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**17<sup>th</sup>**  
**Annual Report**  
**2004-2005**

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**NAYAGARA**  
PAPER PRODUCTS (I) LIMITED

205 A/B, Auto Nagar, Nellore - 524 004

**NAYAGARA PAPER PRODUCTS ( INDIA ) LIMITED**

**Board of Directors**

<b>K V Reddy</b>	:	Chairman & Managing Director
<b>M. Krishna Reddy</b>	:	Director
<b>I. Vikram Kumar Reddy</b>	:	Director
<b>T.Gunashekar</b>	:	Director

**Auditors**

M/s. M.G. Rao & Co.,  
Chartered Accountants  
Hyderabad

**Regd. Office :**

205 A/B, Auto Nagar  
Nellore 524 004

**Registrars & Share Transfer Agents:**

M/s. Aarthi Consultants Pvt. Limited  
1-2-285, Domalguda, Hyderabad - 500 029

**NOTICE**

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of the Company will be held on **Tuesday, the 20<sup>th</sup> September 2005** 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 2005 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. I. Vikram Kumar 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.

On behalf of the Board

Place : Nellore

Date : 10.08.2005

Sd/-

**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. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2005 to 20.09.2005 (both days inclusive).
3. The Members are requested to intimate any change in their address quoting their Registered Folio.

4. 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.
5. 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.

**On behalf of the Board**

**Place : Nellore**

**Sd/-**

**Date : 10.08.2005**

**K. V. Reddy**  
**Chairman & Managing Director**



**17th Annual Report NPPL- 2004 - 2005****DIRECTORS' REPORT**

Dear Members,

Your Directors are pleased to present the Seventeenth Annual Report together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2005.

**Financial Results**

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

(Rs. in Lakhs)

Particulars	Year Ended March 31, 2005	Year Ended March 31, 2004
Total Income	199.09	53.78
Operating Profit / (Loss)	60.07	(76.71)
Less: Depreciation	59.00	59.00
Net Profit / (Loss)	1.07	(374.76)

**Review and Prospects**

The Company has achieved a turnover of Rs. 198.07 Lakhs during the year under the review and made a modest profit of Rs. 1.07 lakhs as a result of consistent and strenuous efforts by the management to revitalize and turnaround the Company.

In spite of various problems faced by the Company due to its sickness, lack of working capital etc., the Board is confident of the future prospects of the Company. The Company has entered into Agreements with M/s. Industrial Development Bank of India and M/s. Corporation Bank for settlement of dues.

As you know your Company has appealed to AAFIR with which the case is registered vide registration No. 220/2001. The matter is under the consideration of AAFIR.

**Directors**

Mr. I Vinay Kumar Reddy, Director is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

**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, offer themselves for reappointment.

**Corporate Governance**

Your Company has complied with the mandatory provisions of the Corporate Governance prescribed in the presently applicable Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report detailing such compliance together with the Certificate from the Auditors in connection therewith is included as part of the Annual Report.

**Replies to the Auditors' observations:**

Item No.iii (c)&(d). 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.vii. The company is taking steps to appoint an internal auditor very soon.

Item No.ix(a). The company is taking necessary steps to clear the undisputed statutory dues with appropriate authorities.

Item No.ix(c). 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 under review and there are no foreign exchange earnings or outflow.

**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 2005 and of the profit or loss of the company for the year ended 31<sup>st</sup> March 2005.
- 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.

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

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	Up to the previous Year 2004-05	2005-06	Total Due
The Stock Exchange, Mumbai	—	—	—
Hyderabad Stock Exchange Ltd	70,000/-	14,000/-	84,000/-
Ahmedabad Stock Exchange	55,000/-	10,000/-	65,000/-

**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 Agencies for their support during the year and look forward to their continued support.

On behalf of the Board

Place : Nellore

Date : 10.08.2005

Sd/-

**K. V. Reddy**  
Chairman & Managing Director

## 1. Company's Philosophy

The Company believes 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 2005, 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.

Name	Designation	No. of Meetings Attended	Attendance at the last AGM	No. of Directorships Commited
K. V. Reddy	Managing Director	6	Yes	1
M. Krishna Reddy	Independent & Non Executive Director	4	Yes	NIL
I. Vikram Kumar Reddy	Independent & Non Executive Director	5	Yes	NIL
T. Guna Sekhar	Independent & Non Executive Director	5	Yes	NIL

During the year under review five Board Meetings were held on 13<sup>th</sup> April 2004; 15<sup>th</sup> June 2004; 26<sup>th</sup> July 2004; 30<sup>th</sup> August 2004; 17<sup>th</sup> November 2004; and 24<sup>th</sup> February 2005. The time gap between any two Board Meetings did not exceed more than four months.

## 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 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

The company has not paid any remuneration to the Whole time Director during the year 2004-05.

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
2003-04	30-09-2004	205 A/B, Auto Nagar Nellore-524 004	10.00 A.M.
2002-03	18-09-2003	205 A/B, Auto Nagar Nellore-524 004	11.00 A.M.
2001-02	30-09-2002	205 A/B, Auto Nagar Nellore-524 004	11.00 A.M.

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