

11th Annual Report

2003 - 2004

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N. R. Agarwal
Industries Limited

N. R. Agarwal Industries Limited

Board of Directors

Nagindas R. Agarwal

Gajendra N. Agarwal

Rajendra N. Agarwal

Sachin N. Chaturvedi

Chandrakant S. Dhapare

Rajeev K. Sinha

Managing Director

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 - 400 053

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 Thursday,
28th October, 2004 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 Eleventh 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 Thursday, the 28th October, 2004 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 2004 and the Profit and Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To declare dividend on Preference Shares.
3. To appoint a Director in place of Shri G. N. Agarwal, 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 until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

5. To appoint a Director in place of Shri Chandrakant S. Dhapare, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, but who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

6. 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 earlier resolution passed in this behalf at the Extra Ordinary General Meeting of the Company held on 17-01-1996 and pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, with or without security and upon such terms and conditions as they may think fit, notwithstanding that the moneys, to be borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of paid up share capital and free reserves i.e. reserves not set apart for any specific purpose provided however, that the total amount so borrowed by the Company shall not exceed a sum of Rs.150,00,00,000 (Rupees One hundred fifty crores only) outstanding at any one time excluding interest thereon."

"RESOLVED FURTHER THAT the Board of Directors may authorise any one director to do all such acts, deeds and things as may be necessary to give effect to this resolution."

7. 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 earlier resolution passed in this behalf at the Extra Ordinary General Meeting of the Company held on 17-01-1996 and pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and

is hereby accorded to the Board of Directors, for creation of mortgage, charge, hypothecation, lien and other encumbrance, if any, by the Company, as the Board may deem fit, on the assets of the Company, both present and future, for securing the sum or sums of moneys, aggregating to Rs.150,00,00,000 (Rupees One hundred fifty Crores Only) borrowed from time to time by the Company from Banks, Financial Institutions and others."

8. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the following new Article No. 7B be and is hereby inserted after the present Article 7A in the Articles of Association of the Company:

7B (a) Where it is proposed to increase the subscribed Capital of the Company by allotment of further shares, whether out of unissued share capital or out of increased share capital then such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit to the capital paid up on these shares at that date. Such offer shall be made by a notice specifying the number of shares offered and limiting a time as specified under the Companies Act from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. After the expiry of the time specified in the notice, aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose them off in such manner as they think most beneficial to the Company.

- (b) Notwithstanding anything contained in the preceding subclause, the Company may-

- (i) by a special resolution, or

- (ii) where no such special resolution is passed, if the votes cast whether on a show of hands, or on a poll, (as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company, offer on preferential allotment basis or otherwise in such manner as it may decide further shares to any person or persons, and such person or persons may or may not include the persons who at the date of the offer, are the holders of the equity shares of the Company.

- (c) Notwithstanding anything contained in sub-clause(a) above, but subject however to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached

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to the debentures issued or loans raised by the Company to convert such debentures or loans into shares, or to subscribe for shares in the Company.

9. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals as may be necessary, the company hereby approves the re-appointment of Shri N. R. Agarwal, as Managing Director of the Company for a period of five years with effect from 16th March, 2004 on a revised remuneration of Rs.1,25,000/- per month plus perquisites as per the terms and conditions as set out in the agreement dated 9th September 2004 entered into between the Company and Shri N. R. Agarwal and placed before the meeting, which agreement is specifically approved and with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/or the Agreement so as not to exceed the limits specified in Schedule-XIII of the Companies Act, 1956 or any amendments thereto, as may be agreed to between the Board and Shri N. R. Agarwal.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during Shri N. R. Agarwal's term of office as Managing Director, the remuneration payable to him shall be within the ceiling limits prescribed in Schedule XIII of the Act and that he shall be entitled to the said remuneration including all other benefits and perquisites set out in the said Agreement as the minimum remuneration.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and do all other acts, deeds and things as may be necessary or desirable to give effect to this resolution".

10. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 81; 81(1A) and other applicable provisions of the Companies Act, 1956 (including any amendment to or reenactment thereof for the time being in force), the relevant guidelines of the Securities and Exchange Board of India (SEBI) and other authorities as may be applicable in respect of Preferential Issue of Shares and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing agreement entered into by the Company with the concerned Stock Exchanges and subject to the approval of all other concerned authorities to the extent necessary and of the conditions and modifications as may be prescribed or imposed by any of them in granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") and/or duly appointed Committee thereof for the time being exercising the relevant powers conferred by the Board, consent of the Company be and is hereby accorded to the Board/Committee to issue and allot not exceeding 41,00,000 Equity Shares of Rs. 10/- each for cash at par i.e., at a price of Rs. 10/- per share or at such price arrived at in accordance with Preferential Issue guidelines issued by SEBI whichever is higher to the promoters and/ or others as specified in the Explanatory Statement.

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to do all the things necessary for the purpose of this issue of Equity Shares and to take such action or give such directions as may be necessary or desirable and to settle all matters that may arise in regard to the issue and allotment of the Equity Shares."

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 AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
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.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special business at items 5 to 10 above is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 21st October, 2004 to Thursday, 28th October, 2004 (both days inclusive) for the purpose of Annual General Meeting.
5. 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.
6. Members are requested to bring their copy of Annual Report as the extra copies will not be supplied at the Annual General Meeting.
7. The Special resolution at item No. 10 above is proposed to be passed through postal ballot. The notice of postal ballot, ballot paper and prepaid envelope are being posted to the shareholders alongwith this notice.

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 – 400 053
Mumbai, 22nd September, 2004.

ANNEXURE TO THE NOTICE:

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 5.

Shri Chandrakant S. Dhapare was appointed as an Additional Director of the Company by the Board of Directors on 29th January, 2004 Pursuant to Section 260 of the Companies Act, 1956, read with Article 95 of the Company's Articles of Association, Shri Chandrakant S. Dhapare, shall hold office upto the date of the ensuing Annual General Meeting of the Company. The Company has received notice under section 257 of the Companies Act, 1956 alongwith the requisite deposit of Rs.500/- from a member of the Company signifying his intention to propose Shri Chandrakant S. Dhapare as a candidate for the Office of Director.

The Board feels that it will be in the interest of the Company to continue to avail his services as a Director of the Company and accordingly, this resolution is commended for your acceptance.

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Shri Chandrakant S. Dhapare is interested in the resolution as it relates to his appointment.

Item Nos. 6 & 7:

Members at the Extra Ordinary General Meeting of the Company held on 17-01-1996 authorised the Board of Directors of the Company under section 293(1)(d) of the Companies Act, 1956 to borrow from time to time upto a limit of Rs.100,00,00,000 (Rupees One hundred crores only). During the financial year 2003-2004 your company has undertaken cost reduction programme by installing co-generation plant and other equipment for enhancement in the capacity and improvement in quality. The company is also planning further modernisation-cum-expansion programme during the year 2004-2005. The expansion plan will be funded by both debt and equity funds. Keeping in mind the expansion plan and quality improvement programmes, the Company will need additional funds by way of further borrowings. To achieve these plans of the Company in future it is proposed to revise the borrowing limits to Rs.150,00,00,000 (Rupees One hundred fifty crores only) as stated in the notice.

The borrowings would exceed the paid up share capital and free reserves and does not include the temporary loans, if any, obtained from the Company's Bankers in the ordinary course of business. The Board had obtained the consent of the members under Section 293(1)(a) of the Companies Act, 1956 to mortgage, hypothecate, lease or create any charge on the present or future properties/assets of the Company for securing the loans taken from the financial institutions and/or banks upto a limit of Rs. 50,00,00,000 (Rupees Fifty Crores only) at the Extra-Ordinary General Meeting held on 17-01-1996. It is proposed to increase the limit to Rs. 150,00,00,000 (Rupees One hundred and fifty crores only) due to expansion plans and quality improvement programme.

The necessary ordinary resolutions under sections 293 (1) (d) and 293 (1) (a) of the Companies Act, 1956 are therefore proposed at items 6 & 7 respectively of the accompanying notice.

None of the Directors of the Company is concerned or interested in the said resolutions.

The Board of Directors recommends the passing of the said Ordinary Resolutions by the members.

Item No. 8:

The Company's equity shares are listed on Stock Exchanges of Mumbai and Ahmedabad. The capital market has undergone tremendous changes consequent upon the reforms and liberalization policies of the Government. The regulatory bodies such as SEBI have issued guidelines for raising capital for business of the Company, one of them being preferential allotment of shares. The Articles of Association of the company are therefore proposed to be amended by addition thereto a new Article No.7B to enable issue of further shares.

The Directors of the Company may be deemed to be concerned or interested in the said resolution to the extent of the shares, if any, that may be issued to them.

The Board of Directors recommends the passing of the Special Resolution by the members as provided at item 8 of the accompanying notice.

Item No. 9:

The term of Shri N. R. Agarwal as Managing Director of the Company expired on 15th March 2004. The Board of Directors of the Company has re-appointed Shri N. R. Agarwal as Managing Director of the Company for a further period of 5 years with effect from 16th March 2004.

The terms of the remuneration as contained in the Agreement dated 9th September 2004 for his re-appointment are as follows:

- a) Salary : Rs. 1,25,000/- per month.
- b) Commission: Commission on Net Profits of the Company computed in the manner laid down in Section 349 of the Companies Act, 1956 as may be fixed by the Board subject to the ceiling limits laid down in Sections 198 and 309 of the Companies Act, 1956.
- c) Perquisites : In addition to the aforesaid salary and commission the Managing Director shall be entitled to the following perquisites:
 - i) Free furnished residential accommodation or House Rent Allowance together with utilities, therefor such as gas, electricity, water, furnishings, repairs, servants salaries, society charges and property taxes as may be approved by the Board.
 - ii) Reimbursement of medical expenses incurred for self and family and medical / accident insurance.
 - iii) Leave Travel concession for self and family once in a year in accordance with the rules of the Company or as may be agreed to by the Board of Directors.
 - iv) Fees of clubs/ annual membership fees for professional bodies.

The above perquisites shall be evaluated as per the Income tax Rules wherever applicable. In the absence of such rules, perquisites will be evaluated at actual costs.

Where in any financial year during the currency of the tenure of the Managing Director, the Company has made no profits or its profits are inadequate, the Company shall pay to the Managing Director, the above salary and perquisites except commission not exceeding the ceiling limits prescribed in Schedule XIII of the Companies Act, 1956 as Minimum Remuneration.

- d) The Managing Director shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above:
 - i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 - ii) Gratuity payable at the rate not exceeding half a month's Salary for each completed year of service.
 - iii) Earned privilege leave at the rate of one month's leave for every eleven months of service. The Managing Director shall be entitled to encash leave at the end of his tenure as Managing Director.
 - iv) Provision for Car and Telephone at the residence of the Managing Director shall not be treated as perquisites.

Other terms:

- 1) The Managing Director shall be entitled at any time to resign office as Managing Director after giving the Company atleast ninety days notice in that behalf and subject to any provisions of the Act in that behalf.
- 2) The Managing Director shall unless prevented by ill health, through out the said term devote his attention and ability to the business of the Company and shall perform such duties and exercise such power as shall from time to time be assigned to or vested in him by the Board of Directors, and shall comply with the orders, directions and regulations from time to time of the Board of Directors of the Company and shall well and faithfully serve the Company and use his utmost endeavour to promote the interest thereof. The Managing Director shall devote his wholetime and attention to the business of the Company.

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The Board commends the approval by the members of the re-appointment of Managing Director and payment of remuneration to him.

Shri N. R. Agarwal is concerned or interested in the said resolution at item no.9 of accompanying notice as it relates to his own reappointment. Shri G. N. Agarwal and Shri R. N. Agarwal are also deemed to be interested or concerned in the said resolution as his relatives.

The above should be considered as an abstract of the terms of appointment of Managing Director and Memorandum as to the nature of concern or interest of the Directors in the said appointment as required under section 302 of the Companies Act, 1956.

A copy of the Agreement dated 9th September 2004 for the re-appointment of Shri N. R. Agarwal as Managing Director of the Company is open for inspection by the members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

ITEM NO.10

In order to meet the requirement of funds, the Company proposes to

issue further equity shares on a preferential basis.

The details of the proposed allotment as required under preferential issue guidelines are as follows:

Objects of the issue

The company is a leading manufacturer of Duplex Boards and News Print Paper. The products of the company have been well accepted in the market. The electrical power supplied by Gujarat Electricity Board (GEB) is one of the main contributors to the cost of manufacture. With a view to reduce the cost of electrical power the Board of Directors have decided to install a co-generation power plant at the factory premises of the Company situated at Vapi, Gujarat State. This will bring about substantial saving in cost and thereby increase in profitability.

Price:

The equity shares shall be issued at a price of Rs.10/- per share or at a price arrived at in accordance with the preferential issue guidelines of the Securities and Exchange Board of India whichever is higher.

Identity of persons to whom allotment is proposed to be made:

The allotment is proposed to be made to the following persons:

(a) Promoters						
Sr. No.	Name	No. of shares held	% to the capital before preferential issue	Shares proposed to be acquired	Post Issue Capital held	% to post preferential issue capital
(i)	Shri Nagindas R. Agarwal jointly with Smt. S. N. Agarwal	106095	1.73	100000	206095	2.01
(ii)	Shri Rajendra N. Agarwal jointly with Smt. Reena Agarwal	87601	1.42	100000	187601	1.83
(iii)	Smt. Suman N. Agarwal jointly with Shri N. R. Agarwal	62599	1.02	170000	232599	2.27
(iv)	Smt. Reena R. Agarwal jointly with Shri Rajendra Agarwal	32300	0.52	100000	132300	1.29
(b) Persons acting in concert						
(v)	N. R. Paper & Boards Ltd.	254800	4.14	1490000	1744800	17.02
(vi)	Suman Paper & Boards Ltd.	496100	8.07	1490000	1986100	19.38
(vii)	Shri Saifee A. Jani	75800	1.23	75000	150800	1.47
(viii)	Smt. Farzana Jani	66200	1.08	75000	141200	1.38
(ix)	Westend Paper & Board Pvt. Ltd.	NIL	NIL	500000	500000	4.88
		1181495	19.21	4100000	5281495	51.53

Consequential changes if any in the Board of Directors and the voting rights and the shareholding pattern :

There will be no change in the Board of Directors as a consequence of the preferential issue. These Equity Shares shall have the same voting rights as available to the existing Equity Shareholders.

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Current Shareholding Pattern:

	No. of Shares held	% of Total Paid up Capital
Promoters	17,48,795	28.44
Others	44,01,205	71.56
Total	61,50,000	100.00

Shareholding Pattern after the proposed Preferential Issue:

	No. of Shares held	% of Total Paid up Capital
Promoters	58,48,795	57.06
Others	44,01,205	42.94
Total	1,02,50,000	100.00

Whether there will be a change in control over the company

The preferential issue will not amount to a change in the control of the Company since the acquirers who are promoters already have control over the Company.

Timing:

The allotment of the shares to the investors in the proposed preferential issue will be completed within three months of the date of passing of the above resolution.

Intention of promoters etc. to subscribe to the offer:

The promoters who are the acquirers as mentioned above intend to acquire shares mentioned against their respective names.

A Certificate of the Statutory Auditors of the Company certifying that the proposed Preferential Issue of shares is being made in accordance with the Guidelines shall be laid before the shareholders at the Annual General Meeting.

The Preferential issue of shares will be within the terms of the SEBI Preferential Issue Guidelines.

The consent of the Shareholders in terms of the Special resolution at item No.10 of the accompanying notice is required under Section 81(1A) of the Companies Act, 1956.

As per the advise of SEBI this resolution is required to be passed through postal ballot and therefore a separate notice for postal ballot, ballot paper and postage prepaid envelope are being sent to the shareholders.

Shri N. R. Agarwal, Shri G. N. Agarwal and Shri R. N. Agarwal, Directors of the Company are interested in the said resolution.

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 – 400 053
Mumbai, 22nd September, 2004.

N. R. Agarwal Industries Limited

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Eleventh Annual Report alongwith the Audited Annual Accounts for the year ended 31st March, 2004.

1. FINANCIAL RESULTS:

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

(Rs.in lakhs)

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
Net Sales / Income from Operations	9155.61	8417.23
Other Income	20.97	19.13
Total Expenditure	8450.76	7691.07
Interest	245.80	364.07
Gross Profit after Interest but Before Depreciation and Taxation	480.02	381.22
Depreciation	211.59	208.70
Provisions for Taxation	21.00	13.60
Deferred Tax	86.85	76.19
Net Profit for the year	160.58	82.73
Prior year Adjustments +/-	(1.46)	5.91
Balance in Profit & Loss Account	459.70	372.00
Surplus available for appropriation	618.82	460.64
Transferred to General Reserve	5.00	—
Proposed Dividend on Preference Shares	0.85	0.85
Tax on Dividend	0.11	0.09
Balance carried to Balance Sheet	612.86	459.70

2. DIVIDEND:

Your Directors have pleasure to recommend a dividend at the rate of 1% on Non-cumulative Redeemable Preference Shares allotted on 27th July, 2000.

Your Board seeks your approval for the same.

3. REVIEW OF OPERATIONS:

Your Company has achieved a capacity utilization of 88.31% in Duplex Boards by manufacturing 23843 MT as compared to

24233 MT during the previous year and achieved a capacity utilization of 79.46% in Newsprint by manufacturing 23838 MT as compared to 20397 MT during the previous year.

The Gross turnover of your Company for the year ended 31st March, 2004 is higher at Rs.9155.61 lacs as compared to Rs.8417.23 lacs in the previous year, reflecting an increase of 9%. The net profit before tax is Rs.268.43 lacs as compared to Rs. 172.52 lacs in the previous year, and consequently the profit after current and deferred taxes is placed at Rs.160.58 lacs, as against Rs.82.73 lacs in the previous year.

Your Company has been continuously adopting multi-pronged activities to be a competitive and low cost producer, and ever looks to maximize productivity of the available resources. Major emphasis has been on continuous working on cost reductions, with specific emphasis on costs of raw materials, interest and power and fuel. Investment in technologies with an intention to debottleneck the plant to become a low cost producer based on higher operating efficiencies.

As a further cost reduction measure, the Company is in the final stage of implementation of a 3 MW Co-Generation system at its Newsprint Plant at Vapi to meet its power requirements, at an estimated capital outlay of Rs.10.50 crores and funding is arranged through Rupee Currency Term Loans and preferential issue of equity shares.

The Company is also studying the feasibility of setting up a 4 MW Co-generation system at its Duplex Board Plant to meet its own power requirements. The project outlay is estimated at Rs.12.50 crores and the funding is proposed through internal accruals and Rupee Currency Term Loans.

The Company has also planned for a modernization-cum-expansion programme at its Duplex Board Plant to increase the capacity to 45000 TPA, scheduled to be completed by April, 2005. The total capital outlay on its modernization-cum-expansion programme is estimated at Rs.20.00 crores and the funding is proposed to met from the internal accruals of the Company and Rupee/Foreign Currency Loans.

4. OUTLOOK FOR THE CURRENT YEAR 2004-05:

The Duplex Board and Newsprint business is highly competitive and is likely to continue to be under pressure due to over capacity in this industry segment.

HIGHLIGHTS OF THE 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 further improve the bottomline substantially in the current year.

5. FIXED DEPOSITS:

As on 31st March, 2004 no fixed deposit was due and unpaid.

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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, 2004 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. DIRECTORS:

Shri. G. N. Agarwal retires by rotation and being eligible offers himself for reappointment as per the provisions of Articles of Association of the Company.

Shri. Rajeev K. Sinha, was appointed as Nominee Director of IDBI in place of Shri.N.Venkatesan.

Shri. Chandrakant S. Dhapare was appointed as an Additional Director of the Company by the Board of Directors on 29th January, 2004. By virtue of section 260 of the Companies Act, 1956 he holds office upto the date of the ensuing Annual General Meeting and is eligible for appointment.

Shri N. R. Agarwal was reappointed as the Managing Director of the Company for a further period of five years. The said re-appointment is subject to the confirmation of the members of the Company. Your directors therefore recommend the re-appointment of Shri N. R. Agarwal as the Managing Director of the Company.

Necessary resolution is proposed at item no. 9 of the notice convening this Annual General Meeting.

8. 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.

9. 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.

10. AUDIT COMMITTEE:

The Audit Committee comprises of Shri.S.N.Chaturvedi, Shri.R.N.Agarwal and Shri.Rajeev Kumar Sinha, 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.

11. DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors' confirm:

- a) 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;

b) 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;

12. AUDITORS:

The observations made by the Auditors in their report are self-explanatory and does not require any further comments.

M/s.Chaturvedi & Partners, Chartered Accountants, the Auditors of the company would retire at the ensuing Annual General Meeting and are eligible for reappointment.

13. LISTING:

The Equity shares of the Company are listed at the Stock Exchange, Mumbai and Ahemdabad Stock Exchange. The Company has paid Annual Listing Fee to them for the year 2004-2005.

14. 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.

15. INDUSTRIAL RELATIONS:

The Employer - Employee relations were cordial throughout the year under review.

16. INVESTORS EDUCATION AND PROTECTION FUND:

The unpaid Application Money received and due for refund amounting to Rs.10,93,965/- was transferred to Investors Education and Protection Fund as per the provisions of Section 205C of the Companies Act, 1956.

17. 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.

For and on behalf of the Board of Directors

R. N. Agarwal
Director

N. R. Agarwal
Managing Director

Mumbai, 22nd September, 2004

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, 2004.

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 reviewing various proposals for reduction in consumption of energy, mainly by way of replacement of existing equipments by modern and energy efficient equipment.

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 units	Lakh/KWH	7971540	17324160
Total amount	Rs.in lakhs	430.90	798.98
Rate / Unit	Rs.	5.41	4.61
ii) Own Generation			
Through Diesel Generator			
Units	KWH	20211933	9913864
Qty.	Kilo Ltrs.	5993.170	3100.172
Total Cost	Rs.in lakhs	1022.62	547.39
Units per Ltr. of Furnace Oil & LDO		3.37	3.20
Average cost/unit	Rs./KWH	5.06	5.52

b) COAL:

Quantity	Tonnes	18781	18454
Total amount	Rs.in lakhs	379.08	347.85
Average Rate/Ton	Rs.	2018	1885

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

2) CONSUMPTION PER TONNE OF PRODUCTION:

Electricity	KWH	591	610
Coal	Kgs.	394	413
Furnace Oil	Ltr.	102	101
L.D.O.	Ltr.	75	27

II) TECHNOLOGY ABSORPTION:

The Company does not require any technology for its existing business.

III) FOREIGN EXCHANGE EARNINGS & OUTGO:

Foreign Exchange Outgo : Rs.420.72 lacs

Foreign Exchange Earnings : Rs.51.93 lacs

For and on behalf of the Board of Directors

R. N. Agarwal
Director

N. R. Agarwal
Managing Director

Mumbai, 22nd September, 2004