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SIXTEENTH ANNUAL REPORT 2008-2009

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NEHA INTERNATIONAL LIMITED

NEHA INTERNATIONAL LIMITED

BOARD OF DIRECTORS

Chairman & Managing Director

Shri G. Vinod Reddy

Directors

Dr. G. Pramod

Shri Anil G. Nair

Shri P. Sarath Kumar

Vice President (Finance)

P. Srihari

Company Secretary

C. N. Bhavani Prasad

Auditors

M/s. Tukaram & Co.,

Chartered Accountants

209, Venkatarama Towers, Basheerbagh, Hyderabad - 500 029

Bankers

Union Bank of India, Canara Bank

Regd. Office

No. 6-3-1090/A/12 & 13,

501, Manbhumi Jade Towers, Rajbhavan Road, Somajiguda,
Hyderabad - 500 082, India. Tel : 040-66134759, Fax : 040 - 66136435

Works

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

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NOTICE

NOTICE is hereby given that the Sixteenth Annual General Meeting of the shareholders of the Company will be held on Thursday, the 31st Day of December, 2009 at 11:00 A.M at Bhaskara Auditorium, B.M.Birla Science Centre, Adarshnagar, Hyderabad-500 063 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider & adopt the Balance sheet as at 30th June 2009, Profit & Loss account for the period ended as on that date and the Auditors report and the Directors Report there on.
2. To appoint a Director in Place of Mr. Anil G Nair, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to pass 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 the office from the conclusion of this meeting till the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors"

By order of the Board

For **NEHA INTERNATIONAL LIMITED**

Sd/-

G.Vinod Reddy

Chairman & Managing Director

Place: Hyderabad

Date: 04.12.2009

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Notes:

1. The relevant details as required by Clause 49 of the Listing Agreements entered with the Stock Exchanges, of persons seeking appointment/re-appointment as Directors under Item's No:2 above, are annexed
2. A member entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be member of the Company. Proxies, in order to be effective, must be received at the Company's registered office not less than 48 hours before the meeting. Proxies submitted on behalf of limited Companies, societies, etc., must be supported by appropriate resolution/authority, as applicable.
3. Members are requested to bring their copies of Annual report to the Annual General Meeting.
4. The register of Members and Share transfer books of the Company will be closed from 28th December 2009 to 31st December 2009 (both days inclusive)
5. Members holding shares in physical form are requested to inform any change in address immediately to the company's Registrar and Transfer agents, M/s XL Softech Systems Limited, #3, Sagar Society, Road No:2, Banjara Hills, Hyderabad-500 034. Members holding shares in electronic form must send the advice about change in address to their respective Depository Participant and not to the Company or the Company's Registrar and Share Transfer Agents
6. Members who hold the shares in dematerialized form are requested to write their Client ID and DPID on the Attendance slip for easy identification of attendance at the meeting
7. The statutory registers maintained under Sections 301 and 307 of the Companies Act, 1956 will be available at the venue for inspection by the members.



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INFORMATION AS REQUIRED IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT PARTICULARS OF DIRECTORS WHO ARE PROPOSED TO BE RE-APPOINTED AT THIS MEETING

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 and Administrative matters.

Other Directorships of Mr. Anil G Nair

Name of the Company	Designation
ANA Consultants Pvt. Ltd	Director
Value Added Corporate Services Pvt. Ltd	Director
Presidency Club Limited, Madras	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

Date: 04.12.2009

By order of the Board

For **NEHA INTERNATIONAL LIMITED**

Sd/-

G. Vinod Reddy

Chairman & Managing Director

DIRECTORS' REPORT

Dear Members,

The Directors take great pleasure in presenting their report on the business and operations of the company along with the Sixteenth Annual Report to the Members with the audited financial statements for the period ended 30th June, 2009.

Financial Results: Consolidated

(Rupees in lakhs)

Particulars	2008-09 (15 months)	2007-08 (9 Months)
1 Net Sales & Income	5874.48	2165.84
2 Increase/(Decrease) in stock	1.43	1.45
3 Total Expenditure	4607.79	1636.80
4 Interest	251.44	30.17
5 Profit before depreciation & Exceptional Items	1016.68	500.32
6 Depreciation	549.55	43.75
7 Less: Write off / prior period items	0.00	21.67
8 Less: Minority interest	(50.72)	42.27
9 Less: Provision for tax (Net)	2.75	0.59
10 Profit/Loss carried to Balance Sheet	515.10	392.04

Financial Results: Standalone

(Rupees in lakhs)

Particulars	2008-09	2007-08
1 Net Sales & Income	1917.80	1432.22
2 Increase/(Decrease) in stock	1.43	1.45
3 Total Expenditure	1746.71	1289.46
4 Interest	7.61	2.15
5 Profit before depreciation & Exceptional Items	164.91	142.06
6 Depreciation	63.77	24.24
7 Less: Write off / prior period items	0.00	2.52
8 Add: Extra Ordinary Income:	0.00	0.00
9 Less: Provision for tax (Net)	2.75	0.59
10 Profit/Loss carried to Balance Sheet	98.39	114.71

RESULTS OF OPERATIONS

The standalone revenues increased to Rs.1917.80 Lakhs for a period of Fifteen months ended 30.06.2009. The Company achieved a standalone operational profit of Rs.98.39 Lakhs. The Directors did not recommend any dividend for the period ended 30th June 2009.

The company recorded a revenue of Rs.5874.48 lakhs in consolidated financials for the period ended 30th June 2009, compared to Rs2165.84 in the previous 9 months period ended 31.03.2008



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FINANCIAL YEAR

Your company closed its accounts as on 30th June 2009 for a period of fifteen months.

LISTINGS

The securities of your company are listed at Mumbai and Madras Stock Exchanges. Listing Fees has been paid for both the exchanges and depositories up to 31.03.2010.

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.

AUDIT COMMITTEE

The Audit Committee of the Board consists of three Non whole-time Directors, Viz., Sri G. Pramod, Promoter Director, Sri Anil G Nair, Independent Director and Sri P. Sarath Kumar, Independent Director. Sri Anil G Nair is the Chairman of the Audit Committee.

SUBSIDIARY COMPANIES

The company has one subsidiary M/s Globeagro Holdings, Mauritius and three step down subsidiaries: M/s Alliance Flowers PLC, Ethiopia, M/s Oromia Wonders PLC, Ethiopia and M/s Holetta Roses PLC, Ethiopia. A statement pursuant to Section 212 of the Companies act, 1956, containing details of subsidiary companies is annexed as Annexure.

The company has applied to Government of India for exempting the company from attaching the financial statements of subsidiaries for the period ended 30th June, 2009 with the annual report of your company. The Government of India vide their letter No. 47/270/2009-CL-III Dt. 10.11.2009 accorded approval for the same.

A statement pursuant to Section 212(8) of the Companies Act, 1956 containing the details of subsidiaries of the company forms part of this annual report. The audited annual accounts of the subsidiaries of the company are available for inspection by the members during the business hours at the Registered Office of the company.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the period ended 30th June, 2009 in accordance with Accounting Standards forms part of this annual Report.

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 period ended 30th June, 2009, 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 30th June, 2009 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 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.

CASH FLOW STATEMENT

As required under Clause 32 of the Listing Agreement with the Stock Exchanges, a Cash Flow Statement is attached to the Balance Sheet, Along with Auditors' Certificate.

PERSONNEL

Employee relations continue 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**.

EMPLOYEES STOCK OPTION SCHEME

The members of the Company at their Annual General Meeting held on 10th October, 2007 has approved granting of a maximum of 700000 Options to its eligible employees by special resolution. Pursuant to this approval, the Compensation committee at its meeting held on 7th August, 2009 had granted 500000 options to the eligible employees of the company and its overseas subsidiaries and the same shall be exercised within five years from the date of vesting as per NEHA ESOP-2007. Since the options are granted after the Balance Sheet period, the required disclosures as per SEBI ESOP Guidelines will be included in the next Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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 I, which forms part of this report.

AUDITORS REPORT

1. As regards qualification in Para 3(e) 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 eligible employees on actual basis, as per company rules.
2. As regards qualification in Para 3(h) of the audit report, confirmation of balances of debtors, creditors and Loans & Advances: confirmation letters from some of the parties are not received. We do not anticipate any variation(s) in the accounts. The differences if any, which may arise, will be dealt accordingly in the coming year.

ACKNOWLEDGEMENTS

Your Directors wish to thank the Central and State Governments, Banks, 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

Sd/-

G. Vinod Reddy

Chairman & Managing Director

Place: Hyderabad

Date: 04.12.2009

ANNEXURE I

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.

Form A

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

A	Power and Fuel Consumption	Current Period	Previous Period
		01.04.2008 to 30.06.2009	01.07.2007 to 31.03.2008
I	Electricity:		
a)	Purchased Units	201671	105155
	Total Amount (Rs)	526469	261427
	Rate/ Unit (Rs)	2.61	2.49
b)	Own Generation:		
	Through Diesel Generator (Units)	17822	9899
	Cost/Unit (Rs.)	15.39	14.03
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)	1726.75	1251.59
ii)	Foreign Exchange used (Rs.):		
	1. Raw Materials (Merchandise flower purchase)	776.89	508.81
	2. Machinery	0	184.36
	iii Foreign Travel (Others)	14.89	1.41
iii)	Commission/handling charges	718.43	437.67

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:

1.	Earnings: (Gross Freight Import Duty)	1726.75 lakhs	1251.59 lakhs
2.	Outgo: Commission/ Handling/others	718.43 lakhs	437.67 lakhs
	Raw Materials (Merchandise flower purchase)	776.89 lakhs	508.81 lakhs
	Machinery (Merchandise machinery purchase)	NIL	184.36 lakhs

ANNEXURE - II

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(Forming Part of Directors' Report)

INDUSTRY STRUCTURE, DEVELOPMENTS & OUTLOOK

Traditionally Europe, North America and Far East were major consumers and suppliers of floriculture products. But lately, while the demand continues to stay in the western world, cheaper imports are becoming a major source of supply. This is because of the high costs in setting up a floriculture farm in the western world involving expensive glass green houses, heating and lighting equipment, less-labour oriented technology and catering to environmental regulations. In addition there are the prohibitive costs of revenue expenditure high cost of labour and gas. All of which are not required in tropical countries with higher altitudes, where the climates are naturally conducive to grow year around warm days, cool nights, longer hours of sunshine etc.

Trends: There is therefore a trend for production base shifting to third world countries in South America, Africa and Asia (Ecuador and Colombia in South America for North American markets; Kenya and Ethiopia in Africa for European markets; India, Thailand, Korea in Asia for Far East Asian and European markets). Cross-continent trade is limited because of the prohibitively high freight costs involved in air freighting these products. Over time the western growers will stick to breeding newer varieties, growing novelties, maintaining efficient auction centers and marketing/distribution activities.

Market Size: The Global floriculture business, more so the EU markets provide a significant opportunity for African floriculture industry. During the year 2007, the EU countries have imported a total US\$ 13.60 billion worth of floriculture products of which about US\$ 2.27 billion has come from outside of EU. Newer areas of demand are also emerging in fast developing countries in Eastern Europe and Asia. This huge market space highlights the growth opportunities in the sector that companies like Neha can potentially address.

COMPANY OVERVIEW

With the Indian floriculture business not delivering the expected results because of high freight cost, duties in Europe on its flowers, and not so conducive climates, the Company could not expand on its capacities in India. On the other hand, Ethiopia with its ideal climatic conditions, abundant and low cost labour, low freight cost, no duties into Europe, exemption of local taxes and duties etc., has seen substantial growth in its floriculture activity.

Witnessing the growth in the global floriculture industry and growing influence of African countries, the Company acquired M/s Globeagro Holdings; Mauritius which has holds a substantial stake in three Ethiopian Floriculture Companies. These farms have a total acreage of more than 80 hectares, with about 25 hectares of cultivation under green houses, besides having a world-class plant propagation unit. They are located at more than 8,000 feet altitude, with about 1,000 dynamic employees. We grow cut flower roses to international quality standards using world-class production methods.

With a view to marketing the flowers in the prime markets of Europe and Far-East in competition with the best in the world. Significant investments have been made in green houses, irrigation and fertigation systems, post harvest equipment, cold chain, disease and pest management and post harvest management.

The farms grow the best T-Hybrid roses which are sold at a premium through leading auctions of the world based in Netherlands Vba and Flora Holland. Until recently, Vba was owned only by European growers. The ownership has now opened to importer growers. One of the farms acquired has become one of the first international owners of the Vba. As co-owner, it has unrestricted access to the auction, paying lower commissions and is entitled for a share in the profits of Vba.

Neha International is the largest supplier of roses from Ethiopia to Japan. Besides its own production, the company purchases from other growers and exports to Japan using its quality controls to maintain or exceed the high expectations of the