding
Promoters and its Group	7724544	40.17	6001447	40.17
Financial Institutions/Banks	61100	0.32	47471	0.32
Private Bodies Corporate	316637	1.65	246005	1.65
Public and others	1121638	57.84	8640759	57.84
NRI	4319	0.02	3356	0.02
<b>Total →</b>	<b>19228238</b>	<b>100</b>	<b>14939038</b>	<b>100</b>



As per the provisions of Section 78 read with Sections 100 to 104 of the Companies Act, 1956, a Special Resolution of the Members of the Company is required to be passed in a General Meeting for the above proposal. The procedure also requires the Company to file a petition in the High Court for confirmation of the aforesaid Special Resolution for setting off. Accordingly, the resolution is proposed for the approval of the members.

None of the Directors of your company is in any way concerned or interested in the proposed resolution.

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

Place : Chennai  
Date : 14.05.2007

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 13.08.2007 to 17.08.2007 (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. Raj Kumar and Mr. Tirupathi Kumar 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. Raj Kumar, aged about 42 years, has been associated with the Company as Director from the year 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. Tirupathi Kumar, aged about 39 years, has been associated with the Company as Director from the year 1994. 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.

(By Order of the Board)  
For NEPC TEXTILES LIMITED

Place : Chennai  
Date : 14.05.2007

Ravi Prakash Khemka  
Chairman