

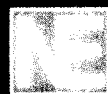
THE NATAR GROUP



# 18<sup>th</sup> Annual Report

## 2005-2006

Report  junction.com



**NATAR EXPORTS LIMITED**

(GOLDEN TRADING HOUSE)

[www.reportjunction.com](http://www.reportjunction.com)

## BOARD OF DIRECTORS

<b>Sh. Jawahar Lal Oswal</b>	<b>Chairman</b>
<b>Sh. Dinesh Oswal</b>	Managing Director
<b>Sh. Kamal Oswal</b>	Director
<b>Sh. Dinesh Gogna</b>	Director
<b>Sh. Sardari Lal Sehgal</b>	Executive Director
<b>Sh. Komal Jain</b>	Director
<b>Dr. (Mrs.) H.K. Bal</b>	Director
<b>Dr. Om Parkash Sahni</b>	Director
<b>Sh. Gursharan Singh Dhiman</b>	Director
<b>Sh. Amarjeet Singh</b>	Director
<b>Prof. Kanwar Sain Maini</b>	Director
<b>Dr. Suresh Kumar Singla</b>	Director

## FINANCE CONTROLLER

Sh. Prem Kishore Vashishth

## COMPANY SECRETARY

Sh. Rajesh Kumar

### BANKERS

Punjab National Bank  
State Bank of India  
Canara Bank  
Allahabad Bank  
Citi Bank

### REGISTERED OFFICE

376, Industrial Area-A,  
Ludiana-141 003, Punjab.

### AUDITORS

M/s Gupta Vigg & Co.  
Chartered Accountants,  
101, Kismat Complex,  
G.T. Road, Miller Ganj,  
Ludhiana - 141 003

### WORKS :

- Rishab Spinning Mills**  
Village Jodhan, Distt. Ludhiana
- Nahar Exports Ltd, 100% EOU**  
Village Lehli/Lalru, Distt. Patiala
- Nahar Fibres Unit-I**  
Jitwal Kalan, Malerkotla.
- Nahar Fibres 100% EOU**  
Jitwal Kalan, Malerkotla.

18th ANNUAL GENERAL MEETING		CONTENTS	PAGE NO.
Day	: Saturday	NOTICE	1
Date	: 30th September, 2006	DIRECTORS' REPORT	3
Time	: 11.00 A.M.	REPORT ON CORPORATE GOVERNANCE	7
Place	: At the Premises of Nahar Industrial Enterprises Limited Focal Point, Ludhiana	AUDITORS' REPORT	14
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# **NAHAR EXPORTS LIMITED**

## NOTICE

Notice is hereby given that **Eighteenth Annual General Meeting** of the members of **NAHAR EXPORTS LIMITED**, will be held on **Saturday the 30<sup>th</sup> day of September, 2006 at 11.00 a.m.** at the premises of M/s. Nahar Industrial Enterprises Limited, Focal Point, Ludhiana-141010, to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Dr. O.P. Sahni, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. Amarjeet Singh, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Prof. Kanwar Sain Maini, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Sh. Komal Jain, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors who shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. Gupta Vigg & Co., Chartered Accountants, the retiring Auditors of the company being eligible, offer themselves for re-appointment.

### BY ORDER OF THE BOARD

Place : Ludhiana  
Dated : 4th Sept., 2006

**RAJESH KUMAR**  
(Company Secretary)

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY EIGHT HOURS BEFORE THE TIME OF THE MEETING.
2. The Register of Members and Share Transfer Register of the Company shall remain closed from 20<sup>th</sup> September, 2006 to 30<sup>th</sup> September, 2006 (both days inclusive).

3. The dividend on equity shares as recommended by the Board of Directors, if approved at the Annual General Meeting will be paid to the members, whose names appear in the Register of members as on 30<sup>th</sup> September, 2006 or Register of beneficial owners, maintained by the Depositories at the close of 19<sup>th</sup> September, 2006.
4. Pursuant to Section 205 A of the Companies Act, 1956 all unclaimed dividends and interest upto the financial year 1997-98 have been transferred to Investor education and protection fund. Further unpaid dividend for the year 1998-99 is to be transferred to Investor Education and Protection Fund pursuant to section 205-C of the Companies Act, 1956, on or before November, 2006. Shareholders who have not encashed their dividend warrants relating to the said period are requested to claim the amount from the company at the earliest.

Further we may also inform that once the amount is deposited with Central Government, it cannot be claimed later on as per the Companies (Amendment) Act, 1999.

5. Members of erstwhile Nahar Fibres Limited (which has been amalgamated into the Company) who have not surrendered the share certificate of Nahar Fibres Limited are again requested to surrender the share certificate of Nahar Fibres Limited to the Company for getting the equity shares of the company in exchange.
6. The bank account particulars of the members will be printed on the dividend warrants. Members holding shares in physical form are requested to immediately notify change in their address/Bank details to the Company's Share Transfer Agent M/s. Alankit Assignments Limited or to the Company's Registered Office at 376, Industrial Area-A, Ludhiana – 141 003. Members holding shares in electronic form are requested to notify change in their address/Bank details to their Depository Participants before 19<sup>th</sup> September, 2006.
7. Since the Company's shares are in compulsory demat trading, to ensure better service and elimination of risk of holding shares in physical form, we request shareholders holding shares in physical form to dematerialise their shares at the earliest.
8. To avail the facility of nomination, Members are requested to send us duly filled and signed Nomination Form (Form 2B).
9. Members seeking any information with regard to Annual Accounts at the time of meeting are requested to send their queries to the Company at least 7 days before the date of meeting so as to enable the management to keep the relevant information ready.
10. Members are requested to bring the copy of Annual Report alongwith them at the meeting.



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11. The information required to be provided under clause 49 of the Listing Agreement entered into with Stock Exchanges, regarding the Directors who are proposed to be re-appointed are annexed hereto and form part of the notice.

### Information pursuant to Corporate Governance Clause of the Listing Agreement regarding Director seeking appointment/re-appointment :

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below:

- 1. Name : Dr. O.P. Sahni**  
**Age : 65 years**  
**Qualification : M.Sc, M.B.A. Ph.D.**  
**Expertise : Having more than 30 years of experience in teaching Management and Administration.**

### Directorship/membership in the committees of the Board in other Companies

Name of the Company	Committee	Status
1. Nahar Indl. Enterprises Ltd.	Audit	Chairman
	Shareholders	Member
	Grievance	
	Remuneration	Member
2. Nahar Spinning Mills Ltd.	Audit	Member
3. Eastman Forge & Castings Ltd.	—	—
4. Midland International Ltd.	—	—
5. The L.S.E. Commodities Ltd.	—	—
6. Eastman Industries Ltd.	—	—

- 2. Name : Sh. Amarjeet Singh**  
**Age : 79 years**  
**Qualification : LL.B**  
**Expertise : Having 52 years experience in Corporate Taxation and Legal work.**

### Directorship/membership in the committees of the Board in other Companies

Name of the Company	Committee	Status
1. Nahar Spinning Mills Ltd.	Audit	Chairman
	Remuneration	Chairman
	Shareholders	Member
	Grievance	
2. Vanaik Investors Ltd.	—	—
3. Oswal Woollen Mills Ltd.	Audit	Member
4. Oswal Leasing Ltd.	—	—
5. Nagdevi Trading & Investment Co. Ltd.	—	—

6. Kulu Investment & Trading Pvt. Ltd. — —  
 7. Palam Motels Limited — —  
 8. J.L. Growth Fund Ltd. — —  
 9. Abhilash Growth Fund Pvt. Ltd. — —  
 10. Nahar Growth Fund Pvt. Ltd. — —  
 11. Monica Growth Fund Pvt. Ltd. — —  
 12. Ruchika Growth Fund Pvt. Ltd. — —  
 13. Neha Credit & Investment Pvt. Ltd. — —

- 3. Name : Prof. Kanwar Sain Maini**  
**Age : 67 years**  
**Qualification : M Com**  
**Expertise : Having more than 31 years experience in teaching, commerce, Management and Administration.**

### Directorship/membership in the committees of the Board in other Companies

Name of the Company	Committee	Status
1. Nahar Spinning Mills Ltd.	Investment	Member
2. Nahar Industrial Enterprises Ltd.	Shareholders	Member
	Grievance	
	Remuneration	Chairman
<b>4. Name : Sh. Komal Jain</b>		
<b>Age : 51 years</b>		
<b>Qualification : M A.</b>		
<b>Expertise : Business experience of 30 years in Textile Industry.</b>		

### Directorship/membership in the committees of the Board in other Companies

Name of the Company	Committee	Status
1. Girnar Investment Ltd.	—	—
2. Vanaik Investors Ltd	—	—
3. Bermuda Insurance Brokers Pvt. Ltd.	—	—
4. White Tigers Breweries and Distillers Ltd.	—	—
5. Vigil Investments Pvt. Ltd.	—	—
6. Oswego Spinning Mills Pvt. Ltd.	—	—
7. Sankheshwar Holding Co. Ltd.	—	—
8. Nahar Financial & Investment Ltd.	—	—

BY ORDER OF THE BOARD

Place : Ludhiana  
 Dated : 4th Sept., 2006

**RAJESH KUMAR**  
 (Company Secretary)

# NE NAHAR EXPORTS LIMITED

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the **EIGHTEENTH ANNUAL REPORT** on the affairs of the company for the year ended 31<sup>st</sup> March, 2006.

## FINANCIAL RESULTS

Your Company's Financial Performance during the year is summarised below :

(Rs. in Lacs)			
PARTICULARS	CURRENT YEAR	PREVIOUS YEAR	
<b>PROFIT BEFORE INTEREST &amp; DEPRECIATION</b>	7558.00	6123.29	
Less : Interest	506.86	434.52	
Depreciation	2414.36	2405.88	
Provision for Taxation (Net of Deferred Tax)	930.50	3851.72	3521.79
<b>Profit after tax</b>	3706.28	2601.50	
Adjustment of Income	(-) 251.88	(-) 66.25	
Tax of earlier years			
Balance of surplus brought Forward	14.08	14.08	
<b>Amount available for appropriation</b>	<b>3468.48</b>	<b>2549.33</b>	
<b>APPROPRIATION</b>			
Proposed Dividend	528.93	525.99	
Tax on Distributed profits	74.18	73.77	
Transfer to General Reserve	2851.15	1935.49	
Balance carried to balance sheet	14.08	14.08	
Adjustment of dividend of earlier year	0.14	---	
Including dividend tax	3468.48	2549.33	

## SEGMENT REPORTING

We wish to inform you that the disclosure requirement of Accounting Standard 17, issued by the Institute of Chartered Accountants of India are not applicable as the main business activities of the company falls under single segment namely "Yarns".

## OPERATIONS REVIEW

During the year under review, company's performance has been excellent on all fronts. The company achieved a net operating income of Rs.430.29 crores. The company exported goods worth Rs. 247.37 Crores which constitute 57.49% of the operating income. Because of its excellent export performance the company continues to enjoy the status of EXPORT HOUSE. The company has also improved its financial performance and earned a gross profit (before interest and the depreciation) of Rs.75.58 crores showing an impressive increase of 23.43% over the previous year. After providing Rs.24.14 crores for depreciation and Rs.9.30 crores for Tax (net of deferred tax and FBT) the net profit at Rs.34.54 crores has also shown an impressive increase of 36.25% over the previous year. After appropriation of profit as per detail herein above, an amount of Rs. 28.51 crores has been transferred to general reserves thereby increasing the reserves of the company to Rs. 305.01 crores as on 31<sup>st</sup> March, 2006.

## DIVIDEND

Your Directors are pleased to recommend a dividend @15% (i.e. Rs. 1.50 per share) on paid up equity share capital for the year ended 31<sup>st</sup> March, 2006.

The dividend, if approved at the forthcoming Annual General Meeting, will be paid out of the profits of the company for the year under reference to all those shareholders whose names shall appear in the Register of Members on 30<sup>th</sup> Sept., 2006 or register of beneficial owners, maintained by the Depositories as at the close of 19<sup>th</sup> Sept., 2006. The dividend distribution as percentage of net profit after tax is 15.31%

## COMPOSITE SCHEME OF DEMERGER AND ARRANGEMENT

To make use of the emerging opportunities on the Global Textile scenario and also to have focused business approach, your management thought desirable and expedient to restructure company's business. Accordingly a composite scheme of demerger and arrangement between your company and Nahar Spinning Mills Limited was proposed and the same has been approved by the board of directors of both the companies in their meeting held on 30<sup>th</sup> March, 2006. The scheme interalia provide for demerger and transfer of company's textile business to Nahar Spinning Mills Limited (post demerger of investment business) in accordance with the terms of the scheme. Upon transfer of textile business, Nahar Spinning Mills Limited shall allot, without any further application or act, 55 equity shares of Rs. 5/- each fully paid up in respect of every 100 equity shares of Rs. 10/- each held in the company, on the record date to be fixed for the purpose.

The abovesaid share swap ratio has been worked out by M/s. Agarwal Jetley and Co., Chartered Accountants, A2/78, Safdarjung Enclave, New Delhi, on the basis that 65% of the total net worth of the company is being represented by textile business. The Board has accepted their independent valuation and judgement and accordingly approved the same. Thus paid value of company's equity share, after the transfer of company's textile business to Nahar Spinning Mills Limited, would stand reduced from Rs. 10/- to Rs. 3.50 per share and the same shall be reorganised into the nominal value of Rs. 5/- per share. Thus 100 equity shares of the company would be converted into 55 equity shares of Rs. 5/- each of Nahar Spinning Mills Limited and 70 equity shares of Rs. 5/- each of Nahar Exports Limited.

The company has already received a nod from the National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd. under Clause 24(f) of the Listing agreement. The company is in the process of filing a joint petition U/s 391 and 394 of the Companies Act, 1956 before the Hon'ble Punjab & Haryana High Court at Chandigarh for the approval/sanction of the scheme. The detailed scheme shall be sent to you alongwith the notice calling the Extra Ordinary General Meeting for the approval of the scheme. The scheme is beneficial commercially as well as financially for both the companies and is in the interest of the shareholders, creditors (secured as well as un-secured), employees and all stake holders.

## EXPANSION PLANS

Your Management is of the firm opinion that in the changing Global Textile Scenario, capacities and upgradation of technology is going to play a pivotal role in the success of business in the





## ANNUAL REPORT 2005-2006

times to come. Accordingly in tune with the times, your management has decided to increase the spindle capacity by adding another 24000 spindles at Village Jitwal Kalan, Distt. Sangrur at a capex of Rs. 80 Crores which will be financed by way of term loan under the TUFF Scheme and the internal accruals of the company. On its completion the company's spindle capacity will stand increase to 201664 Spindles.

Further as reported in our previous report, the expansion plan of 24000 spindles at Village Jodhan, Distt. Ludhiana is going as per the schedule. We are pleased to inform you that the part production of 24000 Spindles expansion plan has already started in March, 2006. The project is expected to be completed by September, 2006.

We are Optimistic that the above said expansion and modernisation will help in improving company's performance in the years ahead.

### DIRECTORS

Pursuant to article 112 of the Articles of Association of the company Dr. O.P. Sahni, Sh. Amarjeet Singh, Prof. K.S. Maini and Sh. Komal Jain will be retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Sh. J. L. Oswal, Chairman cum Managing Director of the company, due to his business preoccupation, has resigned from the Managing Directorship of the company w.e.f. 30th August, 2006. However he will continue to be the Director as well as Non Executive Chairman of the company. The Board place on record their appreciation for the valuable services rendered by him as Managing Director of the company.

In terms of clause 49 of the Listing Agreement with the Stock Exchanges, the details of Directors to be re-appointed are contained in the accompanying Notice of the forthcoming Annual General Meeting.

### LISTING OF SECURITIES

The securities of the company are presently listed on the following Stock Exchanges:

- i. The Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai.
- ii. The National Stock Exchange of India Ltd., Exchange Plaza, 5<sup>th</sup> Floor, Plot No.C/1, G-Block, Bandra Kurla Complex, Bandra (E), Mumbai

The Company has paid listing fee to both the stock exchanges for the financial year 2006-2007.

### CREDIT RATING

The Credit Rating Information Services of India Ltd. (CRISIL) has reaffirmed the credit rating "P1+" (Pronounced "P one plus") to the company for commercial paper/short term loan upto Rs.10.00 Crores.

### DEMATERIALISATION OF SECURITIES

As the members must be aware that company's securities are tradable compulsorily in electronic form w.e.f. 8<sup>th</sup> May, 2000. Your Company has already established connectivity with both the Depositories i.e. National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) to

facilitate the holding and trading of securities in electronic form. As on date 86.41% of the share capital have been dematerialised by the members of the Company.

Further as per SEBI circular no. D&CC/FITTC/CIR-15/2002 dated 27<sup>th</sup> December, 2002, Company has appointed M/s. Alankit Assignments Ltd. as Registrar for Share Transfer and Electronic connectivity. Accordingly all the shareholders, Investors, Members of the Stock Exchanges, Depository Participants and all other concerned are requested to send all communication in respect of share transfer, demat/remat, change of address etc. to our Registrar at below mentioned address:

M/s. Alankit Assignments Limited  
(Unit: Nahar Exports Limited)  
Alankit House  
2E/21, Jhandewalan Extension  
New Delhi - 110 055  
Telephone No. : (011) 23541234  
Fax No. : (011) 41540064  
E-mail address : rta@alankit.com

In case any query/complaint remains unresolved with our Registrar please write to Company Secretary at the Registered Office of the Company.

The shareholders who have not gone in for dematerialisation of shares till date, are requested to opt for dematerialisation of the shares at the earliest.

### AUDIT COMMITTEE

Pursuant to Section 292 A(1) of the Companies Act, 1956, Company has already constituted Audit Committee consisting of Sh. Amarjeet Singh as Chairman, Sh. Dinesh Gogna and Prof. K.S. Maini as members. The committee held four meetings during the year under review.

### REPORT ON THE CORPORATE GOVERNANCE

Your Company continues to follow the principles of good Corporate Governance. The company has already constituted several committees of directors to assist the Board in good corporate governance. The corporate governance report alongwith the auditors certificate regarding compliance of the conditions of the corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchange, is attached herewith.

### DIRECTORS RESPONSIBILITY STATEMENT

The Directors would like to assure the Members that the financial statements for the year under review, confirm in their entirety to the requirements of the Companies Act, 1956.

The Directors confirm :

- i) that in preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanations relating to material departures;
- ii) that they had 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 or loss of the company for that period;

# **NAHAR EXPORTS LIMITED**

- iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that they had prepared the Annual Accounts on a going concern basis.

## COST AUDITORS

The Company appointed M/s. Ramanath Iyer & Co., Cost Accountants, New Delhi as Cost Auditors for the year 2005-2006. The Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, New Delhi have approved the said appointment vide their letter dated 21.07.2005. The Cost Audit Report of the company would be submitted to the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, in accordance with the requirements of Law.

## AUDITORS

M/s. Gupta Vigg & Co., the Auditors of your Company shall be retiring at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The company has obtained from auditors, a certificate as required under Section 224(1-B) of the Companies Act, 1956 to the effect that their reappointment, if made, would be within the limits specified in the said section.

## FIXED DEPOSITS

During the year, company has not accepted any fixed deposit within the meaning of Section 58-A of the Companies Act, 1956 and the rules made thereunder.

## INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to Section 205-C of the Companies Act, 1956 the company has transferred an amount of Rs.1018635.84 (Rupees Ten lacs eighteen thousand six hundred thirty five and paise

eighty four only) being the amount of unclaimed dividend for the year 1997-98 to the Investor Education and Protection Fund.

## PARTICULARS OF EMPLOYEES

The information as required under Section 217(2A) of the Companies Act, 1956 read with the rules framed there under, is enclosed as per Annexure-I

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

The detailed information as required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in Report of the Board of Directors) Rules 1988, is enclosed as per Annexure-II of this report.

## INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year and the excellent results were achieved with the whole hearted co-operation of employees at all levels.

## ACKNOWLEDGEMENT

The Board of Directors of the company wish to place on record their thanks and appreciation to all workers, staff members and executives for their contribution to the operations of the company. The Directors are thankful to the Bankers, Financial Institutions for their continued support to the company. The Directors also place on record their sincere thanks to the shareholders for their *continued support, co-operation and confidence in the Management* of the Company.

## FOR AND ON BEHALF OF THE BOARD

Place : Ludhiana  
Dated : 4th Sept., 2006

**JAWAHAR LAL OSWAL**  
(Chairman)

## ANNEXURE-I PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2006.

Sr. No.	NAME	DESIGNATION	REMUNERATION (in Rs.)	NATURE OF EMPLOYMENT	NATURE OF DUTIES	QUALIFI- CATION	EXPERIENCE IN YEARS	DATE OF EM- PLOYMENT	AGE (IN- YEARS)	LAST EMPLOYMENT HELD	% OF EQUITY CAPITAL HELD
1.	Sh. Jawahar Lal Oswal	Chairman Cum Managing Director	11928000.00	Contractual	General Administration	Graduate	42	01.02.1998	63	NIL	NIL
2.	Sh. Dinesh Oswal	Managing Director	7632000.00	Contractual	Overall Company's administration	B.Com.	21	01.04.1998	41	Oswal Woollen Mills Ltd.	0.121
3.	Sh. S. L. Sehgal	Executive Director	1612543.00	Contractual	Production and General Administration of Rishab Spinning Mills	Textile Engineering	46	01.01.1990	69	Rohtak Textile Mills Ltd. Rohtak	0.001

## NOTES :

- Remuneration includes salary, ex-gratia, leave encashment, monetary value of perquisites as per Income Tax Rules, employers contribution to provident fund and commission, where applicable.
- Sh. Jawahar Lal Oswal is related to Sh. Dinesh Oswal, Managing Director and Sh. Kamal Oswal, Director of the Company.
- Sh. Dinesh Oswal is related to Sh. Jawahar Lal Oswal, Chairman cum Managing Director and Sh. Kamal Oswal, Director of the Company.

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## ANNEXURE-II

**INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2006.**

### 1. CONSERVATION OF ENERGY

- a) **Measures taken for conservation of energy.**  
Energy conservation is an ongoing process in our organisation. Continuous monitoring, planning, development and modifications for energy conservations are done in all units. All possible measures have been taken during selection of machinery and equipments for its low energy consumption. All the new industrial light fittings installed since 1997 have been selected with low watt loss or with electronic chokes for minimum power consumption.  
New generation of spindles having different blade profile are being replaced for the old spindles and this change will result into saving of lot of electrical power.  
Installation of high efficiency air compressors.
- b) **Additional Investment & Proposal under implementation for reduction of consumption of energy**  
i) Company is going to replace old low productivity cards with latest generation Card.  
ii) Old Combers are to be replaced with latest generation Reiter Comber.  
iii) Old Autoconers are to be replaced with latest generation Autoconer.
- c) **Impact of measures, consequent to (a) and (b) above**  
On account of the foregoing measures adopted by the company substantial saving of energy consumption and reduction in cost of production has been and shall be achieved.
- d) **Total energy consumption and energy consumption per unit of production as per Form-A, of the Annexure in the rules in respect of industries specified in the schedule thereto.**

#### FORM A

	CURRENT YEAR	PREVIOUS YEAR
--	--------------	---------------

#### A. POWER & FUEL CONSUMPTION

<b>1. Electricity</b>		
<b>(a) Purchased</b>		
Units (Kwh)	94947375	76685599
Total amount (Rs.)	393758973	291739325
Rate per Unit (Rs.)	4.15	3.80
<b>(b) Own Generation</b>		
<b>i) Through Diesel Generator</b>		
Units produced (KWH)	664983	1868496
Total amount (Rs.)	4951642	11545043
Cost per unit (Rs.)	7.45	6.18
<b>ii) Furnace Oil</b>		
Unit Produced (KWH)	31004915	44820436
Total Amount	93753801	110764972
Cost per unit (Rs)	3.02	2.47
<b>2. Coal</b>	NIL	NIL
<b>3. Other / Internal Generation</b>	NIL	NIL

#### B. CONSUMPTION PER UNIT OF PRODUCTION

<b>Electricity Consumed per unit</b>		
Cotton Yarn/Synthetic Yarn (Unit/Kg)	3.91	3.99
Coal/per Kg. of (Dyed Yarn)	NIL	NIL

### 2. TECHNOLOGY ABSORPTION

#### FORM B

#### A. RESEARCH & DEVELOPMENT (R & D)

- i) **Specific areas in which Research and Development carried out by the Company.**  
The R & D efforts in the company are focused not only on productivity, quality improvement with waste reduction but also in developing value added products such as 100% Organic Cotton & Organic Cotton blends, Melange yarn in different shades and blends for domestic and international markets. The company has latest online and off line testing and monitoring equipments to maintain the

product consistency of raw-material as well as finished products. Through R & D monitoring, company is able to procure the improved quality of raw material and thus achieving customer satisfaction by consistently meeting their ever increasing expectation.

#### ii) **Benefits derived as a result of above R & D :**

The company has improved its products value and reduction in production cost. The company has expanded its market to value added market segments and has been able to maintain customers requirements.

#### iii) **Future Plans :**

The company is committed to continue the upgradation of its R&D facilities and will strive to develop new products, keeping in view the future market requirements and thus improve its competitiveness. In the process of modernisation, company is going to take following steps.

- a) Installation of Uster Tester-5 & Uster Quantum Classimat from Uster Technologies, Switzerland. Installation of Hairiness Tester & Friction Tester from Zweigle Germany.
- b) Installation of latest generation of contamination sorter like Loptex (Optosonic) & Yarn clearers with contamination clearing channel in Blow Room & Finishing.
- c) Replacement of 6 Ring Frames (LR6/S) from LMW and 8 new Autoconers of Savio Orion, Italy.

#### iv) **Expenditure on R & D :**

	Current Year	Previous Year
a) Capital (Rs.)	298271	NIL
b) Recurring (Rs.)	27303	63461
c) Total (Rs.)	325574	63461
d) Total R&D expenditure as a %age of total turnover	0.01	---

#### B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

#### i) **Efforts in brief made towards technology absorption, adaptation and innovation :**

In order to improve the working environment the company has installed new filtration system, 16 Cards of LC300A-V3 with Graf Wire and 13 Ring frames from Luxmi Machine Works.

#### ii) **Benefits derived as result of above efforts :**

With the above mentioned efforts, the company will enjoy the benefits of improved product quality, productivity and saving in manufacturing cost. The Company will project its image in the world market as a manufacturer of world class yarn and achieve an excellent share of world market

#### iii) **Information regarding Technology imported during the last five years :**

NIL

### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (I) Activities relating to Exports, initiative taken to increase exports, Development of new Export Markets for products and export plans
- With the opening of Global Trade w.e.f 1st Jan., 2005 company has taken effective steps to increase its exports and diversified export Markets. Company continues to make efforts to provide quality products at a very competitive rates so that it can compete with inter-national suppliers and maintain a steady growth of exports.

#### (II) Total Foreign Exchange used and earned

	Current Year	Previous Year
a) Foreign Exchange earned (Rs.)	2402171245	2677747054
b) Foreign Exchange outgo (Rs.)	266306452	168330234

For and on behalf of the Board

Place : Ludhiana  
Dated : 4th Sept., 2006

JAWAHAR LAL OSWAL  
(Chairman)





# NAHAR EXPORTS LIMITED

## ANNEXURE-III

### CORPORATE GOVERNANCE REPORT

This report of Corporate Governance form part of the Annual Report.

#### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your company continues to practice the principle of good Corporate Governance. It is company's firm belief that good Corporate Governance is key to success of business. The company's philosophy envisage an attainment of highest level of the transparency and accountability in its operations so that company's goal of creation and maximisation of wealth of the shareholders/stakeholders could be achieved. Clause 49 of the Listing Agreement with Stock Exchanges incorporate certain mandatory disclosure requirements with regard to Corporate Governance. In pursuance to the requirements of Corporate Governance Rules, we are pleased to report the following:-

#### I. BOARD OF DIRECTORS

1. The Board of the company is well structured with adequate blend of professional, executive and independent Directors. The present strength of the Board is of twelve Directors. Sh. J.L. Oswal is a non executive chairman, Sh. Dinesh Oswal is Managing Director and Sh. S.L. Sehgal, Executive Director of the Company. Thus the post of Chairman and Managing Director are held by different persons.

2. Since Sh. J.L. Oswal is non executive chairman, at least one third of the Board should comprise of independent directors as per Corporate Governance Rules. The company has already restructured its Board to comply the said requirement. Presently Company's Board consists of 12 Directors out of which 5 are independent directors, namely Dr.(Mrs.) H.K. Bal, Sh. Amarjeet Singh, Dr. O.P. Sahni, Prof. K.S. Maini and Dr. S. K. Singla. Thus the company has complied the Corporate Governance Rules regarding structure of Board of Directors.
3. The Board met five times on 4<sup>th</sup> June, 30<sup>th</sup> July, 27<sup>th</sup> October, 2005, 28<sup>th</sup> January and 30<sup>th</sup> March, 2006 during the period April 2005 to March, 2006 with a clearly defined agenda circulated well in advance of each meeting. The maximum interval between the two Board meetings is not more than four months.
4. None of the directors is a member of more than 10 board level committees or is Chairman of more than 5 such Board level committees as required under Clause 49 of the Listing Agreement.
5. Participation of Non Executive Directors has been active in the Board Meetings. The Attendance record of Directors in the Board meetings and the Annual General Meeting during the year 2005-2006 is as under:

Name of Director	Category of Director	No. of other Directorship (excluding private company)	No. of Committee membership		No. of Board Meetings attended	Annual General Meeting Attendance (held on 28.09.2005)
			Member Ship	Chairman		
Mr. Jawahar Lal Oswal	Non Executive Promoter	13	Nil	Nil	3	No
Mr. Dinesh Oswal	Executive Promoter	12	Nil	Nil	5	Yes
Mr. Kamal Oswal	Non Executive Promoter	12	1	1	5	Yes
Mr. Dinesh Gogna	Non Executive	5	4	1	3	Yes
Mr. Komal Jain	Non Executive	5	Nil	Nil	5	Yes
Mr. S. L. Sehgal	Executive	Nil	Nil	Nil	5	Yes
Dr. (Mrs.) H. K. Bal	Non Exec. Independent	4	6	2	5	Yes
Mr. Amarjeet Singh	Non Exec. Independent	7	5	2	5	Yes
Mr. G. S. Dhiman	Non Executive	Nil	1	Nil	5	Yes
Dr. O. P. Sahni	Non Exec. Independent	6	3	1	5	Yes
Prof. K S. Maini	Non Exec. Independent	2	2	Nil	5	Yes
Dr. S. K. Singla	Non Exec. Independent	1	1	Nil	5	Yes



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6. Non Executive Directors are paid a sitting fee of Rs.2000/- per meeting of the Board.
7. **Code of conduct:** The company is committed to conduct its business in accordance with applicable laws, rules and regulations and highest standards of transparency. Accordingly the company has laid down a Code of conduct for all its Board members and Senior Managerial Personnel so that conflict of interest could be avoided. All the Board members and Senior Managerial Personnel are complying the said code of conduct. The code of conduct is also available on company's website i.e. owmnagar.com
8. The Company ensures compliance of various statutory requirements by all its business units.
9. All the Statutory Registers that are required to be maintained, particularly, Register of Director's Shareholding, Register of Investments etc. are properly maintained and continuously updated.

### II. AUDIT COMMITTEE

The Board has already constituted an independent and qualified Audit Committee. The committee consists of three non executive directors under the chairmanship of Sh. Amarjeet Singh. Prof. K.S Maini and Sh. Dinesh Gogna are the two other members of the Audit Committee. Sh. Amarjeet Singh is a Senior Advocate having 52 years of experience in Corporate Taxation and Finance. Sh. Dinesh Gogna is also a senior corporate executive having 25 years of experience in Corporate Finance, Taxation, Financial and Accounting matters. Likewise Prof. K.S Maini is also having requisite expertise in Financial and Accounting matters. The company secretary is the Secretary of the committee. The Finance Controller is permanent invitee of the committee. The statutory auditors, the internal auditors and cost auditors are also invited to attend the meetings, as per relevant provisions of the applicable laws/rules, as and when felt necessary.

The term of reference of the Audit Committee are as per clause-49 of the Listing Agreement with the Stock Exchanges, SEBI Guidelines and Companies Act, 1956. Since 1<sup>st</sup> April, 2005 the committee met four times i.e. on 4<sup>th</sup> June, 30<sup>th</sup> July, 27<sup>th</sup> October, 2005 and 28<sup>th</sup> January, 2006 and at these meetings, the quarterly unaudited financial results as well as the financial statement during the year ended 31<sup>st</sup> March, 2005 were reviewed and examined by the members of the audit committee before recommendation of the same to the Board of Directors for their perusal and adoption.

The attendance record of the Audit committee meeting is as under:

Name of Member	No. of Meetings Attended
Sh. Amarjeet Singh	4
Sh. Dinesh Gogna	3
Prof. K. S. Maini	4

Sh. Amarjeet Singh, Chairman of the Audit Committee attended the last Annual General Meeting of the company held on 28<sup>th</sup> September, 2005 and replied/clarified the queries raised at the Annual General Meeting.

### III. REMUNERATION COMMITTEE

The Remuneration Committee was set up by Board in its meeting held on 31<sup>st</sup> Jan., 2002. The committee comprises Sh. Amarjeet Singh as Chairman, Sh. G. S. Dhiman and Dr.(Mrs.) H.K. Bal as members.

The Broad term of reference of the Remuneration Committee is to ensure that the Company's Remuneration policies in respect of Managing Director/ Working Directors, Senior Executives are competitive so as to recruit and retain best talent in the company and to ensure appropriate disclosure of remuneration paid to said persons.

The Committee met once during the year under review, on 30<sup>th</sup> July, 2005. The attendance record of the meeting held is as follows :-

Name of Member	No. of Meetings Attended
Sh. Amarjeet Singh	1
Sh. G. S. Dhiman	1
Dr. (Mrs.) H. K. Bal	1

The details of remuneration paid to Managing / Executive/ Director(s) for the year ended 31<sup>st</sup> March, 2006 is as under:

	Salary	Sitting Fee (Rs.)
Sh. Jawahar Lal Oswal	11928000.00	Nil
Sh. Kamal Oswal	---	10000.00
Sh. Dinesh Oswal	7632000.00	Nil
Sh. Dinesh Gogna	---	6000.00
Sh. Komal Jain	---	10000.00
Sh. S.L Sehgal	1612543.00	Nil
Dr.(Mrs.) H.K. Bal	---	10000.00
Sh. Amarjeet Singh	---	10000.00
Dr. O.P. Sahni	---	10000.00
Sh. G. S. Dhiman	---	10000.00
Prof. K. S. Maini	---	10000.00
Dr. S. K. Singla	---	10000.00

### IV. SHAREHOLDER'S COMMITTEES

The company has already constituted a share transfer committee comprising 5 members under the Chairmanship of Sh. Dinesh Oswal. The committee is responsible for approving the transfer and transmission of securities, dematerialisation of shares, issuance of duplicate certificates and other shareholders related issues. The committee met twelve times during the period April 2005 to March 2006, i.e. on 30.04.2005, 31.05.2005, 30.06.2005, 30.07.2005, 31.08.2005, 28.09.2005, 31.10.2005, 30.11.2005, 31.12.2005, 31.01.2006, 28.02.2006 and 31.03.2006, and the attendance of the members is as follows :-