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N R AGARWAL INDUSTRIES LIMITED

A New Horizon

15th Annual Report
2007-2008

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**Your Founder Chairman Shri N R AGARWAL(seated)
Along with Managing Director Shri R N AGARWAL**

Annual Report 2007 - 2008

Board of Directors

Shri N R Agarwal	<i>Executive Chairman</i>
Shri R N Agarwal	<i>Managing Director</i>
Shri S N Chaturvedi	<i>Director</i>
Shri P Kumar	<i>Director</i>
Shri C Musib (Upto 10.07.2008)	<i>Director</i>
Shri C R Radhakrishnan	<i>Director</i>
Shri Raunak Agarwal (W.e.f. 01.05.2008)	<i>Director</i>

REGISTERED OFFICE:

415-418, Janki Centre, 4th Floor
29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053

Auditors:

CHATURVEDI & PARTNERS

Bankers:

BANK OF INDIA
BANK OF BARODA
ORIENTAL BANK OF COMMERCE
STANDARD CHARTERED BANK
IDBI BANK LIMITED
ING VYSYA BANK LIMITED

Company Secretary & Compliance Officer

Ms. Priyanka Agrawal
(w.e.f. 11.02.2008)

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

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"Aspiration is the main fuel for progress.

Aspirations transform a set of ordinary people into extra ordinary achievers."



FROM THE DESK OF THE MANAGING DIRECTOR

Dear Shareholders,

I am pleased to put before you, the latest result of our business activities for the year 2007-08.

The Company has posted reasonable growth in Sales/ Revenue with total turnover and other income of Rs.31341 lacs as against Rs.29138 lacs for the previous financial year, thereby registering an increase of 7%. Our goals for the current financial year are even higher. Consequently, we foresee an exciting path of steady success ahead for the company by accepting the challenges, which we may face on the road towards success.

Over the years, the industry has made steady progress and in the coming years also the growth potential is high in view of increased demand of paper due to industrialization and economic reforms.

Paper Industry is cyclical in nature and is sensitive to changes. The principal threat faced by a large number of Indian Paper Manufacturers is the dearth of good quality raw material at globally competitive rates. High power tariffs and widespread power shortages are other impediments to the growth of this energy-sensitive industry. The continuous increase in input costs is also a cause for concern, which has resulted in marginally lower profits registered by the company, irrespective of the increase in the turnover.

While we are continuously striving to adapt the changing business environment to keep our company at the forefront, our uncompromising focus on quality, will continue to give us a competitive advantage.

I'd like to extend my gratitude towards all our shareholders, customers and the staff for their support at all levels.

R N Agarwal
Managing Director

N R Agarwal Industries Limited**Annual Report 2007 - 2008****NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of N R AGARWAL INDUSTRIES LIMITED will be held at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053 on Thursday, September 11, 2008 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 2008 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity 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 consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

RESOLVED THAT Shri Raunak Agarwal, who was appointed as an Additional Director of the Company by the Board of Directors with effect from May 1, 2008 and who holds office upto the date of this Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.

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 item no 5 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 5, 2008 to Thursday, September 11, 2008 (both days inclusive).
5. The dividend on equity shares, if declared at the meeting, will be paid on or after September 11, 2008 to those members whose names appear on Register of Members on September 11, 2008. In respect of equity shares held in electronic form, the dividend will be payable to the Beneficial Owners of shares as at the end of business hours on September 4, 2008 as per the details furnished by the Depositories 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. **Shareholders holding shares in physical form are requested to get their shares dematerialised.**

By order of the Board of Directors

Priyanka Agrawal
Company Secretary

Mumbai,
Dated : 31st July, 2008

ANNEXURE TO NOTICE:

Explanatory statement under Section 173 of the Companies Act, 1956.

Item No. 5

Shri Raunak Agarwal was appointed as Additional Director of the Company by the Board of Directors with effect from May 1, 2008. By virtue of Section 260 of the Companies Act, 1956 he holds office up to the date of the forthcoming Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 along with deposit of Rs. 500/- from a member of the Company proposing the name of Shri Raunak Agarwal as candidate for the office of Director.

Shri Raunak Agarwal is interested in the resolution as it relates to his own appointment. Shri N R Agarwal and Shri R N Agarwal, Directors of the company are also interested in the said resolution as relatives of Shri Raunak Agarwal.

By order of the Board of Directors

Priyanka Agrawal
Company Secretary

Registered Office:

415-418, Janki Centre, 4th Floor
29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053
Mumbai,
Dated : 31st July, 2008

N R Agarwal Industries Limited

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Fifteenth Annual Report alongwith the Audited Annual Accounts for the year ended on 31st March, 2008.

FINANCIAL RESULTS:

Particulars	(Rs. in Lacs)	
	Year ended 31.03.2008	Year ended 31.03.2007
Net Sales / Income from Operations and other income	31340.73	29138.47
Interest	998.68	866.79
Gross Profit after Interest but Before Depreciation and Taxation	1984.32	2144.48
Depreciation	(750.23)	(665.08)
Profit Before Tax	1234.09	1479.40
Provisions for Taxation	(272.30)	(215.00)
M Vat Entitlement	-	76.41
Deferred Tax	(51.15)	(229.25)
Fringe Benefit Tax	(5.09)	(5.40)
Prior year Adjustments	16.99	2.97
Net Profit for the year	922.54	1109.13
Balance in Profit & Loss Account	1537.83	795.37
Surplus available for appropriation	2460.37	1904.50
Transferred to General Reserve	25.00	68.00
Proposed Dividend	204.23	255.29
Tax on Dividend	34.71	43.38
Balance carried to Balance Sheet	2196.43	1537.83

DIVIDEND:

The Board of Directors of the Company recommend for declaration by the Shareholders at the Annual General Meeting payment of dividend @ 12% (Rs.1.20 per equity share) on 1,70,19,100 equity shares of the face value of Rs.10/- each.

YEAR IN RETROSPECT:

During the year, the Company achieved a production of 99070 tones of Duplex Boards and 32524 MT of Newsprint /Writing & Printing, highest achieved by the Company so far, compared to 98893 Tonnes of Duplex Board and 30549 Tonnes of Newsprint in the previous year.

The gross sales and other income for the financial year under review were Rs.31340.73 lacs as against Rs.29138.47 lacs for the previous financial year

registering an increase of 7%. There has been a marginal reduction in profits as compared to last year due to steep increase in input cost.

Exports efforts of the Company fructified during the year and the Company exported Duplex Board and realised Rs 1432.43 lacs as compared to Rs 788.53 lacs, during the previous year, a substantial growth over previous year.

CURRENT YEAR'S PROSPECTS:

The production of Duplex Board and Newsprint during the first quarter was 29458 tonnes and 7539 tonnes respectively compared to 26224 tonnes of Duplex Board and 6301 tonnes of Newsprint of the corresponding quarter during April-June 2007.

During the first quarter of the current year 1662 tonnes of Duplex Board, valued at INR 400.49 lacs were exported, as against 1592 tonnes of Duplex Board valued at INR 327.18 lacs exported in the corresponding quarter of the previous year.

FIXED DEPOSITS:

As on 31st March, 2008 no fixed deposit was due and 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, 2008 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 is eligible for reappointment.

Shri Raunak Agarwal had been appointed as an Additional Director by the Board with effect from 1st May, 2008. By virtue of Section 260 of the Companies Act, 1956 he would hold office upto the date of the ensuing Annual General Meeting and is eligible for appointment.

Brief resume of the above Directors, nature of their experience in specific functional areas and names of the companies in which 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 Musib resigned as Director of the Company w.e.f 10.07.2008. The Board places on record its appreciation of the valuable advice and guidance given by him during his tenure as a director of 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 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 outgo is given in Annexure-I forming part of this report.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee where particulars are required to be given under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

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DIRECTORS RESPONSIBILITY STATEMENT:

The Directors confirm:

- a) that in the 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 the accounting policies selected and applied are consistent and judgments and estimates made 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 proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual accounts have been prepared on a going concern basis;

AUDITORS:

M/s. Chaturvedi & Partners, Chartered Accountants, the Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment as auditors to hold office until the conclusion of the next Annual General Meeting of the Company.

LISTING:

The Equity shares of the Company are listed with the Bombay Stock Exchange Limited. The Company has paid Annual Listing Fee to the Bombay Stock Exchange Limited for the year 2008-2009.

CORPORATE GOVERNANCE/ MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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 deep appreciation for the exemplary contribution made by the employees at all levels. The Board also acknowledges the continued support received from Financial Institutions, Banks and various Central and State Government Agencies, shareholders, suppliers, dealers and valued customers.

For and on behalf of the Board of Directors

Mumbai
Dated : 31st July, 2008

N R Agarwal
Executive Chairman

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, 2008.

I) CONSERVATION OF ENERGY:

ENERGY CONSERVATION MEASURE TAKEN IN NEWS PRINT UNIT AND DUPLEX COATED PAPERBOARD UNITS

A) Newsprint manufacturing Unit.

- 1 Installation of ceramic foils in wire part for reducing the friction as well as overall machine run-ability improvement for power saving on per ton of finished product.
- 2 Installation of sludge press in place of huge power consuming de-canter and fresh water consumption has also reduced up to 2 KL per ton of machine production by circulating the more used water in close cycle.
- 3 Energy efficient rotor of HD pulper has replaced for power saving by reducing the pulper slushing period.
- 4 Installation of heat exchanger for better condensate recovery from paper machine by reducing the vent of flash steam into the air.
- 5 Installation of energy efficient reject screen in place of two screens.

By putting the above said equipments we are producing one grade higher quality News Prints at the same KWH/Ton of paper & at lower steam consumption. Now we can also produce the Writing & Printing paper on the same parameters.

B) Duplex coated paperboard Units.

- 1 Installation of heat energy efficient Hood in our paper machine for better drying of coating & paper at optimum steam consumption.
- 2 We have done the re-coating of our MG surface for effective improvement of thermal conductivity hence getting the lower steam consumption.
- 3 Re-arrange the whole gear assemblies of complete paper machine drying section for better power transmission from prime mover to paper machine.
- 4 We have also re-arranged the machine line shaft belt driven system to avoid the losses due to spillage between main DC motor to line shaft.
- 5 We installed additional Former in paper machine wet section for improving the machine production with wide range in GSM.
- 6 Installation of Decker in pulp mill for improving the pulp consistency so that more pulp could be stored in the same capacity of chest, thus frequent start & stop of pulp mill has minimized.
- 7 We have replaced good quality steam rotary joints, steam traps and air vent in our machine dryer section for reducing steam consumption as well as better condensate recovery.
- 8 We re-designed the LP steam line to avoid the pressure drop between co-gen. CPP to paper machine.

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Result : -Now we are producing better quality & quantity production of coated duplex paper board at lower KWH and steam consumption per ton of paperboard.

C) Co-gen. CPP.

- 1 We have also reduced the Aux. Power consumption of 3 & 5 MW Co-gen. CPP by putting the VFDs in all fans in place of suction damper control system.
- 2 We have also replaced the air pre heater tubes for better heat recovery from waste flue gases which is going into the chimney from our boiler.

1) POWER & FUEL CONSUMPTION:

a) Electricity:

	Unit	Current Year	Previous Year
i) Purchased units	Lakh/KWH	12663380	29254360
Total amount	Rs.in lakhs	711.59	1600.70
Rate / Unit	Rs.	5.62	5.48

ii) Own Generation

(i) Through Diesel Generator

Units	KWH	N.A	N.A
Qty.	Kilo Ltrs.		
Total Cost	Rs.in lacs		
Units per Ltr. of Furnace Oil & LDO			
Average Cost/Unit	Rs./KWH		

(ii) Through Steam Turbine

Units	KWH	57723600	37506852
Units per tonne of coal	KWH	1160	1518
Average Cost/Unit	Rs./KWH	1.58	1.65

b) COAL AND LIGNITE:

Quantity	Tonnes	109779	91739
Total amount	Rs.in lakhs	2923.02	2271.00
Average Rate/Ton	Rs.	2663	2475

(The Company uses 'B' & 'C' grade coal in it's Boiler and Steam Turbine)

2) CONSUMPTION PER TONNE OF PRODUCTION:

Electricity	KWH	96	226
Coal	Kgs.	834	709
Furnace Oil	Ltr.	NA	NA
L.D.O.	Ltr.	NA	NA

II) TECHNOLOGY ABSORPTION:

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

III) FOREIGN EXCHANGE EARNINGS & OUTGO:

Foreign Exchange Outgo	: Rs.	997.70 Lacs
Foreign Exchange Earnings	: Rs.	1432.44 Lacs

For and on behalf of the Board of Directors

N R Agarwal
Executive Chairman

Mumbai
Dated : 31st July, 2008

REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

N R Agarwal Industries Limited (NRAIL) continues to uphold its commitment to high standards of corporate governance. In all its operations and processes, the Company adheres to stringent governance norms so that its stakeholders are ensured of superior financial performance.

Through its corporate governance measures, the Company aims to maintain transparency in its financial reporting and keep all its stakeholders informed about its policies, performance and developments. NRAIL will contribute to sustain and strengthen stakeholder's confidence by adopting and continuously improving good corporate practices.

Your Company's Board has laid down identifiable policies and guidelines related to the key elements of corporate governance-transparency, disclosure, supervision and internal control, risk management, internal and external communications, high standard of safety, accounting fidelity, product and service quality. It has also introduced adequate review processes.

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, and marketing. The Board of Directors of the Company 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 present strength of Board of Directors of the Company is Six Directors. Four out of Six Directors are Non Executive Directors and three out of them are Independent Directors.

Composition and category of Directors is as follows:

Name of Director	Category	No. of Board Meetings attended	Attendance at the last AGM	Directorship in other Companies including private companies in India	No. of Committees in which Chairman/ Member (other than N R Agarwal Industries Ltd)	
					Member	Chairman
Shri. N R Agarwal	Executive Chairman Non-Independent	1	Attended	4	—	—
Shri. R N Agarwal	Managing Director Non-Independent	5	Attended	—	—	—
Shri.S N Chaturvedi	Non-Executive Independent	4	Attended	6	2	—
\$Shri. Chittaranjan Musib (upto 10.07.2008)	Non-Executive Independent	2	Not Attended	—	—	—
Shri P. Kumar	Non-Executive Independent	5	Attended	1	3	—
Shri C R Radhakrishnan	Non-Executive Independent	5	Not Attended	—	—	—
**Shri Raunak R Agarwal (Since 01.05.2008)	Additional Director Non-Independent	0	Not Attended	—	—	—

\$ Ceased to be a director of the company w.e.f 10.07.2008

** Appointed as Additional Director w.e.f 01.05.2008

None of the Non-Executive Directors of the Company hold any Equity Shares in the Company except Shri Raunak Agarwal, who holds 32 equity shares in the Company.

Number of Board Meetings held and the dates on which held:

Five Board Meetings were held during the year 2007-08. The dates on which the said meetings were held are as follows:

30.04.2007, 28.07.2007, 23.08.2007, 30.10.2007 and 31.01.2008.

N R Agarwal Industries Limited

The Company has a process to provide the information to the Board as required under Annexure I A to clause 49 of the listing agreement, which was followed.

All the directors have made necessary disclosures about the committee positions, they occupy in other companies.

The company has not entered into any materially significant transactions during the year under report with promoters, directors, senior management personnel etc. other than transactions if any, entered into in the normal course of company's business.

Information required under clause 49 VI G of the Listing Agreement:

The particulars of Directors who are proposed to be appointed/ re-appointed at the ensuing Annual General Meeting, are given below, as required pursuant to clause 49 of the Listing Agreement:

Name	: Shri N R Agarwal
Qualifications	: Chemical Engineer
Expertise	: Industrialist
Other Directorships	: Gayatrishakti Paper & Boards Limited Kherani Paper Mills Private Limited Agrashakti Paper Mills Private Limited Agarwal Paper Mills Private Limited

Other Memberships of Committees

: —

No of shares held : 993851 (As on 31.03.2008)

Name : Shri Raunak Agarwal

Qualifications : BBA

Expertise : Industrialist

Other Directorships : NIL

Other Memberships of Committees : NIL

Shri Raunak Agarwal holds 32 Equity Shares in the Company.

Shri Raunak Agarwal is the son of Shri R N Agarwal and Shri R N Agarwal is the son of Shri N R Agarwal and hence they are related to each other.

3. CODE OF CONDUCT:

The Board has laid down a code of conduct for Board members and senior management personnel of the company. The said code of conduct is posted on the Company's website. The board members and senior management personnel have affirmed compliance with the said code of conduct.

4. AUDIT COMMITTEE:

The Audit Committee comprises of three Qualified, Independent & Non-Executive Directors. The terms of reference to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as in Section 292 A of the Companies Act, 1956 such as oversight of the company's financial reporting process; recommending the appointment / reappointment of statutory auditors; reviewing with the management annual financial statements; quarterly financial statements and other matters as covered under role of audit committee in clause 49. The audit committee has powers, inter-alia, to investigate any activity within its terms of reference and to seek information from any employee of the company as well as seek outside legal and professional advice.

The members of audit committee have knowledge on financial matters and majority of them have accounting or related financial management expertise. The Chairman of the audit committee is an independent director.

The statutory auditors and finance personnel are invitees to the meetings of the audit committee.

The audit committee reviews all the information that is required to be mandatorily reviewed by it under Corporate Governance.

The Company Secretary acts as a Secretary to the Committee.

Five Meetings of the Committee were held during the year 2007-08. The dates on which the meetings were held are as follows:

30.04.2007, 28.07.2007, 23.08.2007, 30.10.2007 and 31.01.2008.

Composition and category of Members is as follows:

Name of Director	Category	No. of Meetings Attended
Shri P. Kumar	Chairman-Independent	5
Shri S N.Chaturvedi	Independent	4
*Shri C.Musib (upto 10.07.2008)	Independent	2
Shri. C. R. Radhakrishnan	Independent	3

* Ceased to be a director of the company w.e.f 10.07.2008