

N R AGARWAL INDUSTRIES LIMITED

17th Annual Report
2009-2010



Waste.Redefined.



Founder Chairman

If one personality is to be signaled out for earning N RAIL, the place that it enjoys today, its indisputably our Founder Chairman, Shri N R Agarwal. It is his vision and charismatic approach, that has taken the Company to such great heights. An iconic figure, whose success story is a source of inspiration to a number of budding entrepreneurs.

Shri N.R. Agarwal initially established a 10 TPD Kraft Paper unit in 1975 and followed with setting up of a second unit in 1979. With his expertise in the field of manufacturing duplex boards, and a vision to be a market leader in this field, he went on establishing 3 more units of this value added product and later diversified into the field of manufacturing Newsprint. It may be not an exaggeration to mention here that "N R Group" is the pioneer in manufacturing of paper products by recycling of waste paper as a major raw material input.

He is praised for his wisdom, clarity of thoughts, and Leadership Qualities which has helped in building a strong team and take one and all together on the path of

continuous growth. Not only is he a good judge of potential in his men, but also a great inspirer and motivator, who could extract great performance out of everybody. It is for this reason, that most of our employees are associated with the organization since last four decades.

He takes heart from the fact that N RAIL has always been in the forefront when it comes to applying the state of art of technology. His perception is that the massive investment that the Company is now making in its ambitious project will stand the Company in good stead and go a long way in achieving its goal of emerging as an unrivalled market force. The man who has guided the affairs and destiny of the Company, he is optimistic that the Company's new project set to take off imminently; would be able to register remarkable growth at a blistering pace.

The Company regards itself extremely fortunate for having got a leader of his stature.



A Glimpse of our new project site at Sarigam, Gujarat



Board of Directors

Shri N R Agarwal

(Resigned wef January 29, 2010)

Executive Chairman

Shri R N Agarwal

(Appointed wef January 29, 2010)

Chairman Managing Director & CEO

Shri Raunak Agarwal

Whole Time Director

Shri S N Chaturvedi

Director

Shri P Kumar

Director

Shri C R Radhakrishnan

Director

Chief Financial Officer

Shri Ramesh S Iyer

Company Secretary & Compliance Officer

Ms Priyanka Agrawal

Auditors

Chaturvedi & Partners

Chartered Accountants, Mumbai.

Bankers

Bank of India

Bank of Baroda

Oriental Bank of Commerce

Standard Chartered Bank

IDBI Bank Limited

Registered Office

415-418, Janki Centre, 4th floor, 29,

Shah Industrial Estate,

Off Veera Desai Road

Andheri (W), Mumbai-400053

Registrar & Transfer Agents

Sharex Dynamic (India) Private Limited

17/B, Dena Bank Building

2nd Floor, Horniman Circle

Fort, Mumbai – 400 001

Tel. : 022-22702485/22641376

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever

possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even

inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Letter to Shareholders

Dear Shareholders,

It's always a pleasure to talk to you- Our valued shareholder. At N RAIL, we have grown through the years, by questioning existing paradigms and by challenging assumptions. We believe in setting and working towards ambitions, long term goals. Our objective is to aggressively grow profitable revenues and maintain high growth potential, while ensuring prosperity to all our stakeholders. Our strong foundation has enabled us to maintain a revenue generating business and high growth potential.

FY 09-10 was a good year for the paper industry especially, the Duplex Board segment which witnessed a significant demand. There was an increase in the cost of the raw material and other products towards the end of FY 2009-10, but due to the constant demand, the increase could be passed on to the customers through increase in price of our products and hence the Company in terms of performance has fared extremely well. ***Coupled with the demand and our increased efficiency, the bottom line in terms of Net profit more than doubled.*** We have not only achieved the peak production of Duplex Boards and Newsprint, but, are running all our units with maximum efficiency in terms of the lowest power, steam and water consumption per tonne of Boards due to which our production costs are amongst the lowest in the Industry. Your company is self sufficient in terms of power generation, as a result of which we do not need to purchase expensive power from local electricity board. Power is generated with efficient boilers wherein the coal consumption is economically managed. During the entire paper making process, and power generation, we are continuously adhering to pollution standards to give our contribution in maintaining a healthy environment.

Our products being entirely based on 100% recycled paper, makes us contribute towards preserving our environment.

As regards, the company's expansion drive, its on a fast pace. The Company's new project of 300 TPD of Writing and Printing cum Copier Paper work is going on as per the schedule. The World's leader in machine manufacture, VOITH PAPER FIBER & ENVIRONMENTAL SOLUTIONS GMBH CO. KG. GERMANY, has been affianced for the supply of 330 TPD of De-inked Pulp Line and the technology of Drum Pulper and LEF injected flotation cells supplied by them, would give the project a competitive edge over its competitors in India.

The company already owns 95 acres of NA Land at Sarigam, Gujarat, on which the construction of the building foundation of machinery is in progress. We have been registered under the "Vibrant Gujarat Scheme" which would be very advantageous for this 300 TPD Writing Printing cum Copier paper project to be set up at Sarigam, Gujarat.

The target for the commencement of the commercial production is around March 2011.

As regards, the demand for writing printing paper, the Indian printing industry is expected to grow at a CAGR (Compounded Annual Growth Rate) of 15-18% till 2012. Recent trends show India has emerged as the outsourcing hub for printing and publishing business. Besides, the increased budgetary allocation under schemes like Sarvasiksha Abhiyaan and Secondary Education also provides necessary boost to the demand for printing and writing paper. We expect that Financial year 2010-11 would witness a substantial increase in demand of not only Duplex Boards but also Writing Printing paper varieties.



“Successful people in this world are those who get up and look for the opportunities they want. If they can't find them, they make them”

-George Bernard Shaw



R N Agarwal
Chairman Managing Director & CEO

In the year marked with the challenges, your Company has achieved credible financial results.

The current year has been extremely good for your Company.

The Company has posted a Sales & Revenue of Rs. 39244 lacs as against Rs 39009 lacs for the previous financial year. Net profit rose steeply from Rs. 886 lacs to Rs. 2159 lacs. 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. Our conviction to succeed is ever-more and the strength to achieve is from within.

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.

Much as we pride ourselves on the increasing demand of our products, our increased production, process efficiencies, quality output, increased turnover, operational improvement, we pride ourselves on our human wealth, which the pillar to our success.

I'd like to extend my gratitude towards all our shareholders, customers, bankers and the staff for their faith in the Company and unstinted support, as always.

“Coupled with the demand and our increased efficiency, the bottom line in terms of Net profit more than doubled.”

R N Agarwal
Chairman Managing Director & CEO



Building Today, For a Better Tomorrow

Ever since our inception, we at NRAIL, have believed in pushing our boundaries to achieve what we have envisioned. And we have done so through taking not the obvious step but the next one. NRAIL has been in the paper business since last four decades. All its manufacturing facilities at Vapi are at optimum capacity utilization after undergoing various process engineering and increasing capacities without incurring any major capital expenditure. To avoid saturation, it now time that NRAIL ventures into expansion.

Taking advantage of the 95 acres of Non- agricultural land, that NRAIL owns at Sarigam, Gujarat, which falls under the Vibrant Gujarat Scheme, NRAIL has decided to commission a 300 TPD Writing & Printing cum Copier Paper project thereby utilizing an area of around 50 acres, leaving the balance land for further expansion at a future date.



The said project is a “GREEN FIELD PROJECT” based on 100% recycled fiber which helps to conserve the Indian forests.

Main Highlights of the project are

1. Procurement of High Quality De-Inking machine from Voith –Germany, equipped with an advanced technology having drum Pulper and LED Injected Flotation Cells, the first of its kind in Asia.
2. Increase in the capacity by additional 90000 tonnes p.a.
3. Diversification into a Value added Copier paper segment and Manufacture best Quality Copier Paper from recycled waste.

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It is better to be prepared for an opportunity, and not have one, than to have an opportunity and not to be prepared for it -Whitney Young.



4. Produce "A" grade Quality of Newsprint and Writing Printing (Maphlito & Cream wove paper grade)
5. Installation of 15 MW Captive Power Plant, thereby becoming self sufficient on Power requirement.

Status of the project implementation

The implementation of the project is progressing in full swing at Sarigam and the status of completion of the project work is as below:

- 80% of the Second hand paper machine being imported from France has already arrived at the site and refurbishment is in process.
- The construction of the building foundation of machinery has already started and the final target of completion of construction work is October end.
- Civil work for installation of the Power Plant has already commenced.
- All orders for de-inking, boiler and turbine which are the major equipments of this project have also been placed.

Based on the progress as on date, the installation is likely to be completed as per the targeted date of 31.03.2011 and commercial production is likely to commence by April 2011.

This project is likely to improve the top line by Rs 300 crores to Rs 350 Crores, thereby improve the bottom line.



CSR is a Commitment



A still of sapling plantation drive conducted by NRAIL

NRAIL has been consistently working towards integration of Corporate Sustainability into the values, culture, operations and business decisions at all levels of the organization. The Company adopts a business approach that creates a long term shareholder value by embracing opportunities. At NRAIL we tend to grow without damaging prospects of future generation.

Environment sustainability

The Company endeavors to improve stakeholder value through improved eco-efficiency of operations. The Company ensures safer, healthier and pleasant environment in working area as well as in community it operates into.

The Company has undertaken various initiatives in above direction which include:

1. Practicing 3R (Reduce, Reuse and Recycle) and waste management in Industrial plants.
2. Energy conservation drives by installing power saving technology on the machines in the industrial plants and procurement of energy efficient machines.

3. Water efficient treatment recovers paper fibre by reducing suspended solids in the effluent water which are reused in paper making process, thereby increasing the yield.
4. Reuse of treated water for manufacturing, gardening and other maintenance purposes.
5. Continuous up-gradation of technology

We continuously improve our environmental programs and explore inventive solutions to save our precious environment for future generations.

Social sustainability

CSR is a commitment and an obligation to pay back to society for the support the Company has received. The Company has taken this responsibility earnestly and in many ways has served the cause of the people which has ensured Company's continued success.

The Company encourages plantation of trees within campus and surrounding areas and the current year's target is to plant around 10,000 trees during the year.