

≡ **NHN CORPORATION LIMITED** ≡



12th Annual Report 2005

BOARD OF DIRECTOR

Mr Sharad A. Doshi
Chairman

Mr. Vikram A. Doshi
Director

Mr Chirag Gandhi
Director

Mr Hitendra Shah
Director

Mr. Ramesh Subramaniam
Director

BANKER

ICICI Bank

HDFC Bank Limited

AUDITOR

Paresh B. Shah & Co,
Chartered Accountants

**SHARE REGISTRAR &
TRANSFER AGENT**

Bigshare Services Pvt Ltd.
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Sakinaka,
Andheri (E), Mumbai-400 072.
Tel No. 28523474, 28560652/53, 56936291.
Fax No. 28525207.
e-mail : bigshare@bom7.vsnl.net.in

REGISTERED OFFICE

NHN Corporation Limited
6A, Lalwani Industrial Estate,
14 G D Ambekar Road,
Wadala, Mumbai-400 031.

WORKS

Daman Industrial Estate,
Airport Road, S.No. 74/13,
Village Kadaiya,
Daman- 396 210.

NOTICE

NOTICE IS HEREBY GIVEN THAT AN ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON 25TH MARCH, 2005 AT 3.30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY AT 6/A, LALWANI INDUSTRIAL ESTATE, 14, G. D. AMBEKAR ROAD, WADALA, MUMBAI 400 031, TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st December, 2005, Profit and Loss Account for the year ended as on that date and the Report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ramesh Subramaniam, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors plus service tax, traveling and out of pocket expenses.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass the following Resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, consent of the Company be and is hereby accorded to acquire by way of subscription, purchase or otherwise, the 26,000 Equity shares of Rs. 10/- each of INB Value Mart Limited, for a consideration of Rs. 2,60,000/- (Rupees Two Lacs Sixty Thousand only), notwithstanding that the aggregate of all the loans, guarantees or securities so far given or to be given to and/or securities so far acquired or to be acquired in the body corporate may exceed the limits prescribed under the said section."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the Committee of

Directors or the Managing Director or the Principal Officer of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

Registered Office:
6/A, Lalwani Industrial Estate,
14 G.D. Ambekar Road,
Wadala, Mumbai-400 031

For and on Behalf of the Board

sd/-
Director

Place: Mumbai
Date: 28th February, 2006

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 only on poll and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
2. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the business under Item No. 1 is annexed hereto.
3. Members / Proxies should fill the Attendance Slip for attending the Meeting.
4. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered office of the Company during office hours on all working days except Saturdays / Holidays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
5. Members / proxies should bring the Attendance slip duly filled in for attending the meeting and members who hold shares in electronic form (Demat) are requested to bring their Client ID and DP ID numbers for identification of attendance at the meeting.
6. The Register of members and the Share Transfer Books will remain closed from 6th March, 2006 to 24th March, 2006 (both days inclusive).
7. Members are requested to notify the change in their address to the Company and / or Registrar & Share Transfer Agent of the Company in physical mode and always quote their folio no. in all correspondence with the Company. In respect of holding in electronic form, members are requested to notify any change of address and change in bank details in their Depository participants.
8. Members are requested to bring their copy of Annual Report to the Meeting.

9. The particulars of Directors retiring by rotation are given in Corporate Governance.
 10. Members seeking further information on the accounts or any other matter contained in the Notice are requested to write to the Company at least 7 days before the meeting so that relevant information can be kept ready at the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956, IN RESPECT OF THE BUSINESS (annexure to the notice).

As required by Section 173(2) of the Companies Act, 1956, (hereinafter referred to as "the Act") the following Explanatory Statement sets out all material facts relating to the business mentioned under Item No. 1 of accompanying Notice dated 28.02.2006

Item No.4

The Company is proposing to make substantial investments by acquiring 26,000 Equity Shares of Rs. 10/- each of INB Value Mart Limited, for a consideration of Rs. 2,60,000/- (Rupees Two Lacs Sixty Thousand only) which constitutes 52% of Paid up share capital of the INB Value Mart Ltd. As the INB Value Mart Ltd is engage in the business of Industrial and business supplies. NHN Proposes to acquire further shares of INB at a later stage in future and the balance holding with a view to merge INB to restructure and reconstruct its business. The aggregate of all the aforesaid investments will exceed the limits prescribed under section 372A of the Companies Act, 1956

The acquisition of the shares will offer the company following advantages:-

NHN will be able to add substantial benefit through acquisition by way of leveraging the high overhead cost of water business, utilization of distribution channel, additional revenue stream etc. The acquisition offers significant long term potential to NHN. Overall the acquisition can provide substantial revenue and cost synergies and at the same time value accretive for stakeholders.

It is therefore proposed to seek the authorization of the members to make investments in INB Value Mart Ltd

As per Section 372A of the Companies Act, 1956, a Company can grant loans, provide security, acquire, by way of subscription, purchase or otherwise, upto 60% of paid up capital & free reserves or 100% of free reserves whichever is higher, with the approval of the Board. However, for granting loan, providing security or making investment in excess of the limits set out above the prior approval of the members of the Company by way of special resolution is required. Hence, it is necessary to obtain approval for the same from the members by passing the special resolution.

The Board of Directors recommends the resolution of the accompanying notice for approval of members.

None of the directors of the Company is in any way concerned or interested in the resolution.

Registered Office :
 6/A, Lalwani Industrial Estate,
 14 G.D. Ambekar Road,
 Wadala, Mumbai-400 031

For and on Behalf of the Board

sd/-
 Director

Place : Mumbai
 Date : 28th February, 2006

DIRECTORS' REPORT

To
The Members

Your Directors are presenting the 12th Annual Report of the Company together with Audited Accounts for the period ended December 31, 2005.

Financial Results:

PARTICULAR	2004-2005	2003-2004
Sales & Other Income	183.48	159.74
Profit/(Loss) before Depreciation & Tax	(259.06)	(144.42)
Less: Depreciation	(40.87)	(32.87)
Less: Provision for Income Tax	0.00	0.00
Profit/(Loss) after Depreciation & Tax	(299.93)	(177.09)
Income Tax Paid (Prior Year)	0.00	0.00
Less: Prior Period Expenses	(4.22)	(0.18)
Add: Balance Brought forward	(2656.84)	(2479.57)
Balance Carried to Balance Sheet	(2960.99)	(2656.84)

Business Performance & Operations:

As you are aware that the Company's Packaged Drinking Water is not doing well because of incomplete projects due to non-disbursement of the sanctioned loan by the leading Financial Institution. This has resulted in poor financial position of the company and today the competition in the Packaged Drinking Water has become so stiff that it will be very difficult for the company to survive in the market. Therefore the management is continuously putting on its efforts to enter in a better favorable business, which can add value to the shareholders. Even in the Packed Drinking Water Business there, the Management is making all its efforts for aggressive marketing and increasing the capacity utilization.

Business Development activities:

Over the years the company was trying hard to sustain in the Packaged Drinking Water and make a comeback. Simultaneously, it was also exploring the other business avenues, which could add value to the shareholder and help the company to become profitable. The company has come across one such business activity of retail marketing of Industrial & Business Products, which has a tremendous growth opportunity. Based thereon the company has made a small investment in one of such company who is into Business of Retail chain shop of Industrial and Business Supply Stores.

Sick Industries Companies (Special Provisions) Act, 1985:

As the net worth of the Company has been completely eroded, the Company has become a Sick Industrial Company as per the provision of the 'Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

As required under the provisions of SICA, the Company has taken necessary steps to file the necessary reference with the Board For Industrial & Financial Reconstruction (BIFR) for determination of the measures to be adopted with respect to the Company.

Director's Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the Operating Management, confirm:

- That in the preparation of annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same
- That they have in the selection of the accounting policies, consulted the statutory auditors and have applied them consistently and made judgements and estimates that 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 end of the financial year and of the Loss of the Company for that period.
- That to the best of their knowledge and information, they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- That they have prepared the annual accounts on a going concern basis.

Dividend:

Due to the losses incurred during the current financial year, Board of director had not recommended any dividend.

Fixed Deposit:

The Company has not received any Fixed Deposit during the year the Financial year.

Corporate Governance:

Your Company believes in coherent and self-regulatory approach in the conduct of its business to achieve highest standard of Corporate Governance. It has complied with the requirement of the Corporate Governance as stipulated by SEBI. A separate report on Corporate Governance along with Auditor's Certificate on its compliance is annexed to and forms part of the report.

Employee Relations:

Relations between the employees and the Management continued to be cordial during the year. A statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is not annexed hereto, as the same is not applicable to the Company.

Trade Relations:

Your Company continued to receive unstinted support and co-operation from its retailers, stockist, suppliers of goods/services and all others associated with it. Your Board wishes to record its appreciation and your Company would continue to build and maintain strong links with its business partners.

Energy, Technology Absorption and Foreign Exchange:

Details of energy conservation and research & development activities undertaken by the Company along with the information in accordance with the provisions of Section 217(1)(e) of the Companies Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are annexed hereto and forms part of this report.

Directors:

In accordance with the Article of Association of the Company, Mr. Ramesh Subramaniam, retire by rotation and being eligible offers himself for reappointment.

Auditors:

M/s. Paresh B. Shah & Co., Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of this Annual General Meeting and express their unwillingness to reappoint as a Statutory Auditor of the Company due to preoccupation.

Acknowledgements:

The Directors sincerely appreciate the high degree of professionalism, commitment and dedication of the employees at all levels. The Directors also place on record their gratitude to the Members for their continued support and confidence.

The Directors would like to thank you, our esteem Shareholders, Customers, Business Associates, Financial Institutions, Commercial Banks, for the faith reposed by them in the Management of the Company.

Date: 28th February, 2006

Place: Mumbai

On behalf of the Board of Directors

Sd/-

Sharad A. Doshi

(Chairman & Managing Director)

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ANNEXURE TO THE DIRECTOR'S REPORT

Particulars required under Companies (Disclosure of Particulars in the report of Board of Director) Rules, 1988:

(A) CONVERSION OF ENERGY:**a. Energy conversation measures taken:**

- Use of natural light through bigger windows, skylights ect.
- Increase in power factor by using additional capacitors and automation in control panel.
- Installation of timers, limit switches
- Monitoring and control of running time of compressors of air conditioners.
- Replacement of conventional copper chokes with energy efficient electronic ballast.

b. Additional Investment and proposals:

- It is planned to extend the measures taken during the current year which yielded good results, to other areas/equipment/offices.
- Electromizer equipment is actively being considered for optimizing energy consumption in lighting loads.
- It is planned to undertake Energy Audit through competent authorities.

c. Impact of measurement at a. and b. above for reduction of energy consumption and consequent impact on the cost of production of goods:

- The measures taken above have resulted in reduction of power consumption.

(B) TECHNOLOGY ABSORPTION:**a. Research and Development (R&D)**

Upgradation of QC laboratory to meet requirements of BIS for ISI mark and international Quality standards.

b. Technology absorption, adaptation and innovation:

1. The plants were audited by technical personnel for process efficiency, quality improvisation and innovation.

2. Benefits derived:

- Reduction in wastage.
- Improvement in output rate.
- Reduction in cost of production.

3. Information regarding technology imported during the last five years:

- | | | |
|--|---|-----------------|
| a. Technology imported | : | No. |
| b. Year of Import | : | Not Applicable. |
| c. Has technology been fully absorbed | : | Not Applicable |
| d. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of actions. | : | Not Applicable |

(C) Foreign Exchange Earnings Outgo

	2003-2004 Rupees	2002-2003 Rupees
Earning	Nil	Nil
Outgo	Nil	Nil

Date: 28th February, 2006
Place: Mumbai

On behalf of the Board of Directors

Sd/-
Sharad A. Doshi
(Chairman & Managing Director)

REPORT ON CORPORATE GOVERNANCE

Introduction:

Corporate Governance code is a bundle of number of things, methods or measures which are considered necessary to accomplish the purpose and producing the intended and expected results i.e. desirable corporate governance in which the affairs of the company are conducted with certain standards by which interest of various stakeholders are protected and shareholder value constantly sub served and enhanced. Securities and Exchange Board of India (SEBI) has introduced a Code of Corporate Governance for being implemented by companies listed on the stock exchange (s). Accordingly code was administered by effecting amendments to the Listing Agreements of the stock exchange (s) with which the company is listed.

The Principle Characteristics of Corporate Governance are:

- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

Company's Philosophy on Corporate Governance :

As stated in the introduction, Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation. Your Company is committed to endeavor to enhance shareholder value in a fair and transparent manner. Company has successfully implemented the process of making substantial disclosures on the Company and its Board of Directors in the Annual Report for 2004-2005.

Board Of Directors :

Composition of Board of Directors:

The Board as of 31st December, 2005, consists of Four members, of which three are Non executive Directors / Independent Directors. An Independent director is one who apart from receiving Director's remuneration does not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which may affect his judgment.

The details of the Directorships in other Companies (excluding Private Limited Companies, Foreign Companies and Section 25 Companies) Chairmanships and the Committee Memberships held by the Directors as on 31st December, 2005 are given below:-

Name of Director	Category Executive /Non-executive /Independent	No. of other Directorships *	No. of Memberships of Mandatory Board Committees **	No. of Board Committees of which the Director is a Chairperson **
Mr. Sharad A. Doshi	Executive	3	3	1
Mr. Vikram A. Doshi App on 24/02/2006	Executive	8	Nil	Nil
Mr. Chirag Gandhi	Independent	3	1	Nil
Mr. Hitendra Shah	Independent	Nil	3	2
Mr. Ramesh Subramaniam	Independent	Nil	3	Nil

* Excludes Directorships in Private Limited Companies, foreign Companies, Section 25 Companies Memberships of Managing Committees of various Chambers/Bodies and Alternate Directorships

** Represents Membership/Chairmanship of Audit Committee and Investor Grievance Committee of other Indian Companies

None of the Directors of the Board are member of more than 10 committees nor are they Chairmen of more than 5 Committees. "Committees" for this purpose include the Audit Committee and the Shareholders' / Investor Grievance Committee, which are mandatory Committees.

Attendance Record of the Directors at Board/Annual General Meeting :

The Board of Directors of the Company met Five times during the year under review. As required under Annexure I to Clause 49 of the Listing Agreement with the Stock Exchanges, all the necessary information was placed before the Board. The dates of the Board Meetings held during each quarter are given hereunder.

Details of Board Meeting held during the year and Directors attendance in Board Meetings and Last Annual General Meeting is as follows:

	30.06.05	30.09.05	31.12.05	24.02.06	28.02.06	Last AGM 29.06.2005
Sharad A. Doshi	Yes	Yes	Yes	Yes	Yes	Yes
Vikram Doshi Appointed on 24.02.2006	--	--	--	--	Yes	No
Hitendra Shah	Yes	Yes	Yes	Yes	Yes	No
Chirag Gandhi	No	No	No	Yes	No	No
Ramesh Subramaniam	Yes	Yes	Yes	No	No	No