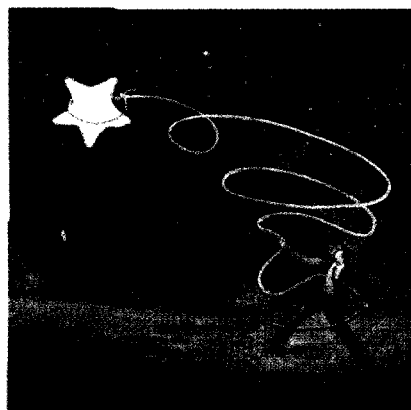




Nilkamal Plastics Ltd.

ANNUAL REPORT 2005-2006



At Nilkamal, we're always striving to achieve new heights. To explore uncharted territory. To reach for the stars.

*Whether it has been setting new benchmarks in the **moulded furniture business**, providing a one-stop-solution for **material handling**, or creating a new benchmark through **lifestyle retailing**, '@ home'. Each of our forays has been instrumental in providing an impetus for growth and a springboard for meeting our long-term objectives.*



Nilkamal Plastics Limited

Twentieth Annual
Report 2005-2006

Board of Directors (In alphabetical order)

Shri D. B. Engineer	-	Director
Shri Hamid A. Mochhala	-	Director
Shri Hiten V. Parekh	-	Executive Director
Shri K. R. Ramamoorthy	-	Director
Shri Mahendra V. Doshi	-	Director
Shri Manish V. Parekh	-	Whole-time Director
Shri Nayan S. Parekh	-	Whole-time Director
Shri R. P. Goyal	-	Director
Shri Rajesh G. Kapadia	-	Director
Shri Sharad V. Parekh	-	Managing Director
Shri Vamanrai V. Parekh	-	Chairman

Financial Controller

Mr. Paresh B. Mehta

Company Secretary

Mr. Manoj Gagvani

Bankers

State Bank of India
Corporation Bank
Citi Bank N.A.

Auditors

M/s. Dalal & Shah
M/s. Vora & Associates

Registrar and Transfer agents

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (W)
Mumbai 400 078.

Registered Office and

Vasona Factory

Survey No. 354/2 and 354/3
Near Rakholi Bridge,
Silvassa Khanvel Road, Village Vasona,
U.T. of D and NH,
Silvassa.

Barjora Factory

Plot No. 1498/2613, WBIDC,
Barjora Mejia Road,
P.S.: Barjora,
District : Bankura,
West Bengal.

Noida Factory

Plot No. 26, B/C Sector No. 31
Surajpur - Kasna Road
Greater Noida 203 207 (U.P.)

Pondicherry Factory

21/6, Olaivaikkal Village
Koodapakam Villianoor Road
Villianoor Taluk, Pondicherry 605 110.

Sinnar Factory

STICE, Plot No. 971/1A
Sinnar Shirdi Road, Sinnar-422 103
Dist. Nashik, Maharashtra.

Corporate Office

Nilkamal House, Plot No. 77-78,
Road No. 13-14, MIDC,
Andheri (E), Mumbai - 400 093.

CONTENTS Page Nos.

Notice	2
Directors' Report and Annexures	5
Corporate Governance Report	12
Management Discussion and Analysis	19
Auditors' Report and Annexure	23
Balance Sheet	26
Profit and Loss Account	27
Cash Flow Statement	28
Schedules Forming Part of the Accounts.....	29
Accounting Policies and Notes	33
Forming Part of the Accounts	
Auditors Report on Consolidated	43
Financial Statements	
Consolidated Balance Sheet	44
Consolidated Profit and Loss Account	45
Consolidated Cashflow Statement	46
Schedules Forming part of	47
Consolidated Accounts	
Accounting Policies and Notes forming	51
part of Consolidated Accounts	
Financial Highlights	57

NOTICE

NOTICE is hereby given that the **TWENTIETH ANNUAL GENERAL MEETING** of the Members of NILKAMAL PLASTICS LIMITED will be held at Survey No. 354/2 & 354/3, Near Rakholi Bridge, Silvassa-Khanvel Road, Vasona, Union Territory of Dadra & Nagar Haveli on Monday, **the 25th day of September, 2006 at 12.00 noon** to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Profit and Loss Account of the Company for the year ended 31st March, 2006 and Balance Sheet as at that date, and the Reports of the Board of Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2006.
3. To appoint a Director in place of Shri Nayan S. Parekh, who retires by rotation and being eligible, offers himself for re-election.
4. To consider and if thought fit to pass with or without modifications the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT Shri Hamid A Moochhala, Director of the Company who retires by rotation and who does not seek re-appointment as a Director be and is hereby not re-appointed as a Director of the Company.
RESOLVED FURTHER THAT the vacancy so created on the Board of Directors of the Company be not filled."
5. To appoint a Director in place of Shri Rajendra P. Goyal, who retires by rotation and being eligible, offers himself for re-election.
6. To appoint Statutory Auditors and fix their remuneration for the financial year 2006-07.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modifications the following resolution as an **Special Resolution**:
"RESOLVED THAT in pursuance to the provisions of Section 21 and other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government and/or Registrar of Companies, and subject to further consents and permissions as may be required, the name of the Company be changed from 'Nilkamal Plastics Limited' to 'Nilkamal Limited' and accordingly the name 'Nilkamal Plastics Limited' wherever it occurs in the Memorandum of Association and Articles of Association of the Company be substituted by the name 'Nilkamal Limited'.
RESOLVED FURTHER THAT the Board of Directors (which shall be deemed to include its Committee constituted thereof to exercise its powers including the powers conferred by this resolution) be and is hereby authorised to do all such acts, deeds, matters and things as may required and take all necessary steps in this regard in order to comply with all the legal and procedural requirements that may be required from time to time and further to authorise any Officer(s) of the Company as the Board may in their absolute discretion deem appropriate to do all/any of the aforesaid acts and other deeds or things, as may be necessary to give effect to this resolution."

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 in respect of business under Item No. 7 of the Notice is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 19th September, 2006 to 25th September, 2006 (both days inclusive) for the purpose of determining eligibility of Members entitled to Dividend. The dividend on equity shares as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or after 26th September, 2006.
4. Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of/change in such Bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders who wish to change such Bank Account details are therefore requested to advise their Depository Participants about such change, with complete details of Bank Account.

5. All unclaimed and unpaid dividends for the financial year 1997-98 and 1998-99 (interim) have been transferred to "Investor Education and Protection Fund" established by the Central Government, in terms of Section 205C of the Companies Act, 1956. The unclaimed dividend(s) for the financial year 1998-99 (Final) will be transferred to the "Investor Education and Protection Fund", established by the Central Government, in terms of Section 205C of the Companies Act, 1956, on or after 3rd November, 2006. Members, who have not yet encashed their dividend warrant(s) for the financial years 1998-99 onwards, are requested to write to the Company's Registrars and Transfer Agents, Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B. S. Marg, Bhandup (W), Mumbai 400078 accordingly. No claims shall lie against the Company or the said Fund for such unclaimed dividends for the period of seven years from the date they became due for payment and no payment shall be made in respect of any such claims.

Financial Year ended	Date of Declaration of Dividend	Last Date for claiming Dividend
31-3-1999 (Final)	25-9-1999	24-9-2006
31-3-2000	29-9-2000	28-9-2007
31-3-2001	-	-
31-3-2002	28-9-2002	27-9-2009
31-3-2003	6-9-2003	5-9-2010
31-3-2004	25-9-2004	24-9-2011
31-3-2005	10-9-2005	9-9-2012

6. The Company has applied to the Central Government for exemption from attaching the accounts and reports of all its subsidiaries under section 212 of The Companies Act, 1956. Shareholders requiring the same may write to the Company.
7. Members desiring any information as regards the Accounts are requested to write to the Company atleast 10 days prior to the date of meeting so as to enable the Management to keep the information ready.
8. All intimation regarding change of address, merging of folios, request for making nominations, from shareholders holding shares in physical form and request for revalidation of dividend warrant may be directed to the Company's Registrars and Transfer Agents, Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B. S. Marg, Bhandup (W), Mumbai 400078.
9. Members/ Proxies should bring the attendance slips filled in for attending the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

Item No. 7

The Company was incorporated in the year 1985 to undertake the business of manufacturing of injection moulded plastics articles under the name of Creamer Plastics Private Limited. Subsequently the Company was converted into a Public Limited company by virtue of which the word 'Private' was removed from its name with effect 6th August, 1990. Thereafter the name of the Company was changed to 'Nilkamal Plastics Limited' with effect from 23rd August, 1990. Since then the Company has been doing the business of injection moulded plastic articles. As on this date the Company's name is associated with the words 'Plastics'. With exposure of the Company to various businesses not concerning plastics, it is considered and recommended by the Board of Directors of the Company to remove the word plastics from its name to be amended as 'Nilkamal Limited'. The Shareholders are aware of new business activities unrelated to plastics, as has been authorised by them at a duly convened Annual General Meeting. One of such business is of the readymade furniture under its brand '@home' which has already commenced. The other activities which the Company is already venturing is in the areas of real estate development, and such other avenues which the Company may explore from time to time.

With the aforesaid, it is recommended and placed before the body of Shareholders by way of resolution under item 7 of this notice, for approval at the ensuing Annual General Meeting.

The name as recommended i.e 'Nilkamal Limited' is made available for adoption by the Registrar of Companies, Ahmedabad a copy of which is available for inspection by the members at the registered office of the Company between 2.00 p.m to 4.00 p.m on all working days and will also be available at the Meeting.

None of the Directors of the Company are concerned or interested in the resolution at item no. 7 of the notice.

By order of the Board
For **Nilkamal Plastics Limited**

MANOJ GAGVANI
Company Secretary

Place : Mumbai
Date : 30th June, 2006

**DETAILS OF DIRECTOR SEEKING APPOINTMENT / RE-APPOINTMENT AT THE FORTHCOMING
ANNUAL GENERAL MEETING**

(Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Shri Nayan S. Parekh	Shri Rajendra Prakash Goyal
Date of birth	8-3-1972	1-12-1923
Date of appointment	1-4-2000	7-1-1991
Qualifications	B.S. Plastics Engineering U.S.A	M.Com, C.A.I.I.B.
Expertise in specific area	Whole Time Director	Banking and Finance
Directorship in other public Limited Companies	---	1. Kajaria Ceramics Ltd. 2. Mark Exhaust Ltd. 3. Plus Paper Food Pac Ltd.
Membership of Committees in other Public Limited	---	Audit Committee 1. Kajaria Ceramics Ltd. 2. Mark Exhaust Ltd. 3. Plus Paper Food Pac Ltd. Remuneration Committee 1. Plus Paper Food Pac Ltd.
Number of Shares Held	477113	100

Report  junction.com

DIRECTORS REPORT**REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS FOR THE YEAR ENDED 31ST MARCH, 2006.**

Dear Members,

Your Directors are pleased to present their **TWENTIETH ANNUAL REPORT** of the Company together with the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS:

(Rs.in Lacs)

	2005-2006	2004-2005
Gross Turnover and Other Income	40,012.28	35,684.69
Turnover, net of Excise and Other Income	36,594.21	32,381.33
Profit before Depreciation and Tax	2,633.67	2,858.89
Less: Depreciation on Fixed Assets	1,671.46	1,596.21
Profit before Tax	962.21	1,262.68
Less: Provision for Taxes	258.11	23.57
Profit after Tax	784.62	1,295.76
Amount Available for Appropriations	2,774.43	2,974.80
Less: Appropriations:		
i) Proposed Final Dividend	257.24	257.24
ii) Total Tax on Dividend	36.08	36.08
iii) Transfer to General Reserves	500.00	691.68
Leaving a Balance to be carried forward	1,981.11	1,989.81
Earnings Per Share Rs.	9.15	15.11
Cash Earnings Per Share Rs.	28.65	33.73
Book Value per Share Rs.	147.86	142.13

DIVIDEND

Your Directors are also pleased to announce a Dividend of Rs. 3/- per equity share which has been recommended for consideration at the ensuing Annual General Meeting of the Company. The requisite amount of Rs 293.32 Lacs (including distribution tax, surcharge and education cess) has been provided in the accounts for the purpose of Dividend.

RESERVES

Your Directors have proposed to carry a sum of Rs. 500 Lacs to the General Reserve Account out of the profits available.

YEAR IN RETROSPECT

The year under consideration was robust for the entire Indian economy. Overall industrial growth was commendable. Your Company too experienced the same, which is depicted, from the accounts laid resulting into healthy growth in volumes. The consumers amenable approach to absorb the burden of increase in raw-materials prices, eased the pressure of volatile raw-material costs which were at its peak as a reason of international crude prices.

This year however, was a challenging year for the Company as well as for the Industry. Plastic Injection moulding industry always has been adversely affected by the, unorganised players catering mainly the local markets. Rationalisation of tax structure, shift in consumer preferences from low priced goods to qualitative and branded products were some of the major happenings which not only streamlined the overall industry, but gave a boost to the Company's products enhancing its brand image. For its moulded furniture business, the Company also took steps to widen its market presence by exploring the demand from rural consumers, which in itself has a huge potential. Several new geographical destinations were added to the network, which hitherto remained to be untouched. Launch of new products such as moulded cabinets, sofa-sets and a range of chairs, developed by in-house design department had a good response from the consumer fraternity.

Material handling business, particularly Crates, too did well during the year. Reliance on cola manufacturers has significantly reduced. Lower demands from them has been set-off by introduction of newer applications across different industries. With overall growth in manufacturing segment, crates business too did well. Your Company

focuses on being a one-stop-shop in material handling business as a solution provider to varied requirements. A step towards this is, that the Company has entered into a joint venture in collaboration with a German company named Bito Lagertechnik Bittmann, GmbH, to manufacture high rise storage and material handling systems of metal. This is seen not only as expanding the area of business but also a shift from being purely in the plastics business. Your Director's are separately under respective heads dealing in this report about their action plans to diversify the business areas of the Company.

Net Sales for the year were Rs. 362.36 Crores as against 321.33 Crores in the previous year. Operating margins after tax were at Rs. 704.10 Lacs as compared to Rs. 1289.27 Lacs in the preceding year.

CAPITAL EXPENDITURE

Your Company has incurred Capital Expenditure of Rs. 1511 Lacs during the year under review as compared to Rs. 1445 lacs in the preceding financial year.

SUBSIDIARIES

Performance of the Sri Lankan subsidiary during the year under consideration was applaudable. It achieved the landmark figure of SLR 100.00 Crores turnover for the year. During year under consideration, the subsidiary company under went buy back of equity capital amounting to Rs. 263.02 Lacs. Your Company has also received dividend and technical/management fees from the said subsidiary which aggregates to Rs 147.51 Lacs. The said amounts form part of other income of the financials laid for your approval.

The subsidiary at Bangladesh has posted a higher turnover during the year, but continued to have pressure on margins. Despite increase in turnover the operating margins were in the negative. The Company infused by equity participation in aggregate a sum of Rs.196.87 Lacs. Accumulated losses of the subsidiary as on the date of closure of accounts, amounts to Rs. 446.09 Lacs. The Management expresses its concern over the same, but simultaneously with the experience of the Indian market and that of Sri Lankan operations the steps taken by the Company and its plans indicate improvement in the operations of the subsidiary.

EXPORTS

Company's Exports during the year were Rs. 473.07 Lacs as compared to Rs. 315.88 Lacs in the previous year.

PROSPECTS

The Company has post completion of the year under consideration, entered into a joint venture with a German company viz. Bito Lagertechnik Bittmann, GMBH (BITO), to manufacture material handling systems made of metal. BITO is in the business of manufacturing various material handling products and systems with its presence mainly in Europe. BITO would provide technical and product related information, whereas the Company would use its market information and the wide spread network. Manufacturing facilities for products under the joint venture are intended to be set-up at Jammu. Operations under the venture are expected to commence in the last quarter of current fiscal. Total capital outlay on these account is estimated to be around Rs. 37.50 Crores. Your Board carries a very optimistic view on this venture.

Your Company has explored into the business of real estate development, and has undertaken medium sized project within the region of suburban Mumbai. The Company would view the same vigilantly and from the experience of it would decide the further course.

Your Company has already commenced operations for six retails stores under its brand '@home' in the business of lifestyle furniture, furnishings, décor items and accessories. It has plans to spread the same across the country in a phased manner. Each store of the Company has impressed the target consumer for its distinctive features. Company has plans to further widen the scope of business as a complete home solution provider. Your Company views this business as an opportunity to reap the benefits of out its corporate structure. The Company has plans to come out with further three such stores which would be operational during the second/third quarter of the current fiscal. This industry lacks strong brand image from the existing players, for which it would be your Company's endeavour to strengthen its '@home' brand resulting to a long term sustainable business model. To achieve this, and based on the learning, no stone would be left unturned for ramping up the number of stores across the country.

Plastic business is also expected to grow by further strengthening the brand image, introduction of new products with varied applications. Structured approach of the Company backed with a vast experience would certainly reap better performance in the future.

FIXED DEPOSITS

The Company has not accepted any Fixed Deposits covered under Section 58A of the Companies Act, 1956 from the Members or the Public during the year.

AUDITORS AND AUDITORS' REPORT

The Joint Auditors M/s . Dalal & Shah , Chartered Accountants and Vora & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting.

M/s. Dalal & Shah, Chartered Accountants and Vora & Associates, Chartered Accountants are entitled for re-appointment as statutory auditors. Both M/s. Vora & Associates and M/s Dalal & Shah have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in pursuance to the provisions of Section 224(1B) of the Companies Act, 1956.

The notes to accounts referred to in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

DIRECTORS

Shri Nayan S. Parekh, Shri Hamid A. Moochhala and Shri Rajendra P. Goyal, Directors of the Company retire by rotation at the ensuing Annual General Meeting. Shri Hamid Moochhala has expressed his unwillingness to be re-appointed at the ensuing Annual General Meeting and accordingly shall not be re-appointed as the Director of the Company. Shri Nayan S. Parekh and Shri Rajendra P. Goyal being eligible, have offered themselves for re-election. The Board of Directors put on record the efforts and contribution of Shri Hamid Moochhala for almost about fifteen years. His association with the Company for such a large period and the guidance provided by him from time to time has been remarkable.

Disclosures as required under provisions of the listing agreement forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same ;
- II. that they have 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 of the Company for that period;
- III. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- IV. that they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Certificates from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements your Directors have pleasure in attaching the Consolidated Financial Statements which form part of the Annual Report and Accounts.

OTHER INFORMATION

The information required under the Clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 and as amended and forming part of the Directors' Report for the year ended 31st March, 2006 is given in the Annexure to this Report.

Information as per the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended is annexed to this report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their sincere appreciation for the encouragement and co-operation received by the Company from the Financial Institutions, Bankers, State Government Authorities, Local Authorities, and its Employees during the year.

For and on behalf of the Board

Place : Mumbai
Date : 30th June, 2006

VAMANRAI V. PAREKH
Chairman

ANNEXURE TO DIRECTORS' REPORT

Additional information given, as required under the Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY.

- (a) Energy Conservation measures implemented in recent past:

The Company monitors all areas at its plants and offices to conserve energy and requisite efforts are taken to conserve energy at all its levels. Energy saving devices are installed at all the plants and offices for reducing consumption of energy.

- (b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

The Company endeavours to reduce consumption of energy at all levels and constantly takes steps by investing into upgradation of machines and process in its manufacturing activity.

- (c) Impact of Measures at (a) and (b):

The impact of the above will result in savings in terms of energy cost reducing the cost of production.

- (d) Total energy consumption and energy consumption per unit as per Form A:

The requirement for Disclosure under Form A is not applicable to the Company for the year under review.

B. TECHNOLOGY ABSORPTION.

Disclosure of particulars in Form B, with respect to Technology Absorption;

RESEARCH AND DEVELOPMENT (R & D):

1. Specific areas in which R & D has been carried out by the Company.

The Company implements and embarks on the policy to create and develop new and innovative designs for its products through its in-house design department. Modifications are made to the injection moulding machines to manufacture varied products.

2. Benefits derived as a result of the above R & D.

This results into launch of new products regularly and retain the leadership position in the market. Company has applied for a patent, which when granted would be first of its type in the industry. This also, for some of its products results into import replacement.

3. Future Plan of Action.

Company launches new and novel products in the market as a result of on-going research and development carried out by the Company.

4. Expenditure on R & D.

(Rs. in Lacs)

a) Capital	Nil
b) Recurring	18.23
c) Total	18.23
d) Total R & D as a percentage of Total Turnover	0.05

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

1. Efforts, in brief, made towards technology absorption, adaptation, and innovation.

The Company relentlessly strives to adapt new technology at all its plants for carrying out manufacturing operations in a better manner. The machines and moulds used for manufacturing products are regularly upgraded to manufacture of novel products in line with the market trend and demand.

2. Benefits derived as a result of the above efforts.

This has resulted into several benefits such as cost reduction, productivity, development of new products, reducing customer complaints, enabling the Company to cater to different customer needs.

3. The Company has not imported any technology or process knowhow.