

N R AGARWAL INDUSTRIES LIMITED

20th

Annual Report

2012-13



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Proxy Form

CHANGE IS DYNAMIC.....SO ARE WE.

*We do not sacrifice long-term stability for short term gains,
however attractive they may seem.*

*This has kept us in good stead over the years and well poised to take
advantage of the opportunities as and when the market revives...*

*"The journey of a thousand miles
begins with a single step"*



Shri R N Agarwal (left)

Chairman, Managing Director & CEO

Shri Raunak Agarwal (right)

Whole-Time Director



**Founder Chairman
Late Shri N R Agarwal**

Value Statement

By Managing Director & CEO

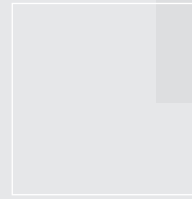


*"Winning is important to me,
but what brings me real joy is the experience of being
fully engaged in whatever I'm doing."*



Dear Shareholders,

The Indian Paper Industry is among the top 12 global players today, accounts for about 1.6% of the world's production of paper and paperboard. The estimated turnover of the Industry is approximately (USD 7 billion). The Industry provides employment to more than 0.37 million people directly and 1.3 million people indirectly. Paper Industry in India is moving up with a strong demand push and is in expansion mode to meet the projected demand of 20 Million tonnes by 2020. Therefore, the growth of Industry will out span the present growth rate of 6.5%.



Many mills in India are in modernization and expansion spree. Many old mills are under revival or new green field projects are under consideration.

Major changes are taking place in various segments like writing & printing paper, paperboard, newsprint, etc. New technologies and modern management will have vital part in this process. Besides that many overseas players are entering India by acquiring or by setting up new plants in Indian soil with an aim to make India as a paper manufacturing hub which will bring huge investments to Indian Paper Industry.

India is now, the second largest waste paper importer after China. In the coming years, domestic waste paper is expected to play a greater role. Availability of waste paper within India may have been low in the past, but we are already seeing the collection rates going up in the last few years. This is of course largely on the back of improved prices and the trend is expected to continue. We find that the downturn since 2008 has actually led to lower generation of waste paper particularly in developed countries. This is in contrast to the increase in demand for waste paper in developing economies.

It is needless to say that import of raw materials, spares, plant and machinery, technical know how, will play a great role in the Indian Paper Industry. As we all know that due to US crises our INR is getting weaker and weaker everyday and we all have to digest this truth that the currency has weakened by 10 to 15% in a short span of 4 to 5 months. So we all have to be ready for the challenges and fight with the current economic scenario.

India is among the world's fastest growing paper markets. The future of newsprint is linked to the future of Indian economy. The turbulent period continues

although we foresee a better and brighter prospect in 2014 as favourable GDP growth will result in higher demand for newsprint. India's current newsprint consumption is approximately 2.6 million tons out of which almost 50% is imported. Over the last 25 years, production, import and consumption of newsprint have all shown rising trends with the average annual growth rate of production at 7.6%, imports at 5.4% and consumption at 6%. With a readership base of over 250 million, India is ranked the second largest Newsprint market in the world.

The path to relative economic, social and ecological sustainability is guaranteed to be littered with failures of every nature and scale. If we recognize them and learn from them, the transition will proceed faster and in more resource-efficient ways. If, on the other hand, we prefer the short-term comfort of burying our failures, or of blaming scapegoats, the transition will be significantly slowed, or could even be derailed completely.

At some level, NRAIL is stronger for having experienced the uncertainty and tumult of that period. These events ensured we continue to focus on the fundamentals and understand and swiftly act upon the velocity of the problems as they arise. As it is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.

I immensely value the faith that you have reposed in NRAIL and would like to thank you for your continued support.

R N AGARWAL

CHAIRMAN, MANAGING DIRECTOR & CEO

Corporate Information

Board of Directors

Shri R N Agarwal	Chairman, Managing Director & CEO
Shri Raunak Agarwal	Whole Time Director
Shri Mangilal Suthar	Executive Director
Shri S N Chaturvedi	Independent Director
Shri P Kumar	Independent Director
Shri C R Radhakrishnan	Independent Director

Chief Financial Officer

Shri Gopal Uchil

Company Secretary & Compliance Officer

Ms. Riddhi Thakkar

Auditors

Chaturvedi & Partners
Chartered Accountants, Mumbai

Bankers

Bank of Baroda
Bank of India
Standard Chartered Bank
IDBI Bank Limited
The Saraswat Co-operative Bank Limited

Registrar & Share Transfer Agents

Sharex Dynamic (India) Private Limited
Unit No.1, Luthra Industrial Premises,
Safed Pool, AndheriKurla Road,
Andheri (East), Mumbai - 400 072

Registered Office

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

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the Members of N R AGARWAL INDUSTRIES LIMITED will be held at GMS Community Centre Hall, Sittladevi Complex, 1st Floor, D N Road, Opp. Indian Oil Nagar on Link Road, Andheri West, Mumbai – 400 053 on Tuesday, August 27, 2013 at 11.30 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2013, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri. P. Kumar, who retires by rotation and is eligible for re-appointment.
3. To appoint Statutory Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Chaturvedi & Partners, Chartered Accountants, (Firm Registration No. 307068E) be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors.”

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and subject to the approval of the Central Government and subject to such other consents and approvals as may be necessary, the Company hereby ratifies and confirms the payment of excess remuneration made to Shri R. N. Agarwal, Chairman, Managing Director and CEO of the Company amounting to ₹ 5,276,035/-, over and above the limits prescribed under Section 309 of the Companies Act, 1956 read with Schedule XIII, for the financial year ended March 31, 2013 i.e. for a period from April 1, 2012 to March 31, 2013 or such amount as approved by the Central Government, resulting from inadequacy of profits for the above financial year;

RESOLVED FURTHER THAT pursuant to the provisions of Section 309 (5A) and (5B) and other applicable provisions, if any, of the Companies Act, and subject to the approval of the Central Government, consent of the members be and is hereby accorded for waiver of recovery of excess

remuneration of ₹ 5,276,035/- paid during the financial year ended March 31, 2013 or such amount as approved by the Central Government from Shri R. N. Agarwal, Chairman, Managing Director and CEO;

RESOLVED FURTHER THAT the Board of Directors of the Company and Company Secretary, be and are hereby severally authorized to do all the necessary acts, deeds, matters and things to effectuate the above resolution.”

NOTES:

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the business at Item No. 4 above is annexed hereto.
2. The relevant details of the director seeking re-appointment under Item No.2 above as required by Clause 49 of Listing Agreement entered into with the Stock Exchange, are also annexed.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.** Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of Companies, Societies, Partnership Firms etc. must be supported by appropriate resolution/authority, as applicable, issued on behalf of nominating organizations.
4. The Register of Members and Transfer Books of the Company will remain closed from Wednesday, August 21, 2013 to Tuesday, August 27, 2013 (both days inclusive).
5. Shareholders holding shares in physical form are requested to get their shares dematerialized.
6. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank.
7. Members are requested to avail the facility of remittance of dividend through the National Electronic Clearing System (NECS). The NECS facility is available at locations identified by Reserve Bank of India from time to time. Members holding shares in physical form and desirous of availing this facility are requested to immediately write to the Company's Registrar and Transfer Agent, with changes in their bank account/ accounts numbers, if any, alongwith a photocopy

of a blank cheque pertaining to the concerned account particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.

8. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.
9. Members holding shares in physical form are requested to advise any change of address immediately to the Company's Share Registrar and Transfer Agents. Members holding shares in electronic form must send the advice about change in address to their respective Depository Participant only and not to the Company or the Company's Share Registrar and Transfer Agents.
10. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of any such claims by the IEPF.

Members who have not yet encashed their dividend warrant(s) from the financial year ended March 31, 2007,

onwards are requested to make their claims to the Company accordingly, without any delay.

11. To support the 'Green Initiative' in the Corporate Governance taken by the Ministry of Corporate Affairs, to contribute towards greener environment and to receive all documents, notices, including Annual Reports and other communications of the Company, investors should register their e-mail addresses with Company's Share Registrar and Transfer Agents, if shares are held in physical mode or with their DP, if the holding is in electronic mode.
12. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

By order of the Board of Directors

Riddhi Thakkar
Company Secretary

Registered Office:

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

Mumbai
May 30, 2013

ANNEXURE TO NOTICE

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

Item no.4

Shri R. N. Agarwal was re-appointed as the Managing Director of the Company for a period of five years w.e.f. August 1, 2010. Till the financial year ended March 31, 2012, the Company was having adequate profits on a year to year basis and the remuneration paid to Shri R. N. Agarwal was well within the applicable limits given under the Companies Act, 1956.

However, during the year 2012-13, due to various internal and external factors, the remuneration paid to Shri R. N. Agarwal, crossed the overall limit of the profits of the Company. As per the audited accounts, there was an excess payment of remuneration made to Shri R. N. Agarwal in the financial year 2012-13 of ₹ 5,276,035/- Therefore it was decided by the Board of Directors of the Company to move an application to the Central Government for obtaining its approval for waiver of recovery of excess remuneration paid to Shri R. N. Agarwal for the financial year 2012-13.

Further as recommended by the Remuneration Committee, the Board of Directors at its meeting held on May 30, 2013 have ratified, confirmed and approved, subject to the approval of the members and Central Government, the payment of excess remuneration.

Accordingly, a resolution at item no. 4 is proposed for the consent of members by way of special resolution. The Board recommends the approval of the members to the said resolution.

The necessary application to the Central Government for waiver of recovery of excess payment of remuneration to Shri R. N. Agarwal, Chairman, Managing Director and CEO of the company is being made.

Shri R. N. Agarwal is concerned or interested in the said Resolution at item no. 4 of the accompanying notice as it relates to payment of remuneration to him. Shri Raunak Agarwal is also interested in the said resolution.

Additional information required to be given along with a Notice calling General Meeting as per sub para (B) of para 1 of Section II of Part II of Schedule XIII of the Companies Act, 1956 is given hereunder:

I. General Information				
(1)	Nature of industry	Paper and Paper Products		
(2)	Date or expected date of commencement of commercial production	N.A		
(3)	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	N.A		
(4)	Financial performance based on given indicators	2010-2011	2011-2012	2012-2013
	Turnover	4,832,850,464	4,925,970,630	5,122,883,602
	Net profit (as computed under Section 198)	380,045,207	192,143,245	65,590,766
	Net profit/ (Loss) as per profit and loss account	277,487,763	140,949,945	45,918,818
	Amount of Dividend paid	30,634,380	20,422,920	-
	Rate of Dividend declared	18%	12%	-
	Earning before interest, depreciation & taxes	518,626,467	369,058,320	250,801,937
	% of EBIDT to turnover	10.73%	7.49%	4.90%
(5)	Export performance and net foreign exchange collaborations	152,922,432	240,546,170	272,336,154
(6)	Foreign investments or collaborators, if any.	N.A		

II. Information about the appointee:			
(1) Background details	Name: Shri R N Agarwal Designation: Chairman, Managing Director and CEO Father's Name: Late Shri Nagin Agarwal Nationality: Indian Date of Birth: 21/07/1960 Qualifications: BE – Electrical, MBA Experience: 23 years		
(2) Past remuneration	The gross remuneration paid to him is ₹ 9,000,000/- per annum.		
(3) Recognition or awards	N.A		
(4) Job profile and his suitability	Under the able management and guidance of Shri R. N. Agarwal the Company continues to progress. Under his leadership and excellent patronage the Company has been achieving a very high reputation and name in the international market and also continues to secure a sizeable export market for the products of the Company.		
(5) Remuneration proposed	Same as the current remuneration of ₹ 750,000/- per month, that is, Rs. 9,000,000/- per annum.		
(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w. r. t. the country of his origin)	The current remuneration being paid to the Managing Director is in line with the remuneration being paid by the Companies of comparable size in the industry in which the Company operates.		
(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	Shri R. N Agarwal is holding 7,922,030 shares, i:e 46.55% shares of the Company. Apart from this, he does not have any other pecuniary transactions with the Company except by way of his contract of employment with the Company		
III. Other information:			
(1) Reasons of loss or inadequate profits	Due to various internal and external factors such as plant shutdown for Power Plant Maintenance, forex fluctuation resulting in increase in raw materials cost, increase in finance cost, compliance of various environmental guidelines, etc., the remuneration paid to Shri R. N. Agarwal, crossed the overall limit of the profits of the Company. As per the audited accounts, there was an excess payment of remuneration made to Shri R. N. Agarwal in the financial year 2012-13 of ₹ 5,276,035/-		
(2) Steps taken or proposed to be taken for improvement	<ul style="list-style-type: none">• Improvement in Quality and better sales realization• Power Plant maintenance• Improved inventory control• Reduction of the import cost by hedging forex, etc.		
(3) Expected increase in productivity and profits in measurable terms.	Projected Turnover and Projected Profit:		
	Financial Year	Projected Turnover (Rs. in Crores)	Projected Profit (Rs. in Crores)
	31-03-2014	491.52	14.35
	31-03-2015	692.17	13.53
	31-03-2016	727.14	15.88

IV. Disclosures:

The remuneration package of Shri R. N. Agarwal and other details such as remuneration, service contract, notice period etc. have been disclosed in the report on Corporate Governance in the Annual Report. The Company does not have any scheme for grant of stock options.

By order of the Board of Directors

Riddhi Thakkar
Company Secretary

Registered Office:

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

Mumbai

May 30, 2013