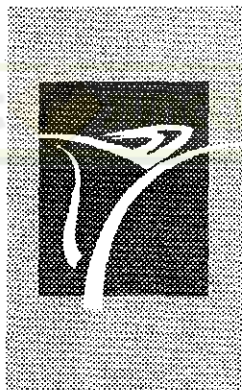


NEHA INTERNATIONAL LIMITED



TWELTH ANNUAL REPORT
2004-2005

NEHA INTERNATIONAL LIMITED

BOARD OF DIRECTORS**Managing Director**

G.Vinod Reddy

Directors

G.Pramod

Anil G. Nair

P. Sarath Kumar (Appointed w.e.f. 06.06.2005)

P. Ramalinga Reddy (Resigned w.e.f. 06.06.2005)

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

Tel.No.040-55491759

Works

Gut No.44 & 45

Kondiwade Village

Taluq, Maval, Pune Dist.

Maharashtra

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Share holders of the Company will be held on the 30th Day of December, 2005 at 11.00 AM at Bhaskara Auditorium, B.M. Birla Science Centre, Adarshnagar, Hyderabad - 500 063 to transact the following.

Ordinary Business:

1. To receive, consider & adopt balance sheet as at 31st March 2005 and Profit & Loss Account for the year ended 31st March 2005 along with the Directors and the Auditors report thereon.
2. To appoint a director in place of Mr. G. Pramod, who retires by rotation, and being eligible offers himself for reappointment.
3. To consider and if thought fit, to pass with or without modifications, the following Resolution as an **ORDINARY RESOLUTION**:

RESOLVED that, the retiring Auditors, M/s. Tukaram & Co., Chartered Accountants be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at such remuneration as may be determined by Board of Directors.

Special Business:

4. To consider and if thought fit, to pass with or without modifications, the following Resolution as a **SPECIAL RESOLUTION**:

RESOLVED THAT in accordance with the provisions of Section 269, 309, 198 and 310 and other applicable provisions if any, of the Companies Act, 1956, and other provisions thereto, as amended, the Board hereby accord its approval and consent to the appointment of Shri. G. Vinod Reddy as Managing Director of the Company with effect from 17th May, 2005 for a period of 5 years, without any remuneration for the time being.

RESOLVED THAT pursuant to the provisions of 198, 269, 309 and 310 and other applicable provisions of the Companies Act, 1956 Shri. G. Vinod Reddy, be and is hereby appointed as Managing Director of the Company for a period of 5(Five) years with effect from 17th May, 2005.

RESOLVED FURTHER THAT, the Board be and is hereby authorized to revise the terms of appointment during the tenure without further reference to the General Meeting and to do all such acts, deeds, matters and thing as may be considered necessary for, usual or expedient to give effect to the aforesaid Resolution.

5. To consider and if thought fit, to pass with or without modifications, the following Resolution as an **ORDINARY RESOLUTION**:

RESOLVED THAT, Shri. P. Sarat Kumar, who was appointed as an Additional Director as per Section 260 of the Companies Act, 1956 and Articles of Association of the company who holds office up to the date of this meeting, be and is hereby appointed as a Director of the Company.

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. The Register of Members and Share Transfer Book will be closed from the 27th day of December 2005 to 30th day of December 2005(both days inclusive).
5. An Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of appointment / reappointment of Directors is annexed hereto.

Registered Office:

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

By Order of the Board

(G.Vinod Reddy)
Managing Director.

EXPLANATORY STATEMENT

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

Agenda 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.

Shri. G. Pramod retires by rotation and being eligible, offers himself for re-appointment. Shri G. Pramod is associated with the company since inception and well experienced in Financial & Administrative matters. Shri. G. Vinod Reddy is a relative of Shri. G. Pramod and deemed to be interested in this Resolution. Shri. G. Pramod is not a Director in any other Company.

Agenda Item No.4**Reappointment of the Managing Director**

Shri. G. Vinod Reddy is aged about 44 years. He was in the Indian Revenue Service. He has resigned from this prestigious service and started this company in the year 1993-94. He has been the Managing

Director of the Company since inception and has been successfully leading the company, making the company's presence felt as an important organization in the Domestic and International Flower Trade business.

Shri. G. Vinod Reddy was reappointed as Managing Director of the Company for a period of five years from 17.05.2005 by the Board at their meeting held on 6th June 2005.

Shri. G. Vinod Reddy is not a Director in any other Company.

Shri G. Vinod Reddy be and is hereby reappointed as Managing Director of the Company.

Your Directors recommend this resolution for your approval.

Shri G. Vinod Reddy, Managing Director and Shri.G. Pramod, Director are relatives and are deemed to be interested in this Resolution.

Agenda Item No. 5

Appointment of Director

The Board of Directors of the Company at their meeting held on 6th June, 2005, approved the appointment of Shri. P. Sarath Kumar as an Additional Director of the Company, who holds office up to the date of this Annual General Meeting.

Shri. P. Sarath Kumar is a Chartered Accountant and a Partner in M/s. Sarath & Associates, Chartered Accountants. He is in practice for more than 20 years and is well versed in financial, managerial & administrative matters. His association with the Company will be beneficial for the growth and progress of the Company.

Notice under section 257 of the Act, has been received from a member proposing the appointment of Shri. P. Sarath Kumar as Director of the Company.

Shri P. Sarath Kumar is not a Director in any other Company.

The Board of Directors commends the resolution for your approval.

None of the other Directors except Shri. P. Sarath Kumar is interested or concerned in the resolution.

Place : Hyderabad
Date : 22.09.2005

By Order of the Board
For Neha International Limited

(G.Vinod Reddy)
Managing Director.

DIRECTORS REPORT

To
The Members,

Your Directors have pleasure in presenting the Twelfth Annual Report on the business of the Company and the audited Statement of Accounts of the Company for the year ended 31st March 2005.

Financial Results:

		(Rupees in lacs)	
		2004 -2005	2003-2004
1	Net Sales & Income	169.09	263.18
2	Increase/(Decrease) in stock	0.22	0.73
3	Total Expenditure	151.59	213.57
4	Interest	42.55	47.56
5	Gross Profit(Loss)	(24.83)	2.77
6	Depreciation	37.72	36.82
7	Write off	4.66	3.32
8	Extra Ordinary Income:	-	221.06
8	Loss/Profit carried to Balance Sheet	(67.21)	183.70

Operations:

During the financial year 2004- 2005, the company could not perform well compared to the previous year.

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.

Listings: The securities of your company are listed at Hyderabad, Mumbai, Madras and Pune Stock Exchanges. Listing Fees has been paid for all the exchanges up to 31.03.2006.

Directors:

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

Mr.G.Vinod Reddy was reappointed as Managing Director for a period of five years from 17.05.2005 by the Board at their meeting held on 6th June 2005.

Sri.P. Sarath Kumar has been appointed as an Additional Director of the Board with effect from 6th June 2005 and his term expires at the forthcoming Annual General Meeting. Your Directors recommends his appointment as Director liable to retire by rotation.

Sri. P.Ramalinga Reddy has resigned from the board with effect from 6th June 2005 due to his pre-occupation . The Board places its appreciation for all the services rendered by Sri.P.Rama Linga Reddy.

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:

- a. That the preparation of the accounts for the financial year ended 31.03.2005, the applicable accounting standards have been followed and there were no material departures.
- b. 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;
- c. 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.
- d. That the directors have prepared the accounts for the financial year ended 31st March 2005 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. Your Directors recommend their re appointment.

Fixed Deposits:

The Company has not invited/ accepted deposits from the public within the meaning of Section 58A 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 NIL.

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 in the previous year with certain waivers and concessions and re-scheduled the term loan repayment, which resulted in reduction of financial expenses and repayment obligations.
- 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. However, a qualified company secretary under retainer ship basis is looking after the Secretarial and allied matters. We are in the process of appointing a full time Company Secretary.
- 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, as per Company rules.
- 4) As regards qualification in para 3(f)iiii 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.

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: 22.09.2005

G.Pramod
Director

G.Vinod Reddy
Managing Director

ANNEXURE TO THE DIRECTORS REPORT

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.

ANNEXURE I

Form - A

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

A Power and Fuel Consumption	Current year	Previous Year
	01.04.04 to 31.03.05	01.04.03 to 31.03.04
1 Electricity:		
a) Purchased Units	127520	138952
Total Amount (Rs)	244169	229479
Rate/ Unit (Rs)	1.92	1.65
b) Own Generation:		
Through Diesel Generator (Units)	46701	44704
Cost/Unit (Rs.)	9.00	7.50
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)	39.91	124.30
ii) Foreign Exchange used (Rs.):		
1. Raw Materials	Nil	0.33
2. Machinery	Nil	Nil
iii) Foreign Travel (Rs)	Nil	Nil
iii) Commission/handling charges	10.49	25.15

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) :	39.91 lacs
Outgo: (Commission/ Handling :	10.49 lacs
Raw Materials	Nil

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 109 employees as at 31st March 2005.

(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.,

(D) Discussion on Financial performance with respect on operational performance:

The Company achieved a gross turnover of Rs169 lacs in 2004-05 compared to Rs. 263 lacs in the previous year representing a decrease of over 35%. Efforts are being made to improve the operations of the Company.