

10th Annual Report 2002 - 2003

Report  Junction.com



N. R. Agarwal

Industries Limited

Board of Directors

Shri. N. R. Agarwal

Shri. G. N. Agarwal

Shri. R. N. Agarwal

Shri. S. N. Chaturvedi

Shri. N. Venkatesan

Managing Director

Director

Director

Director

Nominee of IDBI

REGISTERED OFFICE:

415-418, Janki Centre, 4th Floor
29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 058

FACTORIES:

Unit – I

Plot No.169, GIDC
Vapi – 396 195
Dist. Valsad
Gujarat State

Unit - II

Plot No.1, Phase 1
GIDC, Vapi-396 195
Dist. Valsad
Gujarat State

Auditors:

CHATURVEDI & PARTNERS

Bankers:

BANK OF BARODA

ORIENTAL BANK OF COMMERCE

Company Secretary

Shri. Vinod Bapna

REGISTRAR & TRANSFER AGENTS

SHAREX (INDIA) PRIVATE LIMITED

17/B, Dena Bank Building

2nd Floor, Horniman Circle

Fort, Mumbai – 400 001

Tel. No. 022 - 2270 24 85 / 2264 13 76

Annual General Meeting will be held on Tuesday, 23rd September, 2003 at Aishwarya Party Hall, Shop No.13-14, Ground Floor, MHADA Oshiwara Shopping Complex, Near Oshiwara Police Station, Opp. Tarapore Garden, Oshiwara, Jogeshwari (West), Mumbai – 400 102.

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the members of N. R. AGARWAL INDUSTRIES LIMITED will be held at Aishwarya Party Hall, Shop No.13-14, Ground Floor, MHADA Oshiwara Shopping Complex, Near Oshiwara Police Station, Opp. Tarapore Garden, Oshiwara, Jogeshwari (West), Mumbai - 400 102 on Tuesday, the 23rd September, 2003 at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2003 and Profit and Loss Account for the year ended 31st March 2003 and the Reports of Board of Directors and Auditors thereon.
2. To declare dividend at the rate of 1% on Non-cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Shri. S. N. Chaturvedi who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 18th September 2003 to Tuesday, 23rd September, 2003 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to immediately notify the Company in case of any change in address and should specify their full address in capital letters clearly indicating the pincode of the post office.
5. Members are requested to bring their copy of Annual Report as the extra copies will not be supplied at the Annual General Meeting.
6. In case members desire to raise any queries they are requested to send them at the Registered Office of the Company, at least 10 days in advance so that related information may be kept available at the meeting.
7. In order to get faster response, members are requested to address all correspondence to the Registrar & Transfer Agents, M/s.Sharex (India) Pvt. Ltd., 17/B, Dena Bank Building, Second Floor, Horniman Circle, Fort, Mumbai - 400 001, instead of addressing the same to the Company.

NOTES:

1. A member who is entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote, instead of himself and the proxy need not be a member.
2. The instrument of proxy for use of the meeting must be lodged at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.

By order of the Board of Directors
For N. R. Agarwal Industries Limited

Vinod Bapna
Company Secretary

Registered Office:

415-418, Janki Centre
4th Floor, 29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai - 400 058

Place : Mumbai

Date : 30th July, 2003.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Tenth Annual Report alongwith the Audited Annual Accounts for the year ended on March 31, 2003.

FINANCIAL RESULTS:

Your Company's performance during the year as compared with that during the previous year is summarized below:

Particulars	(Rs.in lakhs)	
	For Year ended 31.03.2003	For Year ended 31.03.2002
1. Net Sales / Income from Operations	8429.16	8766.99
2. Other Income	7.20	9.66
3. Total Expenditure	7691.07	8023.05
4. Interest	364.07	442.72
5. Gross Profit after Interest but Before Depreciation and Taxation	381.22	310.88
6. Depreciation	208.70	200.77
7. Provisions for Taxation	13.60	8.35
8. Deferred Tax	76.19	43.45
9. Net Profit for the year	82.73	58.31
10. Prior year Adjustments +/-)	5.91	1.55
11. Balance in Profit & Loss Account	372.00	638.08
12. Surplus available for appropriation	460.64	697.94
13. Transferred to General Reserve	—	325.00
14. Proposed dividend on Preference Shares	0.85	0.85
15. Tax on Dividend	0.09	0.09
16. Balance carried to Balance Sheet	459.70	372.00

1. REVIEW OF OPERATIONS:

Your Company has achieved a capacity utilization of 96.16% in Duplex Boards by manufacturing 24233 MT as compared to 23958 MT during the previous year and achieved a capacity utilisation of 67.99% in Newsprint by manufacturing 20397 MT as compared to 22881 MT during the previous year.

Throughout the year 2002-03, domestic prices of both Duplex Boards and Newsprint declined. The

decline in Newsprint prices was savage. Your Company therefore, reduced the production of Newsprint and increased the production of Duplex Boards during the year. The Company's strategy of keeping the product mix flexible between Duplex Boards and Newsprint has prevented market related shutdown and optimum capacity utilization as well as sales realization during the year.

Market Trends in the Year:

The domestic market for Duplex Boards has also witnessed a declining trend since April, 2002 mainly on account of declining prices and customers expectation of falling prices. Consequently, downward correction took place in the prices of Duplex Boards in the domestic market. Your Company was also constrained to make such downward correction in tune with the market. By judiciously concentrating on certain sub-segments with better realization, your Company was successful in avoiding precipitous decline in realization in Duplex Boards.

Outlook:

The market outlook for Duplex Boards is currently encouraging, whereas the Newsprint prices remain flat even in the April – June quarter. The expectation is that it will continue to stay depressed till September. There is a possibility of an upturn in October, 2003. This is heavily reliant on an upswing in the global economy.

Highlights of the Year:

Despite sluggish market conditions and fall in prices, your Company has achieved a turnover of Rs.8429.16 lacs as compared to Rs.8766.99 lacs in previous year. Your Company earned a net profit after Current Tax and Deferred Tax of Rs.76.19 lacs against Rs.43.45 lacs in the previous year.

Your Company has initiated a number of measures to improve productivity and lower costs both at the Duplex Boards and Newsprint Plants at Vapi. The results of such measures are expected to improve the bottomline substantially in the current year.

2. RESPONSIBILITY STATEMENT:

The Directors' confirm:

- that in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting

- policies and applied them consistently and made judgements 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;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting record 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;
 - d) that they have prepared the annual accounts on a going concern basis;
 - e) that the observations by the Auditor on Annual Accounts are self-explanatory and does not require any further comments.
- 3. DIVIDEND:**
In order to further consolidate the position of the Company, your Directors are not recommending payment of Dividend to Equity Shareholders for the year ended 31st March, 2003.
Your Board has recommended a dividend @ 1% on Non-cumulative Redeemable Preference Shares allotted on 27th July, 2000. Your Board seeks your approval for the same.
- 4. DIRECTORS:**
Shri. S. N. Chaturvedi retires by rotation and being eligible offers himself for re-appointment as per the provisions of Articles of Association of the Company. All other Directors are eligible, qualified and willing to continue their Office.
- 5. FIXED DEPOSITS:**
As on 31st March, 2003 no fixed deposit was due and unpaid.
- 6. COST AUDIT:**
As per the Government's directive, the Company's cost records in respect of Paper products of the Company for the year ended 31st March, 2003 are being audited by the Cost Auditor M/s.V. J.Talati & Company, who were appointed by the Board with the approval of the Central Government.
- 7. DISCLOSURE UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956:**
As required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to conservation of energy, technology absorption and foreign exchange earnings and out go is given in Annexure-I forming part of this report.
- 8. PARTICULARS OF EMPLOYEES:**
None of the employees is covered under the provisions of Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975.
- 9. AUDIT COMMITTEE:**
The Audit Committee comprises of Shri. S.N.Chaturvedi, Shri. R. N. Agarwal and Shri. N. Venkatesan, all non-executive directors with Shri. S. N.Chaturvedi as its Chairman. The role, terms of reference and the authority and powers of the Audit Committee are in conformity with the provisions of Section 292A and other applicable provisions of the Companies Act, 1956.
- 10. AUDITORS:**
M/s.Chaturvedi & Partners, Chartered Accountants retire at the conclusion of the forthcoming Annual General Meeting and being eligible are willing to continue in office. The Board recommends their re-appointment.
- 11. CORPORATE GOVERNANCE:**
Pursuant to clause 49 of the Listing Agreement with Stock Exchanges (a) Management Discussion and Analysis, (b) the Report of the Directors on the practices prevalent on Corporate Governance and (c) the Auditors Certificate on compliance of mandatory requirements of Corporate Governance are given as an annexure to this Report.
- 12. INDUSTRIAL RELATIONS:**
The Employer - Employee relations were cordial throughout the year under review.
- 13. ACKNOWLEDGEMENT:**
The Board wishes to record its appreciation of the efforts put in by the employees of the company. The Board also acknowledge the support received from Financial Institutions, Banks and different Government Agencies.

By Order of the Board

Mumbai;
30th July, 2003N. R. Agarwal
Managing Director

N. R. Agarwal Industries Limited

ANNEXURE - I

INFORMATION REQUIRED UNDER SECTION 217(1)(e) READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31st MARCH, 2003.

I) CONSERVATION OF ENERGY:

A) Energy Conservation measures taken:

Energy conservation measures are undertaken by the Company on regular basis by installing various Equipments and drives etc., and the process is an ongoing process.

B) Additional investment and proposals for reduction of consumption of energy:

The Company is undertaking a process of increased automation and improved layout.

C) Impact of the measures at A & B above for reduction of energy consumption and consequent impact on the cost of production of goods:

The Company has been able to achieve reduction in specific energy Consumption.

D) Total energy consumption and energy consumption per unit of Production as per Form - A

1) POWER & FUEL CONSUMPTION:

a) Electricity:	Unit	Current Year	Previous Year
i) Purchased	Lakh/ KWH	17324160	21733020
Total amount	Rs. in lakhs	798.98	1059.34
Rate / Unit	Rs.	4.61	4.87
ii) Own Generation			
Through Diesel Generator			
Units (KWH)		9913864	5647120
Qty. (Kilo Ltrs.)		3100.172	1802.74
Total Cost (Rs.in lacs)		547.39	253.59
Units per Ltr. of Furnace Oil & LDO		3.20	3.13
Average cost/unit (Rs./KWH)		5.52	4.49
b) COAL:			
Quantity	Tonnes	18454	20966
Total amount	Rs. in lakhs	347.85	474.94
Average Rate/Ton	Rs.	1885	2265

(The Company uses 'B' & 'C' grade coal in it's Boiler.)

2) CONSUMPTION PERTONNE OF PRODUCTION:

Electricity	KWH	610	585
Coal	Kgs.	413	448
Furnace Oil	Ltr.	101	73
L.D.O.	Ltr.	27	3

II) TECHNOLOGY ABSORPTION:

Efforts made in technology Absorption as per Form - B.

A) Research and Development (R&D):

1) The Company has no Research and Development Department but keeping in view the global competition, efforts have been focused on the improvement of quality of end products, conservation of water, energy and the use of Chemical additives for improving the productivity.

2) Benefit derived as a result of above R & D:

The above attempts have resulted in improvement of quality of end products and reduction in input costs.

3) Future Plan of Action:

i) Continued efforts in improving quality of end products to meet the selective market need.

ii) Conservation of energy and water.

4) Expenditure on R & D : Nil.

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

Efforts in brief, made towards technology absorption, adaptation and innovation:

1) To maintain the quality standards, productivity, energy, efficiency and to achieve economical viability.

2) Benefits derived as a result of above efforts.

i) Meeting the market requirement of quality of paper board.

ii) Improved productivity, energy and material efficiency.

3) In case of Imported Technology (Imported during the last 5 years reckoned from the beginning of the financial year.):

Not Applicable.

III) FOREIGN EXCHANGE EARNINGS & OUTGO:

A) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans: Despite the constraints faced by the Paper Industry due to international Market condition, the company continues its effort for developing the exports market.

B) Total Foreign Exchange used and earned:

Used : Rs.182.69 Lacs Earned : 8.91 Lacs

REPORT ON CORPORATE GOVERNANCE:**COMPANY'S PHILOSOPHY:**

At N. R. Agarwal Industries Limited, the concept of Corporate Governance hinges on total transparency, integrity and accountability of the management team. The Board of Directors supports the broad principles of corporate governance and it is the philosophy of the Company to strive whole-heartedly to attain the highest levels of transparency, accountability and equity in all facets of operations. The Company firmly believes in the values of professionalism in its dealing with its customers, dealers, employees, shareholders and with every individual who comes in contact with the Company. Your Company is committed to follow good corporate governance practices and improve upon them year after year.

BOARD OF DIRECTORS:

By variation of the provisions of the Companies Act and other relevant terms and regulations Board of Directors of the Company is entrusted with complete authority and responsibility to manage the affairs of the Company. The Board has been constituted by inducting the persons from various fields such as finance, technical, marketing etc. so as to enable the company to derive maximum benefit in managing its business. The Board is entrusted with the task of managing the Company directly or through delegation of authority either partly or totally as may be found appropriate and reasonable to the Board (within the legal frame work of the Company). The Board comprises of Chairman and Managing Director, three Non-Executive Directors and one Nominee Director.

COMPOSITION OF BOARD OF DIRECTORS:

The existing Board has a mix of Executive and Non-Executive as well as Independent Directors:

Name of Directors	Executive or Non-Executive	Independent	No. of Directorship
N.R.Agarwal	Executive	Non-Independent	6
G.N.Agarwal	Non-Executive	Non-Independent	4
R.N.Agarwal	Non-Executive	Non-Independent	3
S.N.Chaturvedi	Non-Executive	Independent	5
N.Venkatesan	Nominee Director	Independent	—

RESPONSIBILITIES:

The Board has a formal schedule of matters reserved for its consideration and decision, which includes reviewing corporate performances, ensuring adequate availability of financial resources and reporting to shareholders. During the year under review the Board met five (5) times. Board Members ensure that their other responsibilities do not materially impact on their responsibilities as a director of the Company. For the sake of transparency the Company is committed to make full disclosures regarding the interest of and payment to all Directors. The Non Executive and Nominee Directors of the Company are paid sitting fee for attending meetings of the Board of Directors at the rate of Rs.1000/- per meeting attended by them. Besides, sitting fee, the Non-executive and Nominee Directors of the Company are not paid any other remuneration or commission. Further, it is not a policy of the Company to give loans and advances to its Directors.

The Company did not have any pecuniary relationship or transaction with the Non-executive Directors during the period under review.

Sometimes the Company do enter into contracts with Companies in which some of the Directors of the Company are interested as Director or member. However, these contracts are in the ordinary course of the Company's business without giving any specific weightage to them. Directors regularly make full disclosures to the Board of Directors regarding the nature of their interest in the companies in which they are directors. Full particulars of contracts entered with Companies in which directors are directly or indirectly concerned or interested are

N. R. Agarwal Industries Limited

entered in the Register of Contracts maintained under Section 301 of the Companies Act, 1956 and the same is placed in every Board meeting for the noting of the Directors.

ROLE OF INDEPENDENT DIRECTORS:

The Independent Directors play an important role in deliberations at the board meetings and bring to the Company their wide experience in the fields of technical, finance, marketing, accountancy, law, public policy and engineering. The audit committee presently consist mainly of independent directors.

BOARD MEETINGS:

The meetings of the Board of Directors are generally held at the registered office of the Company in Mumbai. Meetings are generally scheduled well in advance. The board meets at least once a quarter to review the quarterly performance and the financial results. Five Board Meetings were held during the year from 1st April, 2002 to 31st March, 2003 i.e. on 26th April, 2002, 31st July, 2002, 28th October, 2002, 18th December, 2002 and 24th January, 2003.

Directors	No. of Board Meetings Attended	Attendance at the Last AGM
N.R. Agarwal	Five	Yes
G.N.Agarwal	Five	Yes
R.N.Agarwal	Five	Yes
S.N.Chaturvedi	Five	Yes
N.Venkatesan	Three	No

BRIEF PROFILE OF DIRECTORS:

Shri. N. R. Agarwal:

The Company was promoted by Shri. N. R. Agarwal, who is a qualified Chemical Engineer have over 40 years experience in Paper Industry is a technocrat entrepreneur. He had worked with reputed Paper Mills such as West Coast Paper Mills Ltd. and Rohit Paper Mills Ltd., and was General Manager in the later prior to setting up his own units at Vapi. He heads the N. R. Agarwal Group of Industries, which is considered as one of the largest manufacturers of Paper using waste paper as the main raw material in India.

Shri. G. N. Agarwal:

Shri. G. N. Agarwal, a B.Com, D.B.M. has in depth experience in Marketing of Paper and Paper Products for more than 20 years. He has been instrumental in setting up of the Company's own marketing network across the country. Under his stewardship the Company has been able to successfully market its products to leading Corporates and Multinationals.

Shri. R. N. Agarwal:

Shri. R. N. Agarwal, a B.E. (Elec.), M.B.A. (U.S.A) has experience in Production and Corporate affairs for more than 18 years. Under his leadership the quality of the Company's products have vastly improved resulting in it being sold as a premium item.

Shri. S. N. Chaturvedi:

Shri.S.N.Chaturvedi is a practicing Chartered Accountant with experience of more than 21 years in matters relating to Audit, Management Consultancy, Corporate Finance and Merchant Banking.

Shri. N. Venkatesan:

Shri. N. Venkatesan is a Nominee Director of IDBI.

DETAILS OF DIRECTORS BEING APPOINTED / RE-APPOINTED:

Shri. S. N. Chaturvedi, Director of the Company retires by rotation and being eligible offers himself for re-appointment at the ensuing Annual General Meeting.

BOARD COMMITTEES:

To enable better and more focused attention on the affairs of the Company, the board delegates' matters to committees of the board set up for the purpose. These specialist committees prepare the groundwork for decision making and report at the subsequent board meeting.

AUDIT COMMITTEE:

The Board of Directors constituted the Audit Committee on 24th April, 2001 in compliance with the provisions of Section 292A of the Companies Act, 1956 to exercise powers and discharge functions as stipulated in Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement with Stock Exchanges and other relevant statutory / regulatory provisions. The terms of reference of the Audit Committee is primarily to review the system and procedure of internal control, approve and oversee implementation of audit procedures and techniques, review the financial reporting systems and ensure compliance with the regulatory guidelines. The audit committee also reviews the unaudited quarterly financial statements and makes recommendations to the board to take the same on record. The Audit Committee comprises of Shri.S.N.Chaturvedi, as its Chairman and Shri.G.N.Agarwal and Shri.R.N.Agarwal as its Members.

The committee is also responsible for objectively reviewing the reports of the internal auditors and statutory auditors and ensuring that adequate follow-up and action is taken by the management. In addition, the committee annually reviews the performance of the Company's auditors (both internal & external) to ensure that an objective, professional and cost-effective relationship is being maintained.

It is the audit committee's prerogative to invite senior executive whom it considers appropriate to be present at the meetings. Senior management is invited to participate in the meetings of the audit committee.

The Audit Committee constituted by the Company with Shri.S.N.Chaturvedi as Chairman, met three times. The attendance of the each members of the committee at the Audit Committee meeting is as under.

Name	No.of Meetings held during the year	Attended all the meetings
Shri.S.N.Chaturvedi	Three	Yes
Shri.G.N.Agarwal	Three	Yes
Shri.R.N.Agarwal	Three	Yes

During the year under review the Audit Committee has reviewed the operations and other particulars submitted by the Managing Director, apart from the quarterly review result.

SHARE TRANSFER COMMITTEE:

In accordance with clause 49 para VI (D) of the Listing Agreement of the Stock Exchanges, the Board has unanimously delegated the powers of Share Transfers to the Share Transfer Committee consisting of Shri.N.R.Agarwal, Shri.R.N.Agarwal and Shri.Gopal Uchil as its members, in order to expedite the process of Share Transfers, issue of duplicate share certificates and certificates after splits/ consolidation/ replacement/ rematerialisation. This committee meets atleast two times in a month to expedite all matters relating to transfer, transmission, splits, consolidation, duplicate and rematerialisation etc.

SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE:

The Shareholders / Investors Grievance Committee was constituted on 26th April, 2002 consisting of Shri.N.R.Agarwal and Shri.R.N.Agarwal as its members.

N. R. Agarwal Industries Limited

The Terms of references of the said committee are as follows:

- i. Review the reports submitted by the Registrar and Share Transfer Agent of the Company at half yearly intervals.
- ii. Periodically interact with the Registrar and Share Transfer Agent to ascertain and look into the quality of the Company's Shareholders / Investors Grievance redressal system and to review the report on the functioning of the said Investor grievances redressal system.
- iii) Follow-up on the implementation of suggestions for improvement.
- iv) Periodically report to the Board about serious concerns if any.

Two meetings of the committee were held during the year ended on 31st March, 2003. The meetings are generally chaired by Shri.R.N.Agarwal. The number of meetings attended by Members are as under.

Sr. No.	Name of the Member	No.of Meetings attended
1	Shri. N. R. Agarwal	2
2	Shri. R. N. Agarwal	2

Number of Shareholders complaints received so far were six (6). Number of complaints not solved to the satisfaction of shareholders were nil. Number of pending share transfer as on 31.03.2003 were Nil. Mr.Vinod Bapna, Company Secretary, is the Compliance Officer of the Company

REMUNERATION COMMITTEE:

The Company has not yet formed a Remuneration Committee.

REMUNERATION POLICY:

Remuneration of employees largely consists of basic remuneration and perquisites.

The Component of the total remuneration varies for different grades and is govern by Industry pattern, qualifications and experience of the employees, responsibilities handled by him and his individual performance etc.

The objectives of the remuneration policy are to motivate employees to excel in their performance, recognize their contribution, retain talent in the organization and record merit.

ANNUAL GENERAL MEETING:

The details of the Annual General Meeting held during the last 3 years are as under:

Financial Year	Date of AGM	Time	Venue
31.03.2002	16.09.2002	11.00 A.M.	Mumbai
31.03.2001	25.09.2001	11.00 A.M.	Mumbai
31.03.2000	29.09.2000	11.00 A.M.	Vapi (Gujarat)

No Special Resolutions were required to be put through postal ballot last year.

No Special Resolutions on matters requiring postal ballot as recommended under clause 49 of the Listing Agreement of the Stock Exchanges, are placed for shareholders approval at this meeting.

There were no EGM's held during the last 3 years.