



**NAYAGARA**

PAPER PRODUCTS (INDIA) LIMITED

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**15<sup>th</sup>**

**ANNUAL REPORT  
2002-2003**

### **BOARD OF DIRECTORS**

**Shri K. V. Reddy**

Chairman & Managing Director

**Shri M. Krishna Reddy**

Director

**Shri I. Vikram Kumar Reddy**

Director

**Shri T. Gunashekar**

Director

### **AUDITORS**

**M/S. M. G. RAO & CO.,**

Chartered Accountants

Hyderabad

### **REGISTERED OFFICE**

205 A/B, Auto Nagar,

Nellore - 524 004.

### **REGISTRARS & SHARE TRANSFER AGENTS**

**M/s. Aarthi Consultants Pvt. Ltd.**

1-2-285, Domalguda,

Hyderabad - 500 029.

**NPPL Annual Report - 2002 - 2003****NOTICE**

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on **Thursday, the 18<sup>th</sup> September 2003** at 11.00 A.M. at the Registered Office of the Company at 205 A/B, Auto Nagar, Nellore – 524 004 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2003 and Audited Profit & Loss Account for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. K. V. Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. M.G Rao & Co, Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting at remuneration as may be fixed by the Board of Directors of the Company.

**SPECIAL BUSINESS:**

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Mr. **M. Krishna Reddy** be and is hereby appointed as Director of the Company, liable to retire by rotation."
5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Mr. **I. Vikram Kumar Reddy** be and is hereby appointed as Director of the Company, liable to retire by rotation." (Independent Director)
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT Mr. **T.Gunashekar** be and is hereby appointed as Director of the Company, liable to retire by rotation." (Independent Director)

On behalf of the Board

Place : Nellore  
Date : 30.07.2003

**K V Reddy**  
Chairman & Managing Director

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself / herself and such proxy need not be a member of the company. Proxy forms to be valid shall be lodged with the company not less than 48 hours before the meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2003 to 18.09.2003 (both days inclusive).
4. The Members are requested to intimate any change in their address quoting their Registered Folio.
5. The members are requested to send any queries or requests regarding the transfer / transmission / demat of shares / change of name or any other matters relating to shares, to the Registrars and Share Transfer Agents.

## **NPPL Annual Report - 2002 - 2003**

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6. The Members are requested to bring Annual Report to the Meeting and are also requested to send their queries, if any, on the adoption of accounts well in advance, so as to enable to place relevant records and information at the time of Annual General Meeting.

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956:**

#### **Item No. 4, 5 & 6:**

The Board of Directors of the Company ("the Board") at their meeting held on 30<sup>th</sup> March 2003, appointed Mr. M. Krishna Reddy, Mr. I. Vikram Kumar Reddy and Mr. T. Guna Shekar as an Additional Directors of the Company. Pursuant to Section 260 of the Companies Act, 1956, the directors hold office only up to the date of the ensuing Annual General Meeting. Due notice under Section 257 of the Act has been received from members proposing the appointment of them as Directors of the Company whose period of office shall be liable to determination by retirement of Directors by rotation.

Pursuant to Clause 49 of the Listing Agreement, the brief profile of the directors are given below:

- A. Mr. M. Krishna Reddy, aged 47yrs, hails from a business family with sound knowledge in paper industry and has proven his abilities in various capacities.

The Board is of the view that his appointment as Director will be in the best interest of the Company. Mr. M. Krishna Reddy does not hold any other directorship. Your Directors commend the resolution for your approval.

None of the other Directors, except Mr. M. Krishna Reddy, is concerned or interested in the resolution.

- B. Mr. I. Vikram Kumar Reddy, 33 years old, holds a Bachelor's degree in Commerce. His professional knowledge and expertise would be of immense value to the efficient functioning of the Company. The Board is of the view that his appointment as Director will be in the best interest of the Company.

Mr. Vikram Kumar Reddy does not hold any other directorship. The Board has no hesitation in commending his appointment.

None of the other Directors, except Mr. Vikram Kumar Reddy, is concerned or interested in the resolution.

- C. Mr. T. Gunashekar, aged 24 yrs, is a graduate. He has sound knowledge of Paper Industry. He has wide and varied experience in marketing and business development operations. With his vast experience in Marketing field, he can contribute to develop the business of the Company.

Mr. Gunashekar does not hold any other directorship. Your Directors commend the resolution for your approval. None of the other Directors, except Mr. Gunashekar, is concerned or interested in the resolution.

On behalf of the Board

Place : Nellore

Date : 30.07.2003

**K V Reddy**

Chairman & Managing Director

**NPPL Annual Report - 2002 - 2003****DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2003.

**Financial Results**

The financial performance of the Company during the year is summarized below:

<b>Particulars</b>	<b>(Rs. in Lakhs)</b>	
	<b>Year Ended March 31, 2003</b>	<b>Year Ended March 31, 2002</b>
Total Income	52.07	26.34
Operating Profit	(16.06)	(41.21)
Less: Depreciation	59.00	59.00
Less: Misc. Expenditure written off.	4.04	4.08
Net Loss	445.82	325.00

**Review and Prospects**

The Company has incurred heavy losses even during the year under review due to various unfavorable factors like low realization, higher costs, non availability of proper working capital facilities etc., Your directors have been making strenuous efforts to revalidate the Company.

The BIFR has called for hearing on 04.09.2002 and adjourned due to some clarification required to be produced and to consult the Advocates regarding the case. And the decision has been given on 03.12.2002. That It rejected the Company to register on the ground that the Company has not made a reference to BIFR within the statutory period of 60 days. In reply to this your Board of directors presented its objections and they are confident that they had made a reference within the time limit. Still the BIFR rejected the case. Your directors appealed to AAFIR(Appeal No. 151/03) with which the case is registered vide registration No. 220/2001. The matter is under the consideration of AAFIR.

**Organisational Changes**

Mr. K V Reddy, Director is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offered himself for re-appointment. Your Directors appointed Mr.M. Krishna Reddy, Mr. I.Vikram Kumar Reddy and Mr. Gunashekar as Additional Directors effective 30<sup>th</sup> March 2003. These appointments require the approval of the members at the ensuing Annual General Meeting.

Further Mr. K.V.Ramana Reddy and Mr.G.Rama Krishna Reddy, directors of the Company have resigned w.e.f 30<sup>th</sup> March 2003 due to their personal reasons and other preoccupations.

**Directors' Responsibility Statement**

As required under Section 217 (2AA), which was introduced by the Companies (Amendment) Act, 2000 your Directors confirm that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March 2003 and of the profit or loss of the company for the year ended 31<sup>st</sup> March 2003.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Directors have prepared the annual accounts on a going concern basis.

**NPPL Annual Report - 2002 - 2003****Auditors**

M/s M.G.Rao & Co, Chartered Accountants, the Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offered themselves for reappointment.

**Replies to the Auditors' observations:**

- Item No. 9. The Company has been taking active steps to recover the principle and interest from the parties to whom the loans are given by the company and the directors are confident of recovering all the dues.
- Item No. 15. The company is taking steps to appoint an internal auditor very soon.
- Item No. 17. Even during this financial year the company has incurred heavy losses. Due to scarcity of funds the provisions of Provident Fund and Employees State Insurance could not be complied. However the company is taking steps to deposit the PF and ESI amounts.
- Item No. 18. The Commissioner of Income Tax has to reassess the Income Tax liability as the tax liability of the Company is under dispute. The company will clear the liability once the issue is resolved.

**Fixed Deposits**

The Company has not invited/accepted any fixed deposits from the public in terms of Section 58A of the Companies Act, 1956.

**Personnel**

None of the employees is covered under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Information as per Section 217 (1) (e) of the Companies Act, 1956

Your Company has no activity relating to conservation of energy or technology absorption. During the year 2002 - 03, there are no foreign exchange earnings or outflow.

**Stock Exchanges**

The Company's Equity shares are listed in the Hyderabad Stock Exchange Ltd (Regional Stock Exchange) as well as the Mumbai Stock Exchange and Ahmedabad Stock Exchange.

The Company has paid the listing fees of Mumbai Stock Exchange

The arrears of the listing fees payable to the Stock Exchanges is as follows:

	Up to the previous Year 2002-03	2003-04	Total Due
Hyderabad Stock Exchange Ltd	28,000/-	28,000/-	56,000/-
Ahmedabad Stock Exchange	37,500/-	7,500/-	45,000/-

**Industrial Relations**

The relations with the employees continued to be cordial during the year. The directors wish to place on record their deep appreciation of the efficient and loyal services rendered by the employees at all levels.

**Acknowledgement**

Your Directors also thank the Financial Institutions, Bankers, and Distributors for unstinted support to the Company. Your Directors would like to thank all the shareholders who have reposed faith in the Company. Your directors also thank the various departments of the Government of India, Government of Andhra Pradesh and its Bankers for their support during the year and look forward to their continued support.

On behalf of the Board

Place : Nellore  
Date : 30.07.2003.

**K V Reddy**  
Chairman & Managing Director

**NPPL Annual Report - 2002 - 2003****Report on Corporate Governance****1. Company's Philosophy**

NPPL believe that good Corporate Governance is essential to achieve long term corporate goals and to enhance stakeholders' value. In this pursuit, your Company's philosophy on Corporate Governance is guided by a strong emphasis on transparency, accountability and integrity.

**2. Board Composition**

For the financial year ended 31<sup>st</sup> March 2003, the Board comprised of 4 Directors of which one is Executive Director and the other three are Independent Directors. The detailed composition of the Board is given below.

<b>Name</b>	<b>Designation</b>	<b>No. of Meetings Attended</b>	<b>Attendance at the last AGM</b>	<b>No. of other Directorships/ Committees</b>
K.V.Reddy	Managing Director	5	YES	1
K.V. Ramana Reddy*	Executive Director	4	YES	NIL
G.Rama Krishna Reddy*	Executive Director	1	NO	NIL
M. Krishna Reddy**	Independent & Non-executive Director	NIL	NO	NIL
I.Vikram Kumar Reddy**	" "	NIL	NO	NIL
T. Gunashekar**	" "	NIL	NO	NIL

During the year under review five Board Meetings were held on 18<sup>th</sup> April 2002; 27<sup>th</sup> June 2002; 29<sup>th</sup> July 2002; 28<sup>th</sup> October 2002; and 31<sup>st</sup> January 2003. The time gap between any two Board Meetings did not exceed more than four months.

\* Ceased to be a Director w.e.f 30.03.2003. \*\* Appointed as Director w.e.f 30.03.2003

**3. Audit Committee**

Adhering to the principles envisaged in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 the Audit Committee was constituted as under:

Mr. M.Krishna Reddy, Chairman

Mr. I.Vikram Kumar Reddy, Director

Mr. T.Gunashekar, Director

It comprises of three non-executive independent directors. The Statutory Auditors and the Internal Auditor will be the permanent invitees to the Meetings.

The functions of Audit Committee include:

- To review financial statements and pre-publication of announcements before submission to the Board.
- To review the Company's financial and risk management policies.
- To review internal control system and internal audit function.
- To hold periodical discussions with statutory auditors on the scope and content of the audit.

**4. Remuneration Committee**

The Committee has been constituted to evaluate compensation and benefits for Executive Directors. The composition of the Committee is as under:

Mr. M.Krishna Reddy, Chairman

Mr. I.Vikram Kumar Reddy, Director

Mr. T. Gunashekar, Director

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The company has not paid any remuneration to the Whole time Directors during the year 2002 - 03.

The Company does not have any stock option scheme to the Whole-time Directors. The appointments do not provide for severance fees.

**5. Investor Grievance Committee**

The Board constituted an Investors' Grievance Committee to consider Share Transfers, Dematerialization of Shares, Shareholders' Complaints etc. The Committee consists of Three Independent Directors. The Committee meets at frequent intervals to consider Share Transfers, Dematerialization of Shares, Shareholders' Complaints etc.

The composition of the Committee is as under:

Mr. I.Vikram Kumar Reddy, Chairman

Mr. M.Krishna Reddy, Director

Mr. T. Gunashekar, Director

**6. General Body Meetings**

The details of last three Annual General Meetings are as follows:

Year	Date	Venue	Time
2001 - 2002	30.09.2002	205 A/B, Auto Nagar, Nellore - 524 004	11.00 A.M
2000 - 2001	29.09.2001	205 A/B, Auto Nagar, Nellore - 524 004	11.00 A.M
1999 - 2000	19.03.2001	205 A/B, Auto Nagar, Nellore - 524 004	9.30 A.M

No postal ballots have been conducted during the previous three years. At the ensuing AGM also no postal ballot has been proposed.

**7. Disclosures**

There are no materially significant related party transactions, material in nature, with its Promoters, Directors or the Management, their subsidiaries or relatives etc. having potential conflict with the interests of the Company at large.

No penalties have been imposed on the Company by the Stock Exchanges where the Company's shares are listed or SEBI or any statutory authority, on any matter.

**8. Means of Communication**

The Financial Results and shareholding pattern are submitted to the Stock Exchanges on quarterly basis

**9. General Shareholder Information:**

1. Date, Time and Venue of the 15th Annual General Meeting : 18.09.2003, 11.00 A.M  
205 A/B, Auto Nagar, Nellore - 524 004.
2. Financial Calendar : 1<sup>st</sup> April to 31<sup>st</sup> March  
Financial Reporting:  
First Quarter - 29.07.2002  
Second Quarter - 28.10.2002  
Third Quarter - 31.01.2003  
Fourth Quarter - 30.06.2003
3. Book Closure Date : 16.09.2003 to 18.09.2003  
(both days inclusive)