

12th Annual Report

2004 - 2005



N. R. Agarwal
Industries Limited

N. R. Agarwal Industries Limited

Board of Directors

Shri. R. N. Agarwal
 Shri. N. R. Agarwal
 Shri S. N. Chaturvedi
 Shri. R. K. Sinha
 Shri. Chittaranjan Musib
 Shri. P. Kumar

Managing Director
Director
Director
Nominee of IDBI
Director
Director

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
 BANK OF INDIA

Company Secretary

Shri.Vinod Bapna

REGISTRAR & TRANSFER AGENTS

SHAREX DYNAMIC (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, 29th September, 2005 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.

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NOTICE

NOTICE is hereby given that the Twelfth 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 29th September, 2005 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 2005 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 Equity and Preference Shares.
3. To appoint a Director in place of Shri N. R. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To appoint a Director in place of Shri Chittaranjan Musib, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956 and is eligible for appointment.
6. To appoint a Director in place of Shri P. Kumar, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956 and is eligible for appointment.
7. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while 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", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent be and is hereby accorded to the Board to delist the Company's Equity Shares from the Ahmedabad Stock Exchange and the Delhi Stock Exchange Association Limited without giving an exit option to the shareholders of the region where the aforesaid Stock Exchanges are situated and on the terms and conditions as may be stipulated and mutually agreed to in the best interests of the Company, after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fees payable to the Stock Exchanges and the volume of trading on the relevant Stock Exchanges."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, of the

Companies Act, 1956 and subject to such other approvals as may be necessary, the company hereby approves the appointment of Shri N. R. Agarwal as the Executive Chairman of the Company for a period of five years with effect from October 1, 2005 upon the terms and conditions including the terms as to remuneration as set out in the Agreement dated 05.08.2005 entered into between the company and Shri N. R. Agarwal and placed before this meeting which agreement be and is hereby specifically approved with liberty to the Board of Directors of the company to alter or vary and modify the terms and conditions of the said appointment and/or the agreement so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto as may be agreed to between the Board and Shri N. R. Agarwal.

RESOLVED FURTHER THAT subject to the provisions of section 198 and section 309 and other applicable provisions, if any, of the Act, the remuneration payable to Shri N. R. Agarwal as Executive Chairman by way of salary, commission and perquisites shall not exceed five percent of the net profits of the Company for one such Director and if there are more than one such Director, ten percent of such net profits for all of them together in that financial year.

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 Executive Chairman the remuneration payable to him shall be as per the minimum remuneration prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites set out in the said agreement as the minimum remuneration.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, of the Companies Act, 1956 and subject to such other approvals as may be necessary the Company hereby approves the appointment of Shri R. N. Agarwal as the Managing Director of the Company for a period of five years with effect from August 5, 2005 upon the terms and conditions including the terms as to remuneration as set out in the Agreement dated 05.08.2005 entered into between the company and Shri R. N. Agarwal and placed before this meeting which agreement be and is hereby specifically approved with liberty to the Board of Directors of the Company to alter or vary and modify the terms and conditions of the said appointment and/or the agreement so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto as may be agreed to between the Board and Shri R. N. Agarwal.

RESOLVED FURTHER THAT subject to the provisions of section 198 and section 309 and other applicable provisions, if any, of the Act, the remuneration payable to Shri R. N. Agarwal as Managing Director by way of salary, commission and perquisites shall not exceed five percent of the net profits of the Company for one such Director and if there are more than one such Director, ten percent of such net profits for all of them together in that financial year.

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

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument of proxy for use at 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 of the Companies Act, 1956 in respect of the business at items 5, 6, 7, 8 and 9 is annexed hereto
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 22nd September, 2005 to Thursday, 29th September, 2005 (both days inclusive) for the purpose of Annual General Meeting.
5. The Dividend on shares, if declared at the Meeting, will be paid to those members whose names appear on the Company's Register of Members on September 29, 2005. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
6. 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.
7. Members are requested to bring their copy of Annual Report as the extra copies will not be supplied at the Annual General Meeting.

By order of the Board of Directors

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, 5th August, 2005.

N. R. AGARWAL INDUSTRIES LIMITED ANNEXURE TO NOTICE:

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

Item Nos. 5 & 6

Shri Chittaranjan Musib and Shri P. Kumar were appointed as Additional Directors of the Company by the Board of Directors on 31.01.2005 and 05.08.2005 respectively. By virtue of Section 260 of the Companies Act, 1956 they hold office up to the date of the forthcoming Annual General Meeting and are eligible for appointment. The Company has received notices under Section 257 of the Companies Act, 1956 alongwith deposits of Rs. 500/- each from members of the Company proposing the names of Shri Chittaranjan Musib and Shri P. Kumar as candidates for the office of Director.

Shri Chittaranjan Musib and Shri P. Kumar are interested in the respective resolution as it relates to their own appointment.

Item No. 7

Presently the Company's Equity Shares are listed on the Stock Exchanges at Mumbai, Ahmedabad and Delhi.

With the wide and extensive networking of the BSE, the investors have access to online dealings in the Company's Equity Shares across the country. The trading of the Company's Equity Shares on the Stock Exchange at Ahmedabad and Delhi (hereinafter referred to as "the said Stock Exchanges") is negligible. The annual recurring listing fees paid to the said Stock Exchanges, do not now offer commensurate benefits to the Company's / its investors in the changed scenario of the nationwide trading terminals set up by the BSE. The continued listing on the said Stock Exchanges is not considered necessary. It would further contribute to reduction in administrative costs/efforts of the Company. A Special Resolution was passed at the Annual General Meeting of the Company held on 29.09.2000 for delisting of the Equity Shares of the Company from the Delhi Stock Exchange Association Limited and the application for delisting was made. Subsequently, the revised guidelines were issued by the Securities and Exchange Board of India namely SEBI (Delisting of Securities) Guidelines 2003. Consequent thereto and as explained above the Board of Directors, at its meeting held on 05.08.2005 has decided to apply for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges.

The proposed voluntary delisting of the Company's Equity Shares from the said Stock Exchanges will not adversely affect the interest of any investors including that of the Members located in the region where the said Stock Exchanges are situated. Pursuant to the SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek the Members' approval by way of a Special resolution for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges as set out in the Resolution. In terms of the said guidelines, as the Company's Equity Shares shall continue to remain listed on the BSE, no Exit Option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance by the Members.

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

Item No. 8

Shri N. R. Agarwal resigned as the Managing Director of the company with effect from August 1, 2005. The Board of Directors of the company at its meeting held on August 5, 2005 had appointed Shri N. R. Agarwal as the Executive Chairman of the Company for a period of five years with effect from October 1, 2005 on the remuneration and terms and conditions as contained in the Agreement dated 05.08.2005 entered

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into between the company and Shri N. R. Agarwal.

The terms of his appointment as contained in the said Agreement dated 05.08.2005 for his appointment as Executive Chairman are as under:

1) Appointment of Shri N. R. Agarwal as Executive Chairman for a period of five years with effect from October 1, 2005.

2) Remuneration:

- 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.

Perquisites : In addition to the aforesaid Salary and commission the Executive Chairman 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 Executive Chairman, the Company has made no profits or its profits are inadequate, the Company shall pay to the Executive Chairman, the above Salary and perquisites except commission not exceeding the ceiling limits prescribed in Schedule XIII of the Companies Act, 1956 as Minimum Remuneration.

- c) The Executive Chairman 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 Executive Chairman shall be entitled to encash leave at the end of his tenure as Executive Chairman.
 - iv) Provision for Car for Company's business and Telephone at the residence of the Executive Chairman shall not be treated as perquisites.

Other terms:

- 1) The Executive Chairman 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 endeavor to promote the interest thereof.

- 2) The Executive Chairman shall be entitled at any time to resign office as Executive Chairman after giving the Company Ninety days notice or by such period agreed to by Board of Directors in that behalf and subject to any provisions of the Act in that behalf.

A special resolution at item no. 8 of the accompanying notice is proposed for his appointment as Executive Chairman and payment of remuneration to him as he is above the age of Seventy years. The Board commends the approval by the member of the said special resolution.

Shri N. R. Agarwal is concerned or interested in the said Special Resolution at item no. 8 of the accompanying notice as it relates to his own appointment. Shri R. N. Agarwal is also interested or concerned in the said resolution as the relative of N. R. Agarwal.

The above should be considered as an abstract of the terms of appointment of Executive Chairman 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 05.08.2005 for the appointment of Shri N. R. Agarwal is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company except Saturday and Sunday.

Item No. 9

The Board of Directors of the Company at its meeting held on August 5, 2005 had appointed Shri R. N. Agarwal as the Managing Director of the Company for a period of five years with effect from August 5, 2005 on the remuneration and terms and conditions as contained in the Agreement dated 05.08.2005 entered into between the Company and Shri R. N. Agarwal.

The terms of his appointment as contained in the said Agreement dated 05.08.2005 for his appointment as Managing Director are as under:

1) Appointment of Shri R. N. Agarwal as Managing Director for a period of five years with effect from August 5, 2005.

2) Remuneration:

- a) Salary : Rs. 1,75,000/- 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.

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.

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- 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.

- c) 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 for Company's business and Telephone at the residence of the Managing Director shall not be treated as perquisites.

Other terms:

- 1) The Managing Director shall unless prevented by ill health, through out the said term devote his whole time 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 endeavor to promote the interest thereof.
- 2) Subject to the control and supervision of the Board of Directors and subject to the provisions of the Act, the Managing Director shall have the general conduct and management of the business and affairs of the company.

- 3) The Managing Director shall be entitled at any time to resign office as Managing Director after giving the Company ninety days notice or by such period agreed to by Board of Directors in that behalf and subject to any provisions of the Act in that behalf.

Shri R. N. Agarwal is already a Managing Director of N. R. Paper & Boards Limited. The gross remuneration being received by him from N R Paper & Boards Limited and as proposed herein above is within the limit prescribed under Section III of Schedule XIII of the Companies Act, 1956.

The Board commends the approval by the members of the appointment of Managing Director and payment of remuneration to him as contained in the ordinary resolution at item no. 9 of the accompanying notice.

Shri R. N. Agarwal is concerned or interested in the said ordinary resolution at item no.9 of the accompanying notice as it relates to his own appointment. Shri N. R. Agarwal is also interested or concerned in the said resolution as the relative of Shri R. N. Agarwal.

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 05.08.2005 for the appointment of Shri R. N. Agarwal is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company except Saturday and Sunday.

By order of the Board of Directors

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, 5th August, 2005.

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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Twelfth Annual Report alongwith the Audited Annual Accounts for the year ended on 31st March, 2005.

FINANCIAL RESULTS:

Particulars	(Rs.in lakhs)	
	Year ended 31.03.2005	Year ended 31.03.2004
Net Sales / Income from Operations and other income	11321.27	9176.58
Total Expenditure	10292.36	8450.76
Interest	215.97	245.80
Gross Profit after Interest but Before Depreciation and Taxation	812.94	480.02
Depreciation	239.17	211.59
Provisions for Taxation	45.00	21.00
Deferred Tax	224.45	86.85
Prior year Adjustments +/-	(12.73)	(1.46)
Net Profit for the year	291.59	159.12
Balance in Profit & Loss Account	612.86	459.70
Surplus available for appropriation	904.45	618.82
Transferred to General Reserve	15.00	5.00
Interim Dividend paid on equity shares	36.90	—
Proposed final dividend – equity shares	61.50	—
Proposed Dividend on Preference Shares	0.85	0.85
Tax on Dividend	13.56	0.11
Balance carried to Balance Sheet	776.64	612.86

DIVIDEND:

The Directors recommend payment of final dividend of Rs.0.60 per equity share of Rs.10/- each which together with interim dividend of Rs.0.60 per share declared and paid during the year, works out to Rs.1.20 per equity share.

Your Directors further recommend a dividend at the rate of 1% on Non-cumulative Redeemable Preference Shares of Rs.10/- each.

PREFERENTIAL ISSUE OF SHARES:

During the year the Company made a preferential issue of 41,00,000 Equity Shares of Rs.10 each to the promoters group. With the result the paid up Share Capital of the Company has increased from Rs.615 lakhs to Rs.1025 lakhs.

OPERATIONS:

During the year under review the net sales increased to Rs.11267.48 lakhs as compared to Rs.9155.62 lakhs in the previous year registering a significant growth of 23.06%. Profit before tax also increased to Rs.573.77 lakhs for year as compared to Rs.268.43 lakhs in the previous year, a phenomenal increase of 114%. Your Company has achieved a capacity utilization of 96.42% in Duplex Boards by manufacturing 31239 MT as compared to 23843 MT during the previous year and achieved a capacity utilization of 89.84% in Newsprint by manufacturing 26953 MT as compared to 23838 MT during the previous year.

NEW PROJECTS/EXPANSIONS AND MODERNISATIONS:

- The Company has successfully commissioned 3MW power plant in its Newsprint Unit in December, 2004. The Board of Directors are confident that this plant will reduce power costs significantly.
- The Company has shut down with effect from 10.04.2005 its Duplex Unit to carry out expansion cum modernization.
- The Company carried out the major expansion-cum-modernisation in the said Duplex Unit thereby enhancing the capacity from 32400 tpa to 54000 tpa and recommenced the plant in July 2005. It is also proposed to install 5MW power plant at its Duplex Unit by March 2006.

OUTLOOK:

Having regard to an environment where the economy is growing and in the back-drop of increasing consumption and aspiration levels, the outlook for the current year appears to be good, barring unforeseen circumstances.

FIXED DEPOSITS:

As on 31st March, 2005 no fixed deposit was remaining unpaid.

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, 2005 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.

DIRECTORS:

Shri. N. R. Agarwal would retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for reappointment.

Shri.Chittaranjan Musib was appointed as an Additional Director of the Company by the Board of Directors on 31st January, 2005 and Shri P.Kumar was appointed as an Additional Director of the Company by the Board of Directors on 5th August, 2005. By virtue of section 260 of the Companies Act, 1956 they hold office upto the date of the ensuing Annual General Meeting and are eligible for appointment.

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Shri N. R. Agarwal has resigned as Managing Director of the Company with effect from August 1, 2005.

The Board of Directors has appointed him as Executive Chairman with effect from October 1, 2005. The Board of Directors has also appointed Shri R. N. Agarwal as the Managing Director of the Company for a period of five years with effect from August 5, 2005. Necessary resolutions for approval of the appointment of Shri N. R. Agarwal and Shri R. N. Agarwal and payment of remuneration to them are being proposed for approval by the shareholders at the ensuing Annual General Meeting of the Company.

Brief resume of the above Directors, nature of their experience in specific functional areas and names of the Companies in whom they hold directorship and membership/chairmanship of committees of the Board as stipulated under clause 49 of the Listing Agreement with the Stock Exchange are given in the section on Corporate Governance in the Annual Report.

Shri C.S.Dhapare resigned as Director of the Company on 31.01.2005. Shri G. N. Agarwal resigned as Director of the Company on the 5th August, 2005. The Board places on record its appreciation of the valuable advice and guidance given by them during the tenure of their directorship with the Company.

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 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.

PARTICULARS OF EMPLOYEES:

The Company does not have any employees whose particulars are required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975.

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;

AUDITORS:

The observations made by the Auditors in their report and the notes to accounts 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.

LISTING

The Equity shares of the Company are listed at the Stock Exchanges at Mumbai, Ahmedabad and Delhi. The Company has paid Annual Listing Fee to the Stock Exchange of Mumbai and Ahmedabad for the year 2005-06.

DELISTING OF SHARES:

The Company had applied for Delisting of Shares to Delhi Stock Exchange under the authority granted by the Shareholders in the year 2000. However consequent to the issue of Revised Guidelines of Delisting of Shares, a special Resolution is being proposed at the ensuing Annual General Meeting of the Company for Delisting of the Shares at the Stock Exchange of Ahmedabad and Delhi.

CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Reports on Management Discussion & Analysis and on Corporate Governance alongwith a certificate from the Auditors are attached hereto and form part of this report.

INDUSTRIAL RELATIONS:

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

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
Managing Director

N. R. Agarwal
Director

Mumbai, 5th August, 2005

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 2005.

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	10250250	7971540
Total amount	Rs.in lakhs	569.88	430.90
Rate / Unit	Rs.	5.56	5.41
ii) Own Generation			
(i) Through Diesel Generator			
Units	KWH	14955751	20211933
Qty.	Kilo Ltrs.	4392.120	5993.170
Total Cost	Rs.in lacs	717.09	1022.62
Units per Ltr. of Furnace Oil & LDO		6.93	3.37
Average Cost/Unit	Rs./KWH	4.79	5.06
(ii) Through Steam Turbine			
Units	KWH	6695750	—
Units per tonne of coal	KWH	592.65	—
Average Cost/Unit	Rs./KWH	3.41	—
b) COAL AND LIGNITE:			
Quantity	Tonnes	32981	18781
Total amount	Rs.in lakhs	696.20	379.08
Average Rate/Ton	Rs.	2111	2018
(The Company uses 'B' & 'C' grade coal in it's Boiler and Steam Turbine)			
2) CONSUMPTION PER TONNE OF PRODUCTION:			
Electricity	KWH	548	591
Coal	Kgs.	567	394
Furnace Oil	Ltr.	110	102
L.D.O.	Ltr.	35	75

II) TECHNOLOGY ABSORPTION:

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

III) FOREIGN EXCHANGE EARNINGS & OUTGO:

Foreign Exchange Outgo	:	Rs. 1193.28 lacs
Foreign Exchange Earnings	:	Rs. 77.81 lacs

For and on behalf of the Board of Directors

R. N. Agarwal
Managing Director

N. R. Agarwal
Director

Mumbai, 5th August, 2005

N. R. Agarwal Industries Limited

CORPORATE GOVERNANCE REPORT:

1. COMPANY'S PHILOSOPHY:

N. R. Agarwal Industries Limited (NRAIL) is governed by the professional management team at various level under the supervision and guidance of the Board of Directors. At NRAIL, the concept of Corporate Governance hinges on total transparency, integrity and accountability of the management team. It is basic principle of Corporate Governance to enlighten the shareholders and other stakeholders of the Company on the total performance of the Company. NRAIL believes in ethical values and commitment to the laws of the land. 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. NRAIL 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.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company consists of persons with considerable professional expertise and experience in business and industry, finance, management, legal and marketing. The Board of Directors of the Company is entrusted with complete authority and responsibility to manage the affairs of the Company. 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 framework of the Company).

COMPOSITION:

The present strength of the Board of Directors of your company is six directors.

Composition and category of directors is as follows:

Name of Directors	Category		Directorship in other Companies	No. of Committees in which Chairman/Member (other than N. R. Agarwal Industries Ltd.)	
	Executive or Non-Executive	Independent		Chairman	Member
*Shri. N. R. Agarwal	Managing Director	Non-Independent	6	—	—
Shri. G. N. Agarwal (till 05.08.2005)	Non-Executive	Non-Independent	4	—	—
**Shri. R. N. Agarwal	Non-Executive	Non-Independent	2	—	—
Shri. S. N. Chaturvedi	Non-Executive	Independent	5	2	—
Shri. C. S. Dhapare (till 31.01.2005)	Non-Executive	Independent	1	—	—
Shri. R. K. Sinha	Nominee Director	Independent	—	—	—
Shri. Chittaranjan Musib (from 31.01.2005)	Non-Executive	Independent	—	—	—
Shri P. Kumar (from 05.08.2005)	Non-Executive	Independent	2	—	3

* Managing Director upto August 1, 2005

** Managing Director with effect from August 5, 2005.

BOARD PROCEDURE:

The Board meets atleast once a quarter to review the quarterly performance and the financial results. The Board Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. The Board is free to recommend the inclusion of any matter for discussion in consultation with the Chairman.

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments compliance with statutory/regulatory requirements, major accounting provisions and write-offs are considered by the Board