

NEHA INTERNATIONAL LIMITED



**THIRTEENTH ANNUAL REPORT
2005-2006**

NEHA INTERNATIONAL LIMITED

BOARD OF DIRECTORS

Managing Director

G.Vinod Reddy

Directors

**G.Pramod
Anil G. Nair
P. Sarath Kumar**

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.040-66491759

Works

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

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Share holders of the Company will be held on Saturday, the 30th Day of September, 2006 at 11.00 AM at Sundarayya Vignana Kendram, Baghlingampally, Hyderabad – 500 044 to transact the following.

Ordinary Business:

1. To receive, consider & adopt Balance Sheet as at 31st March 2006, Profit & Loss Account for the year ended 31st March 2006 and 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 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.

By Order of the Board

Place: **Hyderabad**

Date: 29-08-2006

(G.Vinod Reddy)
Managing Director

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 September 2006 to 30th day of September, 2006 (both days inclusive).



Additional Information as required in pursuant to Listing Agreement

Re-appointment of Retiring Directors:

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

1. Mr. Anil G Nair, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. Mr. Anil G Nair is a Practicing Chartered Accountant with an experience of more than 2 decades. He is associated with the company since inception and well experienced in Financial & Administrative matters.

Other Director ship of Mr. Anil G Nair.

Name of the Company	Designation
ANA Consultants Pvt. Ltd	Director
Value Added Corporate Services Pvt. Ltd	Director

None of the Directors other than Mr. Anil G Nair is interested in this resolution

Your Directors recommend this resolution for your approval.

Place: **Hyderabad**

By Order of the Board

Date: 29-08-2006

For **Neha International Limited**

G. Vinod Reddy
Managing Director

DIRECTORS REPORT

To

The Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report on the business of the Company and the audited Statement of Accounts of the Company for the year ended 31st March 2006.

Financial Results:

		(Rupees in lacs)	
		2005-2006	2004-2005
1	Net Sales & Income	143.87	169.09
2	Increase/(Decrease) in stock	0.00	0.22
3	Total Expenditure	104.45	151.59
4	Interest	0.15	42.55
5	Gross Profit(Loss)	39.27	(24.83)
6	Depreciation	30.62	37.72
7	Write off	3.61	4.66
8	Add: Extra Ordinary Income:	164.46	-
9	Profit/Loss carried to Balance Sheet	169.50	(67.21)

Operations:

Your company has been taking all steps and suitable actions to wipe out earlier years financial losses and adopting appropriate measures to achieve best performance. During the financial year 2005 - 2006, the company's performance was poor 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.

Capital Restructuring:

The company has initiated certain steps to restructure the share capital of the company. As all of you are aware, the share holders has given the consent during the Extra Ordinary



General Meeting of the Company held on 9th June.2006 to reduce the share capital of the company by 60%. i.e. after effecting the capital reduction the paid up capital of the company will be Rs 2,46,53,600/- divided into 2465360 equity shares of Rs.10/- each fully paid up. This capital reduction will help to reduce the accumulated losses of the company .

Finances:

Your Company has arrived at a One Time Settlement with its Term Lending Banks, viz. Canara Bank, State Bank of Hyderabad & National Horticulture Board. The total financial obligation towards this OTS settlement will be Rs.400 lakhs, as against the outstanding term loan liability of Rs.657.37 lakhs. With this OTS, the company will be saving an amount of approx Rs.47.00 lakhs per annum towards interest outgo, over and above the overall reduction of Term Loan liability.

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 31.03.2007.

Directors:

In terms of the provisions of Section 255 and 256 of the Companies Act, 1956, Mr.Anil G Nair retires 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:

- a. That the preparation of the accounts for the financial year ended 31.03.2006, 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 2006 on a going concern basis.

**Corporate Governance:**

Pursuant to Clause 49 of the Listing Agreement on Corporate Governance: (a) Management Discussion and Analysis Report, (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:

The Present 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:

- 1 As regards qualification in para 3(f)i of the audit report, Despite continued huge losses resulting in total erosion of the networth of the Company, the accounts for the year have been prepared on the assumption of a going concern. The Company has arrived at a One Time Settlement of Debts with its bankers, wherein the company has got substantial savings in interest and principle loan amount. The current year the Company has earned a Net Profit of Rs.5.04 lakhs and hope to make profits in the coming years also. Considering all these facts, the accounts for the year have been prepared on the assumption of a going concern.
2. As regards qualification in para 3(f)ii of the audit report, the company did not appoint a



Company Secretary as required by the provisions of section 383A of the Companies Acts, 1956. Due to shortage of qualified Company Secretaries and considering the type of our industry it is very difficult to get a qualified Company Secretary. However, the Secretarial/corporate functions of the company are being looked after by a practicing Company Secretary under retainer ship. We are also in the process of selecting and appointing a full time Company Secretary.

3. As regards qualification in para 3(f)iii, of the audit report, 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)iv, of the audit report, regarding Managements view on the carrying value of fixed assets. The carrying values of its assets as at the Balance sheet date are not higher than their corresponding recoverable amounts.
5. As regards qualification in para 3(f)v, of the audit report, confirmation of balance of debtors, creditors and loans & advances: We are yet to obtain balance confirmation from some of the parties. We do not anticipate any variation/variations in the accounts. The differences if any in the above accounts will be dealt accordingly in the coming year.
6. As regards qualification in para 3(f)vi, of the audit report, Non-Provision of interest on Canara Bank for the Current Year. The Company has filed its OTS Proposal with the Bank. The claim made by Canara Bank is Rs.150/- lakhs as against the principle outstanding of Rs.188.30 lakhs as on 31st March, 2005. Since the amount claimed by the bank is lesser than the outstanding loan amount, interest provision has not been made for the year.

Acknowledgements:

Your Directors wish to thanks the Central and State Governments, Canara Bank, State Bank of Hyderabad, National Horticulture Board, APEDA, 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

Place : **Hyderabad**

Date: 29-08-2006

G. Pramod

Director

G. Vinod Reddy

Managing Director

ANNEXURE TO THE DIRECTORS REPORT

Information under Section 217(1)(e) of the Companies Act, 1956, read with 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 01.04.05 To 31.03.06	Previous Year 01.04.04 To 31.03.05
1 Electricity:		
a) Purchased Units	134269	127520
Total Amount (Rs)	355098	244169
Rate/ Unit (Rs)	2.64	1.92
b) Own Generation:		
Through Diesel Generator (Units)	28103	46701
Cost/Unit (Rs.)	10.00	9.00
B Consumption per Unit of Production		
Electricity (No. of Units)	NA	NA
C Foreign Exchange Earnings and Outgo		
i) Foreign Exchange Earned (Rs) (FOB value of Exports) –(Gross – Freight & Import Duty)	39.56 Lakhs	39.91 Lakhs
ii) Foreign Exchange used (Rs.):		
1. Raw Materials	Nil	Nil
2. Machinery	Nil	Nil
iii) Foreign Travel (Rs)	Nil	Nil
iii) Commission/handling charges	3.57 Lakhs	10.49 Lakhs

Form – B

Form for disclosure of particulars with respect to absorption

1. Research and Development	Nil	Nil
2. Technology absorption, adaptation and innovation	Nil	Nil

Foreign Exchange Earnings and outgo:

Earnings: (Gross – Freight – Import Duty)	39.56 lacs	39.91 lacs
Outgo: (Commission/ Handling	3.57 lacs	10.49 lacs
Raw Materials	Nil	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 front, the Indian Floriculture industry is facing some hurdles since, VBA, the main customer of Indian floriculture industry has insisted that, all units should sell their produce at least 6-8 months in an year. Considering the freight charges & realization, this is a very difficult proposition for most of the Indian floriculture units. However, the units can procure direct orders for various seasons/occasions and can sell the produce, irrespective of 6-8 months export condition. Your Company is more concentrating on Direct orders, where the margins are very high. In Domestic front, the Company's produce is well accepted and we are expanding the market, where the margins are higher. 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 2006.

(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.