



**SUPERTEX
INDUSTRIES
LIMITED**

Report  Junction.com

20th

Annual Report 2005 - 2006

BOARD OF DIRECTORS

| | |
|-----------------|---------------------------------|
| S. S. MISHRA | .. Chairman & Company Secretary |
| N. N. PURI | .. Director |
| M. A. SHARMA | .. Director |
| G. R. TOSHNIWAL | .. Director |
| V. K. MISHRA | .. Director |
| R. K. MISHRA | .. Managing Director |

AUDITORS

M. B. AGRAWAL & CO.,
Chartered Accountants, Mumbai

N. G. THAKRAR & CO.,
Chartered Accountants, Mumbai

SOLICITORS

CRAWFORD BAYLEY & CO.,
Mumbai

BANKERS

STATE BANK OF INDIA, Commercial Branch, Mumbai

REGISTERED OFFICE

Plot No 45/46, Phase II
Piperia Industrial Estate
Silvassa, Dadra & Nagar Haveli

HEAD OFFICE

Balkrishna Krupa, 2nd Floor
45/49 Babu Genu Road
Princess Street, Mumbai 400 002

WORKS

1. Unit I & II : Plot No 45 & 46, Phase II
Piperia Industrial Estate
Silvassa, Dadra & Nagar Haveli
2. Unit III : 213, Kharvel
Behind Kharvel Sub-station
Taluka Dharampur
Dist. Valsad, Gujarat

**REGISTRARS AND
SHARE TRANSFER AGENTS**

SHAREX DYNAMIC (INDIA) PVT. LTD.
Unit No. 1, Luthra Industrial Premises
Andheri Kurla Road, Safed Phool
Andheri (East), Mumbai - 400 072


SUPERTEX INDUSTRIES LIMITED
NOTICE

The Twentieth Annual General Meeting of the members of SUPERTEX INDUSTRIES LTD., will be held on Saturday, the 19th August, 2006 at 10.30 a.m. at the Registered Office of the Company at Plot No. 45-46 Phase II, Piperia Industrial Estate, Silvassa (Dadra & Nagar Haveli) to transact the following business :

1. To receive and adopt the Audited Balance Sheet as at 31st March, 2006 and the Audited Profit & Loss Account for the year ended as on that date along with the Reports of the Auditors and the Directors thereon.
2. To appoint a Director in place of Shri. N.N. Puri, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Shri. V.K. Mishra, who retires by rotation and is eligible for re-appointment.
4. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To Consider and if thought fit to pass with or without modification(s) the following Resolution as an ordinary resolution :

"RESOLVED THAT in supersession of the Resolution adopted at the Extra Ordinary General Meeting of the Company held on 15th March, 2003 and pursuant to the provisions contained in Section 293 (1) (d) and other applicable provisions of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company to borrow moneys (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) provided that the total amount of such borrowings together with the amount already borrowed and outstanding shall not exceed Rs. 70 crores (Rupees Seventy Crores)".

6. To consider and if thought fit to pass with or without modification(s) the following Resolution as an ordinary resolution :

"RESOLVED THAT in addition to all the previous resolutions passed in this behalf, consent and approval of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors (hereinafter referred to as "the Board") of all the immovable and/or movable properties of the Company, wheresoever situate, both present and future and/or whole or substantially the whole of the undertaking(s) of the Company to or in favour of any public or private financial institutions, banks, mutual funds, bodies corporate or any other person whomsoever participating in extending financial assistance, to secure any term loans, working capital facilities, debentures or any other type of financial assistance, not exceeding Rs. 70 Crores (Rupees Seventy Crores Only) lent and advanced/to be lent and advanced by them, together with interest, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges or expenses or monies payable by the Company to them under loan agreements/ letters of sanction/debentures trust deed, etc.

RESOLVED FURTHER THAT the securities to be created by the Company as aforesaid may rank pari-passu with the mortgages and/or charges already created or to be created in future by the Company or in such other manner and ranking as may be thought expedient by the Board and as may be agreed to between the concerned parties.

RESOLVED FURTHER THAT the Board be and is hereby authorized to finalise and execute any and all agreements and documents, necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt relating thereto, or otherwise considered by the Board to be in the best interests of the Company."

By order of the Board,

S. S. MISHRA

Chairman & Company Secretary

Mumbai 29th June, 2006

Registered Office :

Plot No. 45-46, Phase II

Piperia Industrial Estate

Silvassa, Dadra & Nagar Haveli.

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Friday, the 11th August, 2006 to Saturday, the 19th August, 2006 (both days inclusive).
3. M/s. Sharex Dynamic (India) Pvt. Ltd., Unit – I, Luthra Industrial Premises, Andheri Kurla Road, Safed Phool, Mumbai – 400 072 are the Share Transfer Agents of the Company for transfer of shares. Members are requested to forward their share transfer applications or any correspondence relating to the shares of the Company to them directly at the aforesaid address.
4. Members are requested to notify any change in their address to the share transfer agents.
5. Vide SEBI Circular No. SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000, it has been made mandatory for all investors in your Company to settle the trade in demat form with effect from 25th September, 2000.
6. The explanatory statement in respect of Special Business is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**ITEM NO. 5**

The members of the Company at their Extra Ordinary General Meeting held on 15th March, 2003 had approved the borrowing powers of the Board of Directors upto Rs. 40 crores. The Company is a sick unit under Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and is in need of additional funds for its revival and to settle the old liabilities with the bank and financial institutions, and as such it is proposed to increase the borrowing limits upto Rs. 70 crores to enable the Company to raise required additional funds.

None of the Directors is concerned or interested in the resolution

ITEM NO. 6

Section 293 (1) (a) of the Companies Act, 1956 inter alia provides that the Board of Directors of a Public Limited Company shall not, without the consent of the Company, sell/lease/mortgage/charge or otherwise dispose of the whole or substantially the whole of an undertaking of the Company.

The Company is registered with the BIFR as a sick unit under section 3 (1) (o) of the SICA. Since the Company proposes to enter into One Time Settlement with the lenders it is likely to avail of loans or other financial assistance for settlement and/or working capital requirement from lenders as also to rehabilitate the sick unit. It may be necessary to create mortgage/charges on assets of the Company which may be regarded as disposal of the whole or substantially the whole of Company's undertaking(s) and therefore the said resolution is proposed to be passed.

None of the directors is concerned or interested in the said resolution

ADDITIONAL INFORMATION ABOUT DIRECTORS SEEKING RE-APPOINTMENT AT THE TWENTIETH ANNUAL GENERAL MEETING :

1. **Shri N. N. Puri :-** Shri Narindar Nath Puri is a graduate in Engineering from University of Delhi and a fellow of the Institute of Engineers. He has varied experience of having worked in senior positions in a number of reputed companies. He was Vice President – Manufacturing (1980-1992) in Blue Star Ltd., Mumbai. He was Chief Executive Hyderabad Plant (1992-2000) NRB Bearings Ltd. Earlier Shri Puri was Plant Manager in Chase Bright Steel Ltd. for a number of years.
2. **Shri V. K. Mishra :-** Shri Vijay Kumar Mishra is a commerce graduate from the University of Mumbai and an associate member of the Institute of Cost and Works Accountants of India, besides being an MBA (USA). He started his career as Sales Executive of the Company in 1987, till 2003, when he ventured in his independent business in textiles, etc. He is well versed in yarn business and has varied business experience.

By order of the Board,

S. S. MISHRA
Chairman & Company Secretary

Mumbai 29th June, 2006



SUPERTEX INDUSTRIES LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

The Directors are pleased to present herewith the twentieth Annual Report together with the audited statement of accounts of your Company for the year ended 31st March, 2006.

Financial Results

| | Year ended 31.03.2006 Rs.in lacs | Year ended 31.03.2005 Rs.in lacs |
|---|--|--|
| Profit / (Loss) from Operations | 9.94 | (112.02) |
| Loss on Sale of Fixed Assets | 6.89 | 0.15 |
| Profit/(Loss)before Interest and Depreciation | 3.05 | (112.17) |
| Interest | 0.54 | 0.55 |
| Profit/(Loss) before Depreciation | 2.51 | (112.72) |
| Depreciation | 122.29 | 124.11 |
| Loss Before Tax | (119.78) | (236.83) |
| Fringe Benefit Tax | 1.52 | — |
| Rebates/Taxes in respect of earlier years | — | 33.19 |
| Net Loss for the Year | (121.30) | (270.02) |
| Loss brought forward | (2201.08) | (1931.06) |
| Loss carried forward | (2322.38) | (2201.08) |

The directors regret their inability to recommend any dividend in view of the loss incurred as above.

Working

During the year the production at both the plants of the Company has been higher at 1,922 M.Tons against 772 M.Tons last year. The income was higher at Rs 1,341 lacs against Rs 576 lacs last year. However, both the plants have run only partly due to paucity of working capital.

It is heartening to note that the Company's efforts at undertaking a comprehensive process re-engineering program, involving redesign of certain production processes and adoption of various cost cutting methods, have shown positive results. As a result, the Company's operations have achieved a cash break-even at very low capacity utilization. The management is hopeful that on restructuring of the debt, the plants would run profitably.

Besides other efforts, in pursuance to the order of BIFR, the management has already been making efforts to reach a One Time Settlement (OTS) with the lenders. It is encouraging to note that these efforts are gaining partial success and the management is hopeful that the OTS would be fully completed in the current year. The Scheme with the BIFR is being prepared accordingly.

Directors

Shri N. N. Puri and Shri V. K. Mishra, Directors, retire by rotation and being eligible offer themselves for reappointment. Appropriate resolutions are being moved at the ensuing Annual General Meeting, which the Board commends for your approval.

Auditors' Report

As regards the observation made by the Auditors in their Report, your directors have to state that the explanation given in the Notes forming part of the Accounts (Schedule-L, Note Nos.10, 13 and 14) are self-explanatory and do not require any further comments.

Auditors

The auditors M/s M. B. Agrawal & Co. and M/s N. G. Thakrar & Co., retire at the conclusion of the ensuing Annual General Meeting. They have furnished certificates of their eligibility for re-appointment.

Cost Auditors

The Cost Accounts records maintained by the Company are subject to yearly audit. Your Company has appointed M/s. Talati and Associates, Cost Auditors for the year 2005-06.

Corporate Governance

Your Company attaches considerable significance to compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchange. A report on Corporate Governance is hereto annexed.

Industrial relations

The Company's industrial relations have been satisfactory and cordial.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956 :

- i) that in the preparation of the annual accounts for the year ended March 31, 2006 the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any ;
- ii) that such accounting policies as mentioned in Note 1 of the Notes on Account have been selected and applied consistently, and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2006 and of the loss of the Company for the year ended on that date ;
- iii) that proper and sufficient care has been taken 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) the accounts have been prepared on a going concern basis.

Particulars of Employees (Section 217(2A) of the Companies Act, 1956)

The Company had no employee who was in receipt of remuneration during the year under report, which in the aggregate was equal to or more than such sum as is prescribed under Section 217 (2A) of the Companies Act, 1956.

Section 217(1)(e) of the Companies Act, 1956

As required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, the relevant information is given below:

The Company ensures minimal power consumption at its plant by constantly maintaining the power factor within the specified limits. The power factor has been improved by installing necessary capacitors, thereby reducing energy losses.

| | 31.03.2006 | 31.03.2005 |
|-----------------------|------------|------------|
| Purchased Units (Kwh) | 24,07,921 | 12,11,988 |
| Amount (Rs.) | 91,89,452 | 55,27,067 |
| Rate / Unit (Rs./p.) | 3.82 | 4.56 |

Listing with Stock Exchanges

The Company is listed on The Stock Exchange, Mumbai.

Information in Compliance of Clause 49 of the Listing Agreement with the Stock Exchange is annexed to the Report.

Acknowledgement

The Directors wish to place on record their appreciation of the contribution made by the executives, officers and workmen of the Company during the year. The Board also acknowledges with thanks the support, co-operation and assistance given by the Bank and Institutions.

For and on behalf of the Board,

S. S. MISHRA
Chairman

Mumbai, June 29, 2006



SUPERTEX INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

The Indian textile industry is euphoric after the opening of the international markets consequent to abolition of the MFA quotas. There has been an overall expansion of capacity by Partially Oriented Yarn (POY) manufacturers in India during the last couple of years. POY is your Company's basic raw material. This had initially led to an oversupply of the same in the industry which has put the prices of yarn under pressure.

In the past, raw material availability had been a very major hurdle in the Company's progress. The improvement in supply position of POY thus augurs well for the Company's revival. Due to the increased production of POY, the texturising plants generally, are better placed than before as their margins of processing have become more secured and much improved than in the past.

Industry Outlook

The removal of excise duty from texturising activity is a major relief to the industry in general and the texturising plants in particular. This duty structure will make the competition healthier by curbing duty evasion significantly. The reduction of prices due to the lowering of duty is expected to shift favourably in the use of polyester as against the natural and other fibres. This is likely to increase the overall demand considerably.

Segment wise Production Performance

The Company has no segment-wise items of production, as it deals only in texturising and draw warping of POY yarns. Since the Company has passed through a very unusual phase, any worthwhile comparison of production or turnover between two periods would not lead to any sensible conclusion. During the period both the plants have run only partly. However, the performance has remarkably improved from the last year. During the year the production at Dharampur plant was higher at 2.71 times at 1153 M.Tons and Silvassa plant produced 2.21 times last year at 769 M.Tons. In comparison with the previous year, however, there is much scope for improvement as plants have utilized only about 30% of their capacities.

Banks & FIs

The negotiations going on with the Bank and financial institutions regarding one time settlements have started showing positive results. The management has partly succeeded in its efforts at arriving at a One Time Settlement as per directions of the BIFR. It hopes to complete the restructuring of the debts of the Company in the current year and file its Debt Restructuring Scheme shortly.

Challenges, Risks and Concerns

Apart from the normal business and industry risks, the management has been facing the challenge in reaching One Time Settlements with the banks and institutions. It is fully involved in efforts to create resources to meet its obligations and simultaneously to revive the unit by creating fresh resources.

Internal Control Systems and their Adequacies

Internal control systems have been built into the day-to-day operations in consultation with the Auditors of the Company. They appear to be adequate.

Human Relations/Industrial Relations etc.

Industrial relations throughout the year were cordial. Necessary rationalisation has been done at officer's level as also at workers level keeping in view the quantum of production.

Cautionary Statement

Certain statements in this report on "Management Discussion and Analysis" 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, actual results could differ materially from those expressed or implied.

REPORT ON CORPORATE GOVERNANCE

The Company has been following the SEBI Guidelines pertaining to Corporate Governance. The report on the Corporate Governance for the year is as follows :

Board of Directors

The Board of Directors consists of six members as on the date of this report, comprising three independent non-executive Directors, one non independent and non-executive director and two executive Directors. None of the directors is a director of any other listed Company.

The Board meets at least once in a quarter, inter-alia to review the quarterly performance and to take on record the financial results. During the year the Board held five meetings. A detailed agenda is sent to each director in advance of each Board meeting. In order to enable the Board to discharge its responsibilities effectively the members of the Board are briefed at every Board meeting.

The details of the directors and the Board meetings attended by them are given below :

| | Name of Director | Status | Board Meetings attended | Whether attended last AGM |
|---|-----------------------|-------------------------------|-------------------------|---------------------------|
| 1 | Shri S S Mishra | Chairman & Company Secretary | 5 | Yes |
| 2 | Shri R K Mishra | Managing Director | 5 | Yes |
| 3 | Shri V K Mishra | Non-Executive | 5 | Yes |
| 4 | Shri N N Puri | Non-Executive and Independent | 3 | No |
| 5 | Shri M A Sharma | Non-Executive and Independent | 5 | Yes |
| 6 | Shri Ganesh Toshniwal | Non-Executive and Independent | 2 | No |

The Non-Executive Directors of the Company are paid sitting fees for attending the Board and/or Committee meetings at the rate of Rs.1,500/- per meeting attended plus their to and fro conveyance expenses.

Audit Committee

The Audit Committee constituted by the Board has three members as on 31st March, 2006 and has been functioning well and discharging its duties as required by Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchange.

The Audit Committee comprises of the following Directors :

| | Name of Director | Status |
|---|-----------------------|--|
| 1 | Shri N. N. Puri | Chairman - Non Executive & Independent |
| 2 | Shri M. A. Sharma | Member - Non Executive & Independent |
| 3 | Shri Ganesh Toshniwal | Member - Non Executive & Independent |

The Committee held three meetings during the year and attendance was as follows :

| Date of Meeting | No. of Members present |
|-----------------|------------------------|
| 30.06.2005 | 2 |
| 27.10.2005 | 3 |
| 16.01.2006 | 2 |

Besides the committee members, the Managing Director and the Sr. Executive-Finance, have also been attending the meetings but have no right to vote. The representatives of the statutory auditors and internal auditors have also been attending the audit committee meetings as and when required.