

NEHA INTERNATIONAL LIMITED



**ELEVENTH ANNUAL REPORT
2003-2004**

NEHA INTERNATIONAL LIMITED

BOARD OF DIRECTORS

Managing Director

G.Vinod Reddy

Directors

G.Pramod
Anil G. Nair
P.Ramalinga Reddy

Auditors

M/s.Tukaram & Co.,
Chartered Accountants
209, Venkatarama Towers
Basheerbagh, Hyderabad -- 500 029

Bankers

Canara Bank
Somajiguda Branch
Hyderabad
State Bank of Hyderabad
Punjagutta Branch
Hyderabad

Regd. Office

B-38, Indian Airlines Colony
Begumpet, Secunderabad – 500 003

Works

Gut No.44 & 45
Kondiwade Village,
Taluq, Maval, Pune Dist.
Maharashtra

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Share holders of the Company will be held on 30th September, 2004 at 11.00 AM at Plot No.169, Phase - I, Road No.13, Jubilee Hills, Hyderabad - 500 037 to transact the following.

Ordinary Business:

1. To receive, consider & adopt balance sheet as at 31st March 2004 and Profit & Loss Account for the year ended 31st March 2004 along with the Directors and the Auditors report thereon.
2. To appoint a director in place of Mr.Anil G Nair, who retires by rotation, and being eligible offers himself for reappointment.
3. To appoint M/s. Tukaram & Co., Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

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/herself and such proxy need not be a member of the Company. However, proxies in order to be effective should be lodged with the Company at its Registered Office not less than 48 hours before the commencement of the Meeting.
2. Members/Proxies are requested to bring their copies of Annual Report to the Annual General Meeting.
3. Members are requested to notify immediately any change in their addresses to the Company's Registered Office with their ledger folio number(s).
4. An Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of reappointment of Directors is annexed hereto.
5. The Register of Members and Share Transfer Book will be closed from the 27th day of September 2004 to 30th day of September 2004(both days inclusive).

Registered Office:

B-38, Indian Airlines Colony
Begum pet
Secunderabad- 500 003

By. Order of the Board

(G.Vinod Reddy)
Managing Director.

EXPLANTORY STATEMENT

Item No.2.

Reappointment of Retiring Director:

As required by Clause 49 of the Listing Agreement on Corporate Governance particulars of the Directors being reappointed is provided hereunder.

Sri Anil G Nair

Mr. Anil G Nair retires by rotation and being eligible, offers himself for re-appointment. Mr. Anil G Nair, is a Chartered Accountant and associated with the company since inception and well experienced in Financial & Administrative matters.

By Order of the Board

Place : Hyderabad

Date : 21.06.2004

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(G.Vinod Reddy)
Managing Director.

DIRECTORS REPORT

To
The Shareholders

The Directors have pleasure in presenting the Eleventh Annual Report on the business of the Company and the audited Statement of Accounts of the Company for the year ended 31st March 2004.

Financial Results:

		(Rupees in lacs)	
		2003-2004	2002-2003
1	Net Sales & Income	263.18	232.23
2	Increase/(Decrease) in stock	0.73	-1.40
3	Total Expenditure	213.57	181.39
4	Interest	47.56	47.68
5	Gross Profit/Loss	2.77	1.76
6	Depreciation	36.82	26.38
7	Write off	3.32	10.89
8	Extra Ordinary Income:	221.06	0.00
8	Profit/Loss carried to Balance Sheet	183.70	(35.51)

Operations:

During the financial year 2003- 2004, the company performed well compared to the previous years.

Future Outlook:

Encouraging trends in increasing domestic demand and more acceptances of Indian Floriculture products in the International market, and favorable government support in the form of financial restructuring and subsidies, the future of Indian floriculture industry looks bright.

Rehabilitation by banks:

The Companies Bankers, Canara Bank & State Bank of Hyderabad has sanctioned a Rehabilitation package to the company with certain concessions and waivers. The silent features of the package is as follows:

- i) Interest on Term Loan re-worked at 11.25% interest with retrospective effect from the day of disbursement to the cut-off date.
- ii) Waiver of penal interest.
- iii) The balance interest due is transferred to FITL Account.
- iv) Future interest on the Principle Term Loan is linked with respective bank's PLR.
- v) The repayment period is from 2005 to 2016
- vi) No interest on the FITL

Listings: The securities of your company are listed at Hyderabad, Mumbai, Madras and Pune Stock Exchanges.

Directors:

In terms of the provisions of Section 255 and 256 of the Companies Act, 1956, Sri. Anil G Nair retire at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility statement, it is hereby confirmed:

- i) That the preparation of the accounts for the financial year ended 31.03.2004, the applicable accounting standards have been followed and there were no material departures.
- ii) That the directors have selected such accounting policies and applied them consistently and made judgments and estimates which 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 or loss of the Company for the year under review;
- iii) That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the directors have prepared the accounts for the financial year ended 31st March 2004 on a going concern basis.

Corporate Governance:

Pursuant to Clause 49 of the Listing Agreement on Corporate Governance: (a) Management Discussion and Analysis, (b) The Report on the Corporate Governance and (c) Certificate from the Auditors of the Company regarding compliance of mandatory requirements of the Corporate Governance are attached as part of the Annual Report.

Auditors:

Auditors of the Company M/s. Tukaram & Co., Chartered Accountants, Hyderabad are retiring at the conclusion of this Annual General Meeting. The company has received a certificate from the auditors to the effect that their reappointment, if made, would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956.

Personnel:

Employee relation continues to be cordial. Information on particulars of Employees Remuneration required as per section 217(2A) read with Companies (Particulars of Employees) Rules 1975 is not applicable to the company as none of the employees is drawing remuneration in excess of limits prescribed there under.

Disclosure Particulars:

The Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, requiring disclosure of particulars with respect to conservation of energy, technology absorption and foreign exchange are given in Annexure 1, which forms part of this report.

Auditors Report:

Explanation to remarks and qualifications in audit report as per Section 217(3) of the Companies Act, 1956.

- 1) As regards qualification in para 3(f)(i), of the audit report, Despite huge losses resulting in total erosion of the net worth of the company, the accounts for the year have been prepared on the assumption of a going concern. As per the scheme formulated by our bankers, the company has been sanctioned a rehabilitation package with certain waivers and concessions and re-scheduled the term loan repayment, which resulted in reduction of financial expenses and repayment obligations. The bankers have classified the companies' account as a Standard Asset.
- 2) As regards qualification in para 3(f)(ii), of the auditors report, the company did not appoint a company secretary as per the provisions of Section 383 A of the Companies Act, 1956, due to adverse financial position of the Company. The Company will appoint a full time company secretary as and when there is improvement in the financial position. However, a qualified company secretary under retainer ship basis is looking after the Secretarial and allied matters.
- 3) As regards qualification in para 3(f)(iii) – Non provision of Gratuity and other retirement benefits as per the actuarial valuation: The company has provided gratuity provision for all the employees who has completed the requisite period of service with the company.
- 4) As regards qualification in para 3(f)(iv) Confirmation of balance of debtors, creditors and loans & advances: We are yet to obtain balance confirmation from some of the above parties. The differences if any in the above accounts will be dealt accordingly in the coming years.

Deposits:

Your Company has not accepted any deposit from the public during the year.

Acknowledgements:

Your Directors wish to thanks the Central and State Governments, Canara Bank, State Bank of Hyderabad, National Horticulture Board, APEDA, FMO Netherlands, Suppliers, Customers and employees for their support and assistance offered to the company. The Company wishes to thank the shareholders for their continued support.

For and on behalf of the Board

Hyderabad
Date: 21.06.2004

G.Pramod
Director

G.Vinod Reddy
Managing Director

ANNEXURE 1

Information under Section 217(1)(e) of the Companies (Disclosure of particulars in the Report of Board of Directors) Rule, 1988 and forming part of Director's Report.

Form – A

Form for disclosure of particulars with respect to conservation of energy.

A Power and Fuel Consumption	Current Year	Previous Year
	1-4-03 to 31.03.04	1-4-02 to 31.03.03
1 Electricity:		
a) Purchased Units	138952	184856
Total Amount (Rs)	229479	228135
Rate/ Unit (Rs)	1.65	1.23
b) Own Generation:		
Through Diesel Generator (Units)	44704	46864
Cost/Unit (Rs.)	7.50	7.00
B Consumption per Unit of Production		
Electricity (No. of Units)	NA	NA
C Foreign Exchange Earnings and Outgo	(Rs. In lakhs)	(Rs. In lakhs)
i) Foreign Exchange Earned (Rs)(FOB value of Exports)		
–(Gross – Freight & Import Duty)	124.30	107.02
ii) Foreign Exchange used (Rs.):		
1. Raw Materials	0.33	Nil
2. Machinery	Nil	Nil
iii) Foreign Travel (Rs)	Nil	Nil
iii) Commission/handling charges	25.15	20.23

Form – B

Form for disclosure of particulars with respect to absorption

1. Research and Development	Nil
2. Technology absorption, adaptation and innovation	Nil
3 Foreign Exchange Earnings and outgo:	
Earnings: (Gross – Freight – Import Duty) :	124.30 lacs
Outgo: (Commission/ Handling :	25.15 lacs
Raw Materials	0.33 lacs

MANAGEMENT DISCUSSION AND ANALYSIS REPORT
(Forming Part of Director's Report)**(A) Industry Structure and Developments, Opportunities and Threats, Performance, Outlook and Risks and Concerns:**

Floriculture Industry in India mainly depends on the export season of 4 to 5 months in a year. Though, the domestic consumption of roses has increased tremendously over the years, it need to improve further and the long-term domestic consumption of roses, at this point of time is however difficult to determine.

In the export & Domestic front, the Company's produce is well accepted and in almost all cases the Company is getting a premium price. We hope to continue the same trend in future.

The Company's relationship with staff and labor continues to be cordial with 110 employees as at 31st March 2004.

(B) Internal Control System and their Adequacy:

The Internal Control System comprises of exercising controls at various stages and is established in order to provide reasonable assurance for:

- i) Safeguarding Assets and their Usage,
- ii) Maintenance of Proper Accounting Records and
- iii) Adequacy and Reliability of the Information used for carrying on Business Operations.

The key elements of the system are as follows:

- a) Existence of clearly defined Organizational Structure and Authority.
- b) Existence of Corporate Policies for Financial Reporting and Accounting
- c) Existence of Management Information System updated from time to time as may be required.
- d) Existence of Annual Budgets and Long Term Business Plans.
- e) Periodical Review of Opportunities and Risk Factors depending on the Global/Domestic Scenario and to undertake measures as may be necessary.

© Human Resources Development and Industrial Relations:

The Company continued with its policy of Human Resources Development and retention. To enrich the skills of employees and enrich their experience, the Company invites experts in the field of Production, pest control, post harvest management, packing etc., and trains the employees in their respective & allied operational areas. The Company is maintaining good employee relations and no man-days are lost during the year due to employee's unrest. The Company continues to provide with welfare activities such as Canteen Facility, Transport Facility, uniforms etc.,

Discussion on Financial performance with respect on operational performance:

The Company achieved a gross turnover of Rs.263.18 lacs in 2003-04 compared to Rs.232.23lacs in the previous year representing an increase of over 10%. However, the company could not earn any net profit during the year.

Report on Corporate Governance as per Clause 49 of the Listing Agreement.**1. Company's Philosophy on Corporate Governance:**

Your company is committed to good Corporate Governance and has benchmarked itself against the prescribed standards. The fundamental objective of Corporate Governance is the enhancement of shareholder value and protecting the interest of the stakeholders. Your Company's philosophy of corporate governance is aimed at assisting the management in the efficient conduct of the business of the Company and in meeting its obligations to shareholders and others.

2. Board of Directors.**(a) Composition of the Board**

The Company's Board consists of four directors including the Promoter Director cum Managing Director and three independent Directors.

(b) Attendance of each Director at Board Meetings and the last Annual General Meeting (AGM)

Five Board Meetings were held during the financial year 2004.

Sl. No.	Name of the Director	Category of Directorship	No. of Board Meetings held during the tenure of the Director in last year	No. of Board Meetings Attended	Attendance at the last AGM
1	G.Vinod Reddy	Promoter Director cum Managing Director	5	5	Yes
2	G.Pramod	Independent Director	5	4	Yes
3	P.Ramalinga Reddy	Independent Director	5	5	Yes
4	Anil G. Nair	Independent Director	5	2	Yes

Note: Date of last Annual General Meeting (AGM) 30.09.2003

(c) Pecuniary relationship or transactions of the non-executive Directors vis-à-vis the Company.

The Company's non-executive Directors do not have any pecuniary relationship or transactions with the Company.