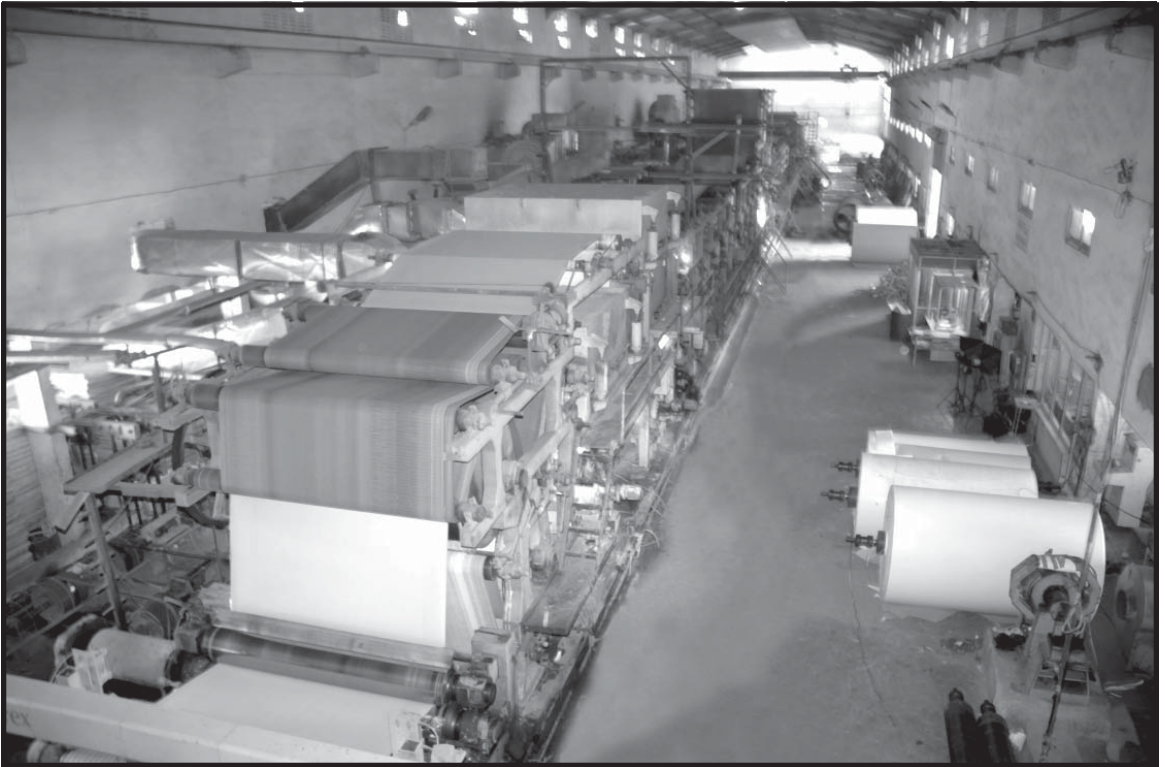


12th Annual Report

2004 - 2005



N. R. Agarwal

Industries Limited

Board of Directors

Shri. R. N. Agarwal
Shri. N. R. Agarwal
Shri S. N. Chaturvedi
Shri. R. K. Sinha
Shri. Chittaranjan Musib
Shri. P. Kumar

Managing Director
Director
Director
Nominee of IDBI
Director
Director

REGISTERED OFFICE:

415-418, Janki Centre, 4th Floor
29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053

FACTORIES:

Unit – I
Plot No.169, GIDC
Vapi - 396 195
Dist. Valsad
Gujarat State

Unit - II
Plot No.1, Phase 1
GIDC, Vapi - 396 195
Dist. Valsad
Gujarat State

Auditors:

CHATURVEDI & PARTNERS

Bankers:

BANK OF BARODA
ORIENTAL BANK OF COMMERCE
BANK OF INDIA

Company Secretary

Shri. Vinod Bapna

REGISTRAR & TRANSFER AGENTS

SHAREX DYNAMIC (INDIA) PRIVATE LIMITED
17/B, Dena Bank Building
2nd Floor, Horniman Circle
Fort, Mumbai – 400 001
Tel. No. 022 - 2270 24 85 / 2264 13 76

Annual General Meeting will be held on Thursday, 29th September, 2005 at Aishwarya Party Hall, Shop No.13-14, Ground Floor, MHADA Oshiwara Shopping Complex, Near Oshiwara Police Station, Opp. Tarapore Garden, Oshiwara, Jogeshwari (West), Mumbai – 400 102.

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the members of N. R. AGARWAL INDUSTRIES LIMITED will be held at Aishwarya Party Hall, Shop No.13-14, Ground Floor, MHADA Oshiwara Shopping Complex, Near Oshiwara Police Station, Opp. Tarapore Garden, Oshiwara, Jogeshwari (West), Mumbai – 400 102 on Thursday, the 29th September, 2005 at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2005 and the Profit and Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To declare dividend on Equity and Preference Shares.
3. To appoint a Director in place of Shri N. R. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To appoint a Director in place of Shri Chittaranjan Musib, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956 and is eligible for appointment.
6. To appoint a Director in place of Shri P. Kumar, who was appointed as an Additional Director by the Board of Directors and who holds office upto the date of the ensuing Annual General Meeting in accordance with Section 260 of the Companies Act, 1956 and is eligible for appointment.
7. To consider and, if thought fit, to pass with or without modifications the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent be and is hereby accorded to the Board to delist the Company's Equity Shares from the Ahmedabad Stock Exchange and the Delhi Stock Exchange Association Limited without giving an exit option to the shareholders of the region where the aforesaid Stock Exchanges are situated and on the terms and conditions as may be stipulated and mutually agreed to in the best interests of the Company, after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fees payable to the Stock Exchanges and the volume of trading on the relevant Stock Exchanges."

8. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, of the

Companies Act, 1956 and subject to such other approvals as may be necessary, the company hereby approves the appointment of Shri N. R. Agarwal as the Executive Chairman of the Company for a period of five years with effect from October 1, 2005 upon the terms and conditions including the terms as to remuneration as set out in the Agreement dated 05.08.2005 entered into between the company and Shri N. R. Agarwal and placed before this meeting which agreement be and is hereby specifically approved with liberty to the Board of Directors of the company to alter or vary and modify the terms and conditions of the said appointment and/or the agreement so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto as may be agreed to between the Board and Shri N. R. Agarwal.

RESOLVED FURTHER THAT subject to the provisions of section 198 and section 309 and other applicable provisions, if any, of the Act, the remuneration payable to Shri N. R. Agarwal as Executive Chairman by way of salary, commission and perquisites shall not exceed five percent of the net profits of the Company for one such Director and if there are more than one such Director, ten percent of such net profits for all of them together in that financial year.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during Shri N. R. Agarwal's term of office as Executive Chairman the remuneration payable to him shall be as per the minimum remuneration prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites set out in the said agreement as the minimum remuneration.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

9. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, of the Companies Act, 1956 and subject to such other approvals as may be necessary the Company hereby approves the appointment of Shri R. N. Agarwal as the Managing Director of the Company for a period of five years with effect from August 5, 2005 upon the terms and conditions including the terms as to remuneration as set out in the Agreement dated 05.08.2005 entered into between the company and Shri R. N. Agarwal and placed before this meeting which agreement be and is hereby specifically approved with liberty to the Board of Directors of the Company to alter or vary and modify the terms and conditions of the said appointment and/or the agreement so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 or any amendment thereto as may be agreed to between the Board and Shri R. N. Agarwal.

RESOLVED FURTHER THAT subject to the provisions of section 198 and section 309 and other applicable provisions, if any, of the Act, the remuneration payable to Shri R. N. Agarwal as Managing Director by way of salary, commission and perquisites shall not exceed five percent of the net profits of the Company for one such Director and if there are more than one such Director, ten percent of such net profits for all of them together in that financial year.

N. R. Agarwal Industries Limited

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during Shri R. N. Agarwal's term of office as Managing Director the remuneration payable to him shall be as per the minimum remuneration prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites set out in the said agreement as the minimum remuneration.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, matters, deeds and things and to take such steps as expedient or desirable to give effect to this Resolution".

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 AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty eight hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business at items 5, 6, 7, 8 and 9 is annexed hereto
4. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 22nd September, 2005 to Thursday, 29th September, 2005 (both days inclusive) for the purpose of Annual General Meeting.
5. The Dividend on shares, if declared at the Meeting, will be paid to those members whose names appear on the Company's Register of Members on September 29, 2005. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
6. Members are requested to immediately notify the Company in case of any change in address and should specify their full address in capital letters clearly indicating the pincode of the post office.
7. Members are requested to bring their copy of Annual Report as the extra copies will not be supplied at the Annual General Meeting.

By order of the Board of Directors

Vinod Bapna
Company Secretary

Registered Office:

415-418, Janki Centre
4th Floor, 29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053
Mumbai, 5th August, 2005.

N. R. AGARWAL INDUSTRIES LIMITED

ANNEXURE TO NOTICE:

Explanatory Statement under Section 173 (2) of the Companies Act, 1956.

Item Nos. 5 & 6

Shri Chittaranjan Musib and Shri P. Kumar were appointed as Additional Directors of the Company by the Board of Directors on 31.01.2005 and 05.08.2005 respectively. By virtue of Section 260 of the Companies Act, 1956 they hold office up to the date of the forthcoming Annual General Meeting and are eligible for appointment. The Company has received notices under Section 257 of the Companies Act, 1956 alongwith deposits of Rs. 500/- each from members of the Company proposing the names of Shri Chittaranjan Musib and Shri P. Kumar as candidates for the office of Director.

Shri Chittaranjan Musib and Shri P. Kumar are interested in the respective resolution as it relates to their own appointment.

Item No. 7

Presently the Company's Equity Shares are listed on the Stock Exchanges at Mumbai, Ahmedabad and Delhi.

With the wide and extensive networking of the BSE, the investors have access to online dealings in the Company's Equity Shares across the country. The trading of the Company's Equity Shares on the Stock Exchange at Ahmedabad and Delhi (hereinafter referred to as "the said Stock Exchanges") is negligible. The annual recurring listing fees paid to the said Stock Exchanges, do not now offer commensurate benefits to the Company's / its investors in the changed scenario of the nationwide trading terminals set up by the BSE. The continued listing on the said Stock Exchanges is not considered necessary. It would further contribute to reduction in administrative costs/efforts of the Company. A Special Resolution was passed at the Annual General Meeting of the Company held on 29.09.2000 for delisting of the Equity Shares of the Company from the Delhi Stock Exchange Association Limited and the application for delisting was made. Subsequently, the revised guidelines were issued by the Securities and Exchange Board of India namely SEBI (Delisting of Securities) Guidelines 2003. Consequent thereto and as explained above the Board of Directors, at its meeting held on 05.08.2005 has decided to apply for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges.

The proposed voluntary delisting of the Company's Equity Shares from the said Stock Exchanges will not adversely affect the interest of any investors including that of the Members located in the region where the said Stock Exchanges are situated. Pursuant to the SEBI (Delisting of Securities) Guidelines 2003, it is now proposed to seek the Members' approval by way of a Special resolution for the voluntary delisting of the Company's Equity Shares from the said Stock Exchanges as set out in the Resolution. In terms of the said guidelines, as the Company's Equity Shares shall continue to remain listed on the BSE, no Exit Option is required to be offered to the shareholders.

The proposed delisting is in the interest of the Company and the Board commends the Resolution for acceptance by the Members.

None of the Directors of the Company is concerned or interested in the said Resolution.

Item No. 8

Shri N. R. Agarwal resigned as the Managing Director of the company with effect from August 1, 2005. The Board of Directors of the company at its meeting held on August 5, 2005 had appointed Shri N. R. Agarwal as the Executive Chairman of the Company for a period of five years with effect from October 1, 2005 on the remuneration and terms and conditions as contained in the Agreement dated 05.08.2005 entered

into between the company and Shri N. R. Agarwal.

The terms of his appointment as contained in the said Agreement dated 05.08.2005 for his appointment as Executive Chairman are as under:

1) Appointment of Shri N. R. Agarwal as Executive Chairman for a period of five years with effect from October 1, 2005.

2) Remuneration:

- a) Salary : Rs. 1,25,000/- per month.
- b) Commission: Commission on Net profits of the Company computed in the manner laid down in Section 349 of the Companies Act, 1956 as may be fixed by the Board subject to the ceiling limits laid down in Sections 198 and 309 of the Companies Act, 1956.

Perquisites : In addition to the aforesaid Salary and commission the Executive Chairman shall be entitled to the following perquisites:

- i) Free Furnished residential accommodation or House Rent Allowance together with utilities, therefor such as gas, electricity, water, furnishings, repairs, servants salaries, society charges and property taxes as may be approved by the Board.
- ii) Reimbursement of medical Expenses incurred for self and family and medical/ accident insurance.
- iii) Leave Travel concession for self and family once in a year in accordance with the rules of the Company or as may be agreed to by the Board of Directors.
- iv) Fees of clubs/ annual membership fees for professional bodies.

The above perquisites shall be evaluated as per the Income tax Rules wherever applicable. In the absence of such rules, perquisites will be evaluated at actual costs.

Where in any financial year during the currency of the tenure of the Executive Chairman, the Company has made no profits or its profits are inadequate, the Company shall pay to the Executive Chairman, the above Salary and perquisites except commission not exceeding the ceiling limits prescribed in Schedule XIII of the Companies Act, 1956 as Minimum Remuneration.

- c) The Executive Chairman shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above:
 - i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 - ii) Gratuity payable at the rate not exceeding half a month's Salary for each completed year of service.
 - iii) Earned privilege leave at the rate of one month's leave for every eleven months of service. The Executive Chairman shall be entitled to encash leave at the end of his tenure as Executive Chairman.
 - iv) Provision for Car for Company's business and Telephone at the residence of the Executive Chairman shall not be treated as perquisites.

Other terms:

1) The Executive Chairman shall unless prevented by ill health, through out the said term devote his attention and ability to the

business of the Company and shall perform such duties and exercise such power as shall from time to time be assigned to or vested in him by the Board of Directors, and shall comply with the orders, directions and regulations from time to time of the Board of Directors of the Company and shall well and faithfully serve the Company and use his utmost endeavor to promote the interest thereof.

2) The Executive Chairman shall be entitled at any time to resign office as Executive Chairman after giving the Company Ninety days notice or by such period agreed to by Board of Directors in that behalf and subject to any provisions of the Act in that behalf.

A special resolution at item no. 8 of the accompanying notice is proposed for his appointment as Executive Chairman and payment of remuneration to him as he is above the age of Seventy years. The Board commends the approval by the member of the said special resolution.

Shri N. R. Agarwal is concerned or interested in the said Special Resolution at item no. 8 of the accompanying notice as it relates to his own appointment. Shri R. N. Agarwal is also interested or concerned in the said resolution as the relative of N. R. Agarwal.

The above should be considered as an abstract of the terms of appointment of Executive Chairman and Memorandum as to the nature of concern or interest of the Directors in the said appointment as required under section 302 of the Companies Act, 1956.

A copy of the Agreement dated 05.08.2005 for the appointment of Shri N. R. Agarwal is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company except Saturday and Sunday.

Item No. 9

The Board of Directors of the Company at its meeting held on August 5, 2005 had appointed Shri R. N. Agarwal as the Managing Director of the Company for a period of five years with effect from August 5, 2005 on the remuneration and terms and conditions as contained in the Agreement dated 05.08.2005 entered into between the Company and Shri R. N. Agarwal.

The terms of his appointment as contained in the said Agreement dated 05.08.2005 for his appointment as Managing Director are as under:

1) Appointment of Shri R. N. Agarwal as Managing Director for a period of five years with effect from August 5, 2005.

2) Remuneration:

- a) Salary : Rs. 1,75,000/- per month.
- b) Commission: Commission on Net profits of the Company computed in the manner laid down in Section 349 of the Companies Act, 1956 as may be fixed by the Board subject to the ceiling limits laid down in Sections 198 and 309 of the Companies Act, 1956.

Perquisites: In addition to the aforesaid Salary and commission the Managing Director shall be entitled to the following perquisites:

- i) Free Furnished residential accommodation or House Rent Allowance together with utilities, therefor such as gas, electricity, water, furnishings, repairs, servants salaries, society charges and property taxes as may be approved by the Board.
- ii) Reimbursement of medical expenses incurred for self and family and medical/ accident insurance.
- iii) Leave travel concession for self and family once in a year in accordance with the rules of the Company or as may be agreed to by the Board of Directors.

N. R. Agarwal Industries Limited

- iv) Fees of clubs/ annual membership fees for professional bodies.

The above perquisites shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of such rules, perquisites will be evaluated at actual costs.

Where in any financial year during the currency of the tenure of the Managing Director, the Company has made no profits or its profits are inadequate, the Company shall pay to the Managing Director, the above salary and perquisites except commission not exceeding the ceiling limits prescribed in Schedule XIII of the Companies Act, 1956 as Minimum Remuneration.

- c) The Managing Director shall also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above:
 - i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 - ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - iii) Earned privilege leave at the rate of one month's leave for every eleven months of service. The Managing Director shall be entitled to encash leave at the end of his tenure as Managing Director.
 - iv) Provision for Car for Company's business and Telephone at the residence of the Managing Director shall not be treated as perquisites.

Other terms:

- 1) The Managing Director shall unless prevented by ill health, throughout the said term devote his whole time attention and ability to the business of the Company and shall perform such duties and exercise such power as shall from time to time be assigned to or vested in him by the Board of Directors, and shall comply with the orders, directions and regulations from time to time of the Board of Directors of the Company and shall well and faithfully serve the company and use his utmost endeavor to promote the interest thereof.
- 2) Subject to the control and supervision of the Board of Directors and subject to the provisions of the Act, the Managing Director shall have the general conduct and management of the business and affairs of the company.

- 3) The Managing Director shall be entitled at any time to resign office as Managing Director after giving the Company ninety days notice or by such period agreed to by Board of Directors in that behalf and subject to any provisions of the Act in that behalf.

Shri R. N. Agarwal is already a Managing Director of N. R. Paper & Boards Limited. The gross remuneration being received by him from N R Paper & Boards Limited and as proposed herein above is within the limit prescribed under Section III of Schedule XIII of the Companies Act, 1956.

The Board commends the approval by the members of the appointment of Managing Director and payment of remuneration to him as contained in the ordinary resolution at item no. 9 of the accompanying notice.

Shri R. N. Agarwal is concerned or interested in the said ordinary resolution at item no.9 of the accompanying notice as it relates to his own appointment. Shri N. R. Agarwal is also interested or concerned in the said resolution as the relative of Shri R. N. Agarwal.

The above should be considered as an abstract of the terms of appointment of Managing Director and Memorandum as to the nature of concern or interest of the Directors in the said appointment as required under section 302 of the Companies Act, 1956.

A copy of the Agreement dated 05.08.2005 for the appointment of Shri R. N. Agarwal is open for inspection by the members at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day of the Company except Saturday and Sunday.

By order of the Board of Directors

Vinod Bapna
Company Secretary

Registered Office:

415-418, Janki Centre
4th Floor, 29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053
Mumbai, 5th August, 2005.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Twelfth Annual Report alongwith the Audited Annual Accounts for the year ended on 31st March, 2005.

FINANCIAL RESULTS:

Particulars	Year ended 31.03.2005	Year ended 31.03.2004
(Rs.in lakhs)		
Net Sales / Income from Operations and other income	11321.27	9176.58
Total Expenditure	10292.36	8450.76
Interest	215.97	245.80
Gross Profit after Interest but Before Depreciation and Taxation	812.94	480.02
Depreciation	239.17	211.59
Provisions for Taxation	45.00	21.00
Deferred Tax	224.45	86.85
Prior year Adjustments +/-	(12.73)	(1.46)
Net Profit for the year	291.59	159.12
Balance in Profit & Loss Account	612.86	459.70
Surplus available for appropriation	904.45	618.82
Transferred to General Reserve	15.00	5.00
Interim Dividend paid on equity shares	36.90	—
Proposed final dividend – equity shares	61.50	—
Proposed Dividend on Preference Shares	0.85	0.85
Tax on Dividend	13.56	0.11
Balance carried to Balance Sheet	776.64	612.86

DIVIDEND:

The Directors recommend payment of final dividend of Rs.0.60 per equity share of Rs.10/- each which together with interim dividend of Rs.0.60 per share declared and paid during the year, works out to Rs.1.20 per equity share.

Your Directors further recommend a dividend at the rate of 1% on Non-cumulative Redeemable Preference Shares of Rs.10/- each.

PREFERENTIAL ISSUE OF SHARES:

During the year the Company made a preferential issue of 41,00,000 Equity Shares of Rs.10 each to the promoters group. With the result the paid up Share Capital of the Company has increased from Rs.615 lakhs to Rs.1025 lakhs.

OPERATIONS:

During the year under review the net sales increased to Rs.11267.48 lakhs as compared to Rs.9155.62 lakhs in the previous year registering a significant growth of 23.06%. Profit before tax also increased to Rs.573.77 lakhs for year as compared to Rs.268.43 lakhs in the previous year, a phenomenal increase of 114%. Your Company has achieved a capacity utilization of 96.42% in Duplex Boards by manufacturing 31239 MT as compared to 23843 MT during the previous year and achieved a capacity utilization of 89.84% in Newsprint by manufacturing 26953 MT as compared to 23838 MT during the previous year.

NEW PROJECTS/EXPANSIONS AND MODERNISATIONS:

- *The Company has successfully commissioned 3MW power plant in its Newsprint Unit in December, 2004. The Board of Directors are confident that this plant will reduce power costs significantly.*
- *The Company has shut down with effect from 10.04.2005 its Duplex Unit to carry out expansion cum modernization.*
- *The Company carried out the major expansion-cum-modernisation in the said Duplex Unit thereby enhancing the capacity from 32400 tpa to 54000 tpa and recommenced the plant in July 2005. It is also proposed to install 5MW power plant at its Duplex Unit by March 2006.*

OUTLOOK:

Having regard to an environment where the economy is growing and in the back-drop of increasing consumption and aspiration levels, the outlook for the current year appears to be good, barring unforeseen circumstances.

FIXED DEPOSITS:

As on 31st March, 2005 no fixed deposit was remaining unpaid.

COST AUDIT:

As per the Government's directive, the Company's cost records in respect of Paper products of the Company for the year ended 31st March, 2005 are being audited by the Cost Auditor M/s. V.J.Talati & Company, who were appointed by the Board with the approval of the Central Government.

DIRECTORS:

Shri. N. R. Agarwal would retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for reappointment.

Shri.Chittaranjan Musib was appointed as an Additional Director of the Company by the Board of Directors on 31st January, 2005 and Shri P.Kumar was appointed as an Additional Director of the Company by the Board of Directors on 5th August, 2005. By virtue of section 260 of the Companies Act, 1956 they hold office upto the date of the ensuing Annual General Meeting and are eligible for appointment.

N. R. Agarwal Industries Limited

Shri N. R. Agarwal has resigned as Managing Director of the Company with effect from August 1, 2005.

The Board of Directors has appointed him as Executive Chairman with effect from October 1, 2005. The Board of Directors has also appointed Shri R. N. Agarwal as the Managing Director of the Company for a period of five years with effect from August 5, 2005. Necessary resolutions for approval of the appointment of Shri N. R. Agarwal and Shri R. N. Agarwal and payment of remuneration to them are being proposed for approval by the shareholders at the ensuing Annual General Meeting of the Company.

Brief resume of the above Directors, nature of their experience in specific functional areas and names of the Companies in whom they hold directorship and membership/chairmanship of committees of the Board as stipulated under clause 49 of the Listing Agreement with the Stock Exchange are given in the section on Corporate Governance in the Annual Report.

Shri C.S.Dhapare resigned as Director of the Company on 31.01.2005. Shri G. N.Agarwal resigned as Director of the Company on the 5th August, 2005. The Board places on record its appreciation of the valuable advice and guidance given by them during the tenure of their directorship with the Company.

DISCLOSURE UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956:

As required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the information relating to conservation of energy, technology absorption and foreign exchange earnings and out go is given in Annexure-I forming part of this report.

PARTICULARS OF EMPLOYEES:

The Company does not have any employees whose particulars are required to be given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors' confirm:

- a) that in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that they have selected such accounting policies and 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 financial year and of the profit of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting record 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;

- d) that they have prepared the annual accounts on a going concern basis;

AUDITORS:

The observations made by the Auditors in their report and the notes to accounts are self-explanatory and does not require any further comments.

M/s.Chaturvedi & Partners, Chartered Accountants, the Auditors of the company would retire at the ensuing Annual General Meeting and are eligible for reappointment.

LISTING

The Equity shares of the Company are listed at the Stock Exchanges at Mumbai, Ahmedabad and Delhi. The Company has paid Annual Listing Fee to the Stock Exchange of Mumbai and Ahmedabad for the year 2005-06.

DELISTING OF SHARES:

The Company had applied for Delisting of Shares to Delhi Stock Exchange under the authority granted by the Shareholders in the year 2000. However consequent to the issue of Revised Guidelines of Delisting of Shares, a special Resolution is being proposed at the ensuing Annual General Meeting of the Company for Delisting of the Shares at the Stock Exchange of Ahmedabad and Delhi.

CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, Reports on Management Discussion & Analysis and on Corporate Governance alongwith a certificate from the Auditors are attached hereto and form part of this report.

INDUSTRIAL RELATIONS:

The Employer - Employee relations were cordial throughout the year under review.

ACKNOWLEDGEMENT:

The Board wishes to record its appreciation of the efforts put in by the employees of the Company. The Board also acknowledge the support received from Financial Institutions, Banks and different Government Agencies.

For and on behalf of the Board of Directors

R. N. Agarwal
Managing Director

N. R. Agarwal
Director

Mumbai, 5th August, 2005

ANNEXURE - I

INFORMATION REQUIRED UNDER SECTION 217(1)(e) READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31st MARCH 2005.

I) CONSERVATION OF ENERGY:

A) Energy Conservation measures taken:

Energy conservation measures are undertaken by the Company on regular basis by installing various Equipments and drives etc., and the process is an ongoing process.

B) Additional investment and proposals for reduction of consumption of energy:

The Company is reviewing various proposals for reduction in consumption of energy, mainly by way of replacement of existing equipments by modern and energy efficient equipment.

C) Impact of the measures at A & B above for reduction of energy consumption and consequent impact on the cost of production of goods:

The Company has been able to achieve reduction in specific energy Consumption.

D) Total energy consumption and energy consumption per unit of Production as per Form - A

1) POWER & FUEL CONSUMPTION:

a) Electricity:

	Unit	Current Year	Previous Year
i) Purchased units	Lakh/KWH	10250250	7971540
Total amount	Rs.in lakhs	569.88	430.90
Rate / Unit	Rs.	5.56	5.41

ii) Own Generation

(i) Through Diesel Generator

Units	KWH	14955751	20211933
Qty.	Kilo Ltrs.	4392.120	5993.170
Total Cost	Rs.in lacs	717.09	1022.62
Units per Ltr. of Furnace Oil & LDO		6.93	3.37
Average Cost/Unit	Rs./KWH	4.79	5.06

(ii) Through Steam Turbine

Units	KWH	6695750	—
Units per tonne of coal	KWH	592.65	—
Average Cost/Unit	Rs./KWH	3.41	—

b) COAL AND LIGNITE:

Quantity	Tonnes	32981	18781
Total amount	Rs.in lakhs	696.20	379.08
Average Rate/Ton	Rs.	2111	2018

(The Company uses 'B' & 'C' grade coal in it's Boiler and Steam Turbine)

2) CONSUMPTION PER TONNE OF PRODUCTION:

Electricity	KWH	548	591
Coal	Kgs.	567	394
Furnace Oil	Ltr.	110	102
L.D.O.	Ltr.	35	75

II) TECHNOLOGY ABSORPTION:

The Company does not require any technology for its existing business.

III) FOREIGN EXCHANGE EARNINGS & OUTGO:

Foreign Exchange Outgo	:	Rs. 1193.28 lacs
Foreign Exchange Earnings	:	Rs. 77.81 lacs

For and on behalf of the Board of Directors

R. N. Agarwal
Managing Director

N. R. Agarwal
Director

Mumbai, 5th August, 2005

N. R. Agarwal Industries Limited

CORPORATE GOVERNANCE REPORT:

1. COMPANY'S PHILOSOPHY:

N. R. Agarwal Industries Limited (NRAIL) is governed by the professional management team at various level under the supervision and guidance of the Board of Directors. At NRAIL, the concept of Corporate Governance hinges on total transparency, integrity and accountability of the management team. It is basic principle of Corporate Governance to enlighten the shareholders and other stakeholders of the Company on the total performance of the Company. NRAIL believes in ethical values and commitment to the laws of the land. The Board of Directors supports the broad principles of corporate governance and it is the philosophy of the Company to strive whole-heartedly to attain the highest levels of transparency, accountability and equity in all facets of operations. NRAIL firmly believes in the values of professionalism in its dealing with its customers, dealers, employees, shareholders and with every individual who comes in contact with the Company. Your Company is committed to follow good corporate governance practices and improve upon them year after year.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company consists of persons with considerable professional expertise and experience in business and industry, finance, management, legal and marketing. The Board of Directors of the Company is entrusted with complete authority and responsibility to manage the affairs of the Company. The Board is entrusted with the task of managing the Company directly or through delegation of authority either partly or totally as may be found appropriate and reasonable to the Board (within the legal framework of the Company).

COMPOSITION:

The present strength of the Board of Directors of your company is six directors.

Composition and category of directors is as follows:

Name of Directors	Category		Directorship in other Companies	No. of Committees in which Chairman/Member (other than N. R. Agarwal Industries Ltd.)	
	Executive or Non-Executive	Independent		Chairman	Member
*Shri. N. R. Agarwal	Managing Director	Non-Independent	6	—	—
Shri. G. N. Agarwal (till 05.08.2005)	Non-Executive	Non-Independent	4	—	—
**Shri. R. N. Agarwal	Non-Executive	Non-Independent	2	—	—
Shri. S. N. Chaturvedi	Non-Executive	Independent	5	2	—
Shri. C. S. Dhapare (till 31.01.2005)	Non-Executive	Independent	1	—	—
Shri. R. K. Sinha	Nominee Director	Independent	—	—	—
Shri. Chittaranjan Musib (from 31.01.2005)	Non-Executive	Independent	—	—	—
Shri P. Kumar (from 05.08.2005)	Non-Executive	Independent	2	—	3

* Managing Director upto August 1, 2005

** Managing Director with effect from August 5, 2005.

BOARD PROCEDURE:

The Board meets atleast once a quarter to review the quarterly performance and the financial results. The Board Meetings are generally scheduled well in advance and the notice of each Board Meeting is given in writing to each Director. The Board is free to recommend the inclusion of any matter for discussion in consultation with the Chairman.

To enable the Board to discharge its responsibilities effectively, the members of the Board are briefed at every Board Meeting, on the overall performance of the Company.

The Board's role, functions, responsibility and accountability are clearly defined. In addition to matters statutorily requiring Board's approval, all major decisions involving policy formulation, strategy and business plans, annual operating and capital expenditure budgets, new investments compliance with statutory/regulatory requirements, major accounting provisions and write-offs are considered by the Board

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING.

During the Financial Year ended March 31, 2005, eight Board Meetings were held on April 29, 2004, July 28, 2004, September 22, 2004, October 27, 2004, November 11, 2004, November 17, 2004, January 31, 2005 and March 30, 2005.

Director	No. of Board Meetings Attended	Attended Last AGM
Shri N.R. Agarwal	7	Yes
*Shri G. N. Agarwal (till 05.08.2005)	4	Yes
Shri R.N.Agarwal	8	Yes
Shri S.N.Chaturvedi	8	Yes
*Shri C.S.Dhapare(till 31.01.2005)	6	Yes
Shri R. K. Sinha	3	No
**Shri. C. Musib(from 31.01.2005)	1	N.A.
**Shri P. Kumar (from 05.08.2005)	N. A.	N. A.

* Shri C. S. Dhapare and Shri G. N. Agarwal resigned as Directors on 31.01.2005 and 05.08.2005 respectively.

** Shri Chittaranjan Musib and Shri P. Kumar were appointed as Additional Directors on 31.01.2005 and 05.08.2005 respectively,

Information required under clause 49 VI A of the Listing Agreement:

The particulars of Directors who are proposed to be appointed/re-appointed at this Annual General Meeting, are given below, as required pursuant to clause 49 of the Listing Agreement:

Name of Director	Shri Nagindas R. Agarwal	Shri Rajendra N. Agarwal	Shri Chittaranjan Musib	Shri P. Kumar
Age	73 years	45 years	62 years	67 years
Qualification	Chemical Engineer	B.E. Electrical, MBA (USA)	M.Com, F.I.C.W.A.	M.A., C.A.I.I.B
Nature of Expertise	Industrialist	Industrialist	Management Consultant	Management Consultant
Name of other Companies in which holds Directorship	1. Gayatrishakti Paper & Boards Limited 2. N.R. Paper & Boards Ltd. 3. Suman Paper & Boards Ltd. 4. Kherani Paper Mills Pvt. Ltd. 5. Agarwal Paper Mills Pvt. Ltd. 6. Agrashakti Paper Mills Pvt. Ltd.	1. N. R. Paper & Boards Ltd. 2. Suman Paper & Boards Ltd.	Nil	1. Oswal Chemicals & Fertilisers Ltd. 2. Banswara Syntex Ltd.
Names of other Companies in which holds membership of committees of the Board	Nil	Nil	Nil	Member of audit committee of 1. Oswal Chemicals & Fertilisers Ltd. 2. Banswara Syntex Ltd. Member of Shareholders Grievances Committee of 1. Banswara Syntex Ltd.

3. AUDIT COMMITTEE:

The Audit Committee of the Board of Directors of the Company, inter-alia, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

The terms of Reference of the Audit Committee are in accordance with paragraphs C and D of Clause 49(II) of the Listing Agreement and as specified by the Board of Directors of the Company and inter-alia includes:

- *Reviewing the Company's financial reporting process and disclosure of financial information.*
- *Recommending the appointment and removal of statutory auditors, fixation of audit and other fees.*
- *Reviewing the quarterly and annual financial statements with primary focus on accounting policies and practices, compliance with accounting standards and legal requirements concerning financial statements.*
- *Reviewing the adequacy of internal control systems and internal audit function, ensuring compliance of internal control systems and reviewing the Company's financial policies.*
- *Reviewing the reports furnished by the internal auditors and statutory auditors and ensuring suitable follow-up thereon.*

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS)

N. R. Agarwal Industries Limited

issued by The Institute of Chartered Accountants of India during the year. Compliance of the AS applicable to the Company has been ensured in the Financial Statements for the year ended March 31, 2005.

The Audit Committee was reconstituted and comprises of three Independent and Non-Executive Directors. The Audit Committee is constituted in accordance with the provisions of Clause 49 (II) (A) of the Listing Agreement and the Companies Act, 1956. All these Directors possess knowledge of corporate finance, accounts and company law. Shri S. N. Chaturvedi is the Chairman of the Audit Committee.

The composition of the Audit Committee is as follows:

1. Shri S. N. Chaturvedi - Chairman Member, Independent, Non-Executive
2. Shri R. K. Sinha - Member, Independent, Non-Executive
3. Shri R.N.Agarwal - Member, Non-Independent, Non-Executive (upto 04.08.2005)
4. Shri P. Kumar - Member, Independent Non-Executive (w.e.f. 05.08.2005)

MEETINGS AND ATTENDANCE:

During the financial year ended March 31, 2005, six Audit Committee Meetings were held on April 29, 2004, July 28, 2004, September 22, 2004, October 27, 2004, November 17, 2004 and January 31, 2005. The Audit Committee also met prior to the finalization of accounts for the year ended March 31, 2005.

The attendance of the Audit Committee Meetings is as under:

Name	No. of Meetings Attended
Shri.S.N.Chaturvedi	6
Shri.R.N.Agarwal	6
Shri.R.K.Sinha	2

INTERNAL AUDITORS:

The Company has appointed a firm of Chartered Accountants as Internal Auditors to review the internal control systems of the Company and to report thereon. The report of the Internal Auditors is reviewed by the Audit Committee.

4. REMUNERATION COMMITTEE:

The Remuneration Committee comprises of three Directors, all of whom are Non-Executive, Independent Directors.

Consequent to the resignation of Shri C. S. Dhapare, a member of the Remuneration Committee as Director on 31.01.2005, Shri Chittaranjan Musib was appointed as member of the Remuneration Committee on 31.01.2005.

The Composition of the Remuneration Committee is as follows:

- | | | | |
|-------------------------|---|----------|------------------------------|
| Shri S. N. Chaturvedi | - | Chairman | - Independent, Non-Executive |
| Shri R. K. Sinha | - | Member | - Independent, Non-Executive |
| Shri Chittaranjan Musib | - | Member | - Independent, Non-Executive |

The remuneration policy is directed towards rewarding performance, based on review of achievements. It is aimed at attracting and retaining high caliber talent.

Presently, the Company does not have any stock option plan or performance linked incentives for its Directors.

No meeting of the Committee was held during the year.

The details of remuneration to all the Directors for the year ended March 31, 2005 are as under:

Name of Director	Salary (Rs.)	Benefits (Rs.)	Commission (Rs.)	Others (Rs.)	Sitting fees (Rs.)	Total
Shri.N.R.Agarwal	1500000/-	76400/-	Nil	Nil	Nil	1576400/-
Shri.G.N.Agarwal	Nil	Nil	Nil	Nil	4000/-	4000/-
Shri.R.N.Agarwal	Nil	Nil	Nil	Nil	8000/-	8000/-
Shri.S.N. Chaturvedi	Nil	Nil	Nil	Nil	14000/-	14000/-
Shri.C.S.Dhapare	Nil	Nil	Nil	Nil	6000/-	6000/-
Shri.R.K.Sinha	Nil	Nil	Nil	Nil	5000/-	5000/-
Shri.C. Musib	Nil	Nil	Nil	Nil	1000/-	1000/-

5. SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE:

The Board of N.R.Agarwal Industries Limited has re-constituted a Committee of Directors, which inter-alia also functions as 'Shareholders'/ Investors' Grievances Committee' consisting of three members chaired by Shri R. N. Agarwal (upto August 4, 2005) and by Shri S. N. Chaturvedi (w.e.f. August 5, 2005).

COMPOSITION:

The composition of the Committee of Directors is as under:

Shri R. N. Agarwal	-	Member (Chairman upto 04.08.2005)
Shri N. R. Agarwal	-	Member
Shri S. N. Chaturvedi	-	Non Executive Member (Chairman with effect from 05.08.2005)

The Committee deals with matters relating to:

- transfer/transmission/transposition of shares;
- consolidation/splitting of folios;
- issue of share certificates for lost, sub-divided, consolidated, rematerialized, defaced, etc;
- review of shares dematerialized and all other related matters;
- investors' grievances and redressal mechanism and recommend measures to improve the level of investor services.

The Share Department of the Company and the Registrar and Share Transfer Agent, Sharex Dynamic (India) Private Limited attend to all grievances of the shareholders and investors received directly or through SEBI, Stock Exchanges, Department of Company Affairs, Registrar of Companies, etc.

The Minutes of the Shareholders'/Investors' Grievances Committee are noted by the Board of Directors at the Board Meetings.

MEETINGS AND ATTENDANCE:

Two meetings of the Committee were held during the year April 1, 2004 to March 31, 2005. The meetings were held on October 27, 2004 and March 30, 2005.

The number of meetings attended by each of the members is as under:

Name	No. of Meetings Attended
Shri.R.N.Agarwal	2
Shri. N. R. Agarwal	2

DETAILS OF SHAREHOLDERS' COMPLAINTS RECEIVED, NOT SOLVED AND PENDING SHARE TRANSFERS:

The total number of complaints received, and replied to the satisfaction of the shareholders during the year ended March 31, 2005 were 29. Outstanding complaints as on March 31, 2005 were nil. The number of share transfers and request for dematerialization pending as on March 31, 2005 were nil.

COMPLIANCE OFFICER:

The Board has designated Shri Vinod Bapna, Company Secretary as the compliance officer.

6. GENERAL BODY MEETINGS:

Location and time, where last three Annual General Meetings were held are given below:

Financial Year	Date of AGM	Time	Location	Details of special resolution passed
2003-2004	October 28, 2004	11.00 A.M.	Aishwarya PartyHall, Oshiwara,Jogeshwari (W), Mumbai-400 102	Special resolutions for alteration of Articles of Association and for preferential issue of shares through postal ballot were passed
2002-2003	September 23, 2003	11.00A.M.	Aishwarya PartyHall, Oshiwara,Jogeshwari (W), Mumbai-400 102	No special resolution passed
2001-2002	September 16, 2002	11.00 A.M.	Aishwarya PartyHall, Oshiwara,Jogeshwari (W), Mumbai-400 102	No special resolution passed

Postal Ballot:

The Board of Directors had in its meeting held on 22nd September, 2004, decided to issue 41,00,000 Equity Shares of Rs.10/- each for cash at par subject to the provisions of Section 81, 81(1A) and the SEBI Preferential Issue guidelines.

As per SEBI Exemption Order no. MO/51/CFD/08/04 dated 5th August 2004 and pursuant to the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, NRAIL proposed and passed by postal ballot a special resolution under section 81(1A) for approval to the issue of 41,00,000 Equity Shares of Rs.10/- each for cash at par.

Shri P. N. Parikh of M/s. Parikh & Associates, the Company Secretaries in whole time practice, was appointed as the scrutinizer for the purpose of conducting the above Postal Ballot exercise.

The Company received 162 ballot forms, comprising an aggregate of 7,49,299 equity shares of the face value of Rs.10/- each. Out of them 108 forms comprising 4,86,399 equity shares (94.34%) were in favour of the resolution and 10 forms comprising 29,200 equity shares (5.66%) were against the resolution. 44 forms comprising 2,33,700 equity shares were found to be invalid. The results of the postal ballot were announced in the Annual General Meeting held on 28th October, 2004.

N. R. Agarwal Industries Limited

The Company has complied with all the procedural formalities for the conduct of Postal Ballot.

The Company does not have any proposal for postal ballot this year.

7. DISCLOSURES:

- a. Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

Transactions with related parties as per requirements of Accounting Standard AS 18 are disclosed in Note No.12 of Schedule Q to the Accounts in the Annual Report.

- b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

The Company has complied with all requirements of the Listing Agreements entered into with the Stock Exchanges as well as the regulations and guidelines of SEBI. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last years.

8. MEANS OF COMMUNICATION:

- (i) The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the proforma prescribed by Clause 41 of the Listing Agreement within one month of the close of the respective period.
- (ii) The approved financial results are forthwith sent to the Listed Stock Exchanges and are published in an English newspaper namely Free Press Journal and in a local language (Marathi) newspaper, namely Navashakti (Mumbai) within forty-eight hours of approval thereof.
- (iii) Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern etc. are hosted on the Electronic Data information Filing and Retrieval (EDIFAR) website www.sebiedifar.nic.in maintained by SEBI in association with the National Informatics Centre, within the time frame prescribed in this regard.
- (iv) The Company's financial results are displayed on the Company's Website www.nrail.com.
- (v) As the Company's half-yearly financial results are published in press and also posted on its Website, the same are not mailed to the shareholders.
- (vi) Management Discussion and Analysis forms part of the Annual Report.
- (vii) There were no presentations made to the institutional investors or analysts.

9. GENERAL SHAREHOLDER INFORMATION:

Registered Office : 415-418, Janki Centre, 29, Shah Industrial Estate, Off: Veera Desai Road, Andheri (W), Mumbai – 400 053 • Email ID – nrailm@eth.net • Website - www.nrail.com

Annual General Meeting

Date and time : September 29, 2005 at 11.00 a.m.
Venue : Aishwarya Party Hall, Oshiwara, Jogeshwari (W), Mumbai-400 102

Financial Calendar

*First quarter results — Last week of July 2005
*Second quarter results — Last week of October 2005
*Third quarter results — Last week of January 2006
*Fourth quarter results — Last of week April 2006
*tentative

Date of Book Closure : Thursday 22nd September, 2005 to Thursday 29th September, 2005 (both days inclusive)

Dividend Payment date : Within thirty days from 29th September, 2005.

One interim dividend was declared by the Board of Directors at its meeting held on 17th November, 2004 (Rs.0.60 per share) and was paid. The Record Date for the dividend was 30th November, 2004.

Listing on Stock Exchanges:

The Equity Shares of the Company are listed on the Stock Exchange, Mumbai (BSE) and The Ahmedabad Stock Exchange, Ahmedabad and Delhi Stock Exchange Association Ltd. Annual Listing Fees as prescribed have been paid to the Stock Exchanges of Mumbai and Ahmedabad for the year 2005-06.

Stock Code : BSE, Mumbai – 16082
Ahmedabad Stock Exchange - 41021
Delhi Stock Exchange Association Ltd. - 7521

The ISIN Number of NRAIL on both the NSDL and CDSL is INE740D01017

Stock Market Data:

The monthly high and low quotations and volume of shares traded on the Stock Exchange, Mumbai (BSE) during the year ended March 31, 2005 are as under:

High and Low prices of the Company's shares on BSE with corresponding BSE Sensex April 2004 to March 2005				
	High (Rs.)		Low (Rs)	
	NRAIL Price	BSE Sensex	NRAIL Price	BSE Sensex
April, 2004	07.09	5979.25	05.18	5599.12
May, 2004	08.47	5772.64	05.05	4227.50
June, 2004	06.70	5012.52	05.10	4613.94
July, 2004	07.49	5200.85	05.31	4723.04
August, 2004	10.30	5269.22	06.08	5022.29
September, 2004	11.66	5638.79	08.20	5178.57
October, 2004	14.00	5803.82	09.60	5558.14
November, 2004	20.65	6248.43	13.45	5649.03
December, 2004	17.50	6617.15	13.55	6176.09
January, 2005	17.00	6696.31	10.75	6069.33
February, 2005	18.90	6721.08	11.50	6508.33
March, 2005	27.80	6954.86	14.75	6321.31

Registrar and Share Transfer Agent:

Sharex Dynamic (India) Private Limited
17/B, Dena Bank Building, 2nd Floor, Horniman Circle
Fort, Mumbai – 400 001 • Tel. No. 022 - 2270 2485 / 2264 1376

Share Transfer System:

The transfer of shares in physical form is processed and completed by Sharex Dynamic (India) Private Limited within a period of thirty days from the date of receipt thereof provided all the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants. In compliance with the Listing Agreement with the Stock Exchanges, a practicing Company Secretary audits the System of Transfer and a Certificate to that effect is issued.

Distribution of shareholding as on March 31, 2005:

No. of Shares	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 100	6335	67.96	629163	6.14
101 – 200	975	10.46	194444	1.9
201 – 500	991	10.63	404149	3.94
501 – 1000	481	5.16	411607	4.02
1001 – 5000	413	4.43	1114686	10.87
5001 – 10000	72	0.77	549538	5.36
10001 – 100000	44	0.47	1225363	11.95
100001 and above	11	0.12	5721050	55.82
GRAND TOTAL	9322	100	10250000	100

Shareholding Pattern as on March 31, 2005:

A. PROMOTER'S HOLDING	NO. OF SHARES Held	% OF SHARE CAPITAL
1. Promoters		
Indian Promoters	827945	8.09
2. Person Acting in concert	5025700	49.03
B. NON-PROMOTER'S HOLDING		
3. Institutional Investors		
a. Mutual Funds	0	0
b. Banks, Financial Institutions	5000	0.05
c. FIs	5400	0.05
4. OTHERS		
a. Private Corporate Bodies	575381	5.61
b. Indian Public	3794030	37.01
c. NTIs/OCSs	16544	0.16
GRAND TOTAL	10250000	100

N. R. Agarwal Industries Limited

Pursuant to the amendment to Regulation 3(1)(e) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997, the following persons constitute the Promoter Group of the Company.

1. Shri N. R. Agarwal, 2. Smt. S. N. Agarwal, 3. Shri Rajendra N. Agarwal, 4. Smt. Reena R. Agarwal, 5. Shri G.N.Agarwal, 6. Smt. Meena G. Agarwal, 7. Shri Madan R. Agarwal 8. M/s.Suman Paper & Boards Limited, 9. N. R. Paper & Boards Limited, 10.M/s.Westend Paper & Board Pvt. Ltd., 11. M/s.Kherani Paper Mills Limited, 12.M/s.Agarwal Paper Mills Pvt. Ltd., 13. M/s.Agrashakti Paper Mills Pvt. Ltd., 14.Shri.Saifee Abbasbhai Jani, and 15. Smt. Farzana Saifee Jani.

Dematerialisation of shares and liquidity:

Trading in the Company's shares is permitted only in dematerialized form for all investors. The Company has established connectivity with National Securities Depository Limited and Central Depository Services (India) Limited through the Registrars, M/s.Sharex Dynamic (India) Pvt. Ltd., whereby the investors have the option to dematerialize their shares with either of the depositories.

8407601 Equity Shares aggregating to 82.03% of the total Equity Capital is held in dematerialized form as on March 31, 2005 of which 76.97% (7889292 Equity Shares) of the total equity capital is held with NSDL and 5.06% (518309 Equity Shares) of the total equity capital is held with CDSL as on March 31, 2005.

Outstanding GDRs / ADRs / Warrants or any convertible instruments conversion date and likely impact on equity – Not applicable.

Address for Investor Correspondence :

Plant Locations :

Unit – I

Plot No.169, GIDC
Vapi – 396 195
Dist. Valsad
Gujarat State
Tele - Fax:
0260 2401634
2401706

Unit - II

Plot No.1, Phase 1
GIDC, Vapi - 396 195
Dist. Valsad
Gujarat State
Tele - Fax:
0260 2400979
2401841

Registrar and Share Transfer Agent:

Sharex Dynamic (India) Private Limited
17/B, Dena Bank Building
2nd Floor, Horniman Circle
Fort, Mumbai – 400 001
Tel. No. 022 - 2270 2485 / 2264 1376

Certificate by Auditors:

The Company has obtained a certificate from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in clause 49 of the Listing Agreements executed with Stock Exchanges, which is annexed herewith.

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of N. R. Agarwal Industries Limited

We have examined the compliance of conditions of Corporate Governance by **N.R.Agarwal Industries Limited** for the year ended 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing Agreements.

On the basis of representation received from the Registrar and Share Transfer Agent and as per records maintained by the company which are presented to the Shareholders Grievances Committee, we state that during the year ended 31st March, 2005 no investor grievances were pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
Partner

Mumbai, 5th August, 2005

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**INDUSTRY STRUCTURE AND DEVELOPMENT:****OVERVIEW:**

The year 2004-05 began on a promising note with buoyant industrial growth and forecast of a normal rainfall. However, in the early part of the year, the results of the Lok Sabha elections coupled with the erratic behaviour of the monsoon did dampen sentiments initially and affect business. Business sentiment improved towards the latter part of the second quarter with increased expectations of continuance of the liberalization policies by the new Government. The flexibility given by the Union Budget for 2004-05 to the paper industry on excise, provided a great fillip to the industry. However, increases in input costs especially waste paper put tremendous pressures on margins on the Company's paper board and newsprint respectively.

Considering the above, the Board considers the all round performance of the Company during the year under review as satisfactory.

Opportunities and Threats:

Margins would be under pressure in the current year also as overall prices of inputs continue to rise.

The Company has taken various steps like installation of 3MW Captive Power Plant at its Newsprint division which commenced operations effective 10th December, 2004, manpower rightsizing, lost cost automation in plants and tools to maintain cost competitiveness through operating efficiencies and productivity.

The Company will continue to stress on improving quality standards, reducing lead-time in supplying orders, competitive pricing of products and more stress on product innovation to meet the new set of challenges. The Company is in the process of expanding capacity of its Duplex Board division by 21600 tpa through modernization and installing imported machinery as it believes in achieving scale of operations to cater to the emerging demands of the post quota global marketplace. The Company is now poised to exploit the potential of this demand.

SEGMENT PERFORMANCE:

The Company's products namely Paper Boards and Newsprint are considered to constitute a single business segment in accordance with the provisions of Accounting Standard.

Industry Outlook:

The Indian Paper Industry is the 15th largest in the world and provides employment to 1.3 million people in the country contributing Rs.25 bn to the Government. The industry has recorded a volume growth of 6.9% in line with the GDP growth. Indian paper industry has a 1:1 correlation with the economy.

The demand for paper is influenced by various macro-economic factors like national economic growth, industrial production, promotion expenditure, population growth and the Government's allocation for the educational sector. Domestic demand for paper is expected to grow at a compounded annual growth rate (CAGR) of 6-7%. India's paper demand is expected to touch 8mn tpa by 2010.

Captive power is an integral part of a paper manufacturing facility in the organized sector and requires an investment of Rs.3 -4 crores per MW. Captive power is 1.5 to 3 times cheaper than Grid power and could result into annual savings of about Rs.1.00 crore/MW. The captive power capacity is expected to grow steadily, which will help bring down the cost of production. However, rising coal prices and availability of coal are key areas of concern.

RISK MANAGEMENT:

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates and price fluctuations raw material.

Foreign Exchange Risk:

The Company's policy is to systematically hedge its long term foreign exchange and risks as well as short term exposures.

Interest rate risk:

In view of continuous risk mitigating strategy adopted by the Company, it does not perceive interest rate fluctuations as a significant risk having any material impact on its profitability.

Commodity Price Risk:

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. These risks are not significant considering the inventory levels and normal co-relation in the price of raw materials and finished goods.

Risk Element in Individual Business:

Apart from the risks on account of interest rate, foreign exchange and regulatory changes, the business of the Company is exposed to certain operating business risks, which are managed by regular monitoring and corrective actions.

ENVIRONMENT AND SAFETY:

The Company is conscious of the need for an environmentally clean and safe operations. The Company policy requires the conduct of all operations in such manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Internal Control Systems are implemented:

- to safeguard the Company's assets from loss or damage.
- to keep constant check on cost structure.
- to provide adequate financial and accounting controls and implement accounting standards.

The system is improved and modified continuously to meet with changes in business conditions, statutory and accounting requirements.

The key elements of internal control systems are as follows:

- Clearly defined organization structure
- Well defined authorization for conducting business.
- Management control through efficient reporting system.
- A regular review of systems and procedures.

Performance Highlights:

Despite the fierce competition in the domestic markets, the Gross revenue has increased to Rs. 11267.48 lakhs as compared to Rs. 9155.62 lakhs in the previous year. The pre-tax profit has increased by 114% at Rs. 573.77 lakhs.

The gross turnover, net of returns and discounts, was higher by 23.06% at Rs.11267.48 lakhs (Rs.9155.62 lakhs). Profit before tax and prior year adjustments was higher at Rs.573.77 lakhs (Rs.268.43 lakhs). Net profit after prior year adjustments and provision for taxes was higher at Rs.291.59 lakhs (Rs. 159.12 lakhs).

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Industrial relations remained generally cordial in all the plants.

CAUTIONARY STATEMENT:

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company conducts business and other incidental factors.

N. R. Agarwal Industries Limited

AUDITORS' REPORT

To, The Members of

N. R. AGARWAL INDUSTRIES LIMITED

- 1) We have audited the attached Balance Sheet of N.R.AGARWAL INDUSTRIES LIMITED as at 31st March, 2005, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order 2003 and the Companies (Auditor's Report) Amendment Order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 & 5 of the said Order.
- 4) Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors other than Mr.R.K.Sinha, (Financial Institution's nominee), we report that none of the Directors is disqualified as on 31st March 2005, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. IDBI has advised that the provision of section 274 relating to disqualification of directors are not attracted in the case of its nominee, in view of the provisions contained in section 30A of the IDBI Act.
 - f) In our opinion and to the best of our information and according to the explanations given and management representations made to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2005

- ii) In the case of the Profit and Loss account, of the "Profit" for the year ended on that date; and
- iii) In the case of the Cash Flow statement, of the Cash Flow for the year ended on that date.

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
(Partner)

Mumbai, 5th August, 2005

Membership No.: 40763

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our Report of even date

- 1)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for the assets under installation.
 - b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c) The Company has not disposed off substantial part of its fixed assets, which affect the going concern status of the Company.
- 2)
 - a) As explained to us, the inventories have been physically verified by the management at reasonable intervals during the year.
 - b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company is maintaining proper records of inventory. As explained to us, no material discrepancies have been noticed on physical verification of stocks as compared to book records.
- 3)
 - a) The Company had granted unsecured loans and advances to two Companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.175.73 lakhs and the year-end balance of the said loan and advances was Rs. Nil.
 - b) As informed to us, the unsecured loans and advances are interest free. Further no covenant has been stipulated with regard to the repayment of the loan. In view of the foregoing, the terms & conditions of the loans are prima facie not prejudicial to the interest of the company.
 - c) The Company had not taken any loans from Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit we have not observed any major weaknesses in internal controls.
- 5)
 - a) According to the information and explanations given to

us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanation given to us, the Company has complied with the provision of section 58A & 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the deposits accepted from the public. We have been informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank Of India or any Court or any other Tribunal.
- 7) The Company has appointed a firm of Chartered Accountants as internal auditors for the year under review. In our opinion,

the company has an internal audit system commensurate with the size and nature of its business.

- 8) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the said records.
- 9) a) According to the information and explanations given to us and according to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Custom Duty, Service Tax, Excise duty, Cess with appropriate authorities.
- b) As at 31st March 2005, according to the records of the company and the information and explanation given to us, the following are the particulars of dues on account of excise duty matters that have not been deposited on account of any dispute.

Name of the statute	Name of the dues	Amount (Rs)	Forum where dispute is pending	Financial year to which the amount relates
Central Excise Act, 1944	Excise duty	2,07,88,774	Appellate Authority-Tribunal level	1998-99
		65,25,268	Appellate Authority – upto Commissioners' level	2003-04 and 2004-05

- 10) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in immediately preceding financial year.
- 11) Although there have been delays, all amounts due and payable during the year in respect of interest and installments to financial institutions/banks have been paid.
- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 15) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks & financial institutions are prima facie, not prejudicial to the interest of the Company.
- 16) In our opinion, on the basis of information and explanations given to us, the term loans were applied for the purpose for which they were raised.
- 17) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- 18) During the year, the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. The shares have been allotted at par value. In our opinion the price at which the same have been issued are not prima-facie prejudicial to the interest of the Company.
- 19) According to the information and explanations given to us, during the year the company has not issued any debentures.
- 20) The company has not raised any money through a public issue during the year.
- 21) In our opinion & according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
(Partner)
Membership No.: 40763

Mumbai, 5th August, 2005

N. R. Agarwal Industries Limited

BALANCE SHEET AS AT 31st MARCH 2005

	Schedules	As at 31 st March, 2005 Rupees	As at 31 st March, 2004 Rupees
SOURCES OF FUNDS			
(1) SHARE HOLDERS' FUND			
(a) Share Capital	'A'	111,000,000	70,000,000
(2) RESERVES AND SURPLUS	'B'	80,587,728	62,710,560
		<u>191,587,728</u>	<u>132,710,560</u>
(3) LOAN FUNDS			
(a) Secured Loans	'C'	269,532,329	178,149,721
(b) Unsecured Loans	'D'	75,445,994	163,628,648
		<u>344,978,323</u>	<u>341,778,369</u>
(4) DEFERRED TAX LIABILITY		75,170,044	52,725,404
TOTAL		<u>611,736,095</u>	<u>527,214,333</u>
APPLICATION OF FUNDS			
(1) FIXED ASSETS			
(a) Gross Block		575,234,545	464,224,069
(b) Less : Depreciation	'E'	148,765,561	125,571,213
(c) Net Block		426,468,984	338,652,856
(d) Add : Capital Work in Progress		114,352,765	41,225,912
		<u>540,821,749</u>	<u>379,878,768</u>
(2) INVESTMENTS	'F'	620,000	620,000
(3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	'G'	77,944,897	71,459,253
(b) Sundry Debtors	'H'	105,568,346	182,102,973
(c) Cash and Bank Balances	'I'	11,992,830	5,221,026
(d) Loans and Advances	'J'	69,145,611	18,065,863
		<u>264,651,684</u>	<u>276,849,115</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	'K'	186,091,646	129,289,015
(b) Provisions		8,265,692	1,011,498
		<u>194,357,338</u>	<u>130,300,513</u>
NET CURRENT ASSETS		70,294,346	146,548,602
(4) MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenses		0	166,963
TOTAL		<u>611,736,095</u>	<u>527,214,333</u>
NOTES TO ACCOUNTS	'Q'		

The Schedules referred to above form an integral part of the Balance Sheet.
As per our attached report of even date

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

Mumbai, 5th August, 2005

For and on behalf of the Board of Directors

R. N. AGARWAL
Managing Director

N. R. AGARWAL
Director

S. N. CHATURVEDI
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2005

	Schedules	31 st March, 2005 Rupees	31 st March, 2004 Rupees
INCOME			
Sales		1,126,748,298	915,561,576
Other Income	'L'	5,378,910	2,097,137
Increase / Decrease in stock + / (-)	'M'	7,389,917	4,688,478
		1,139,517,125	922,347,191
EXPENDITURE			
Raw Materials Consumed	'N'	570,101,844	444,285,773
Purchases Of Traded Goods		925,344	1,177,033
Manufacturing and Other Expenses	'O'	465,432,097	403,306,444
Interest	'P'	21,597,148	24,580,179
Depreciation		23,916,944	21,159,461
Preliminary expenses written off		166,963	995,442
		1,082,140,340	895,504,332
PROFIT BEFORE TAXATION		57,376,785	26,842,859
Provision for Taxation		4,500,000	2,100,000
Provision for Deferred Tax		22,444,640	8,685,340
PROFIT AFTER TAXATION		30,432,145	16,057,519
Prior year Adjustment + / (-)		(1,303,395)	(385,638)
Previous year taxation Adjustment + / (-)		30,119	240,102
Balance brought forward		61,286,849	45,970,761
PROFIT AVAILABLE FOR APPROPRIATION		90,445,718	61,882,744
APPROPRIATIONS			
Interim dividend paid on equity shares		3,690,005	0
Tax on interim equity dividend		482,237	0
Proposed final dividend - equity shares		6,150,000	0
Tax on proposed equity dividend		862,538	0
Proposed dividend on preference shares		85,000	85,000
Tax on proposed preference dividend		11,921	10,895
Transfer to General Reserve		1,500,000	500,000
BALANCE CARRIED TO BALANCE SHEET		77,664,017	61,286,849
Basic and diluted earning per share (in Rs.)		3.92	2.60
NOTES TO ACCOUNTS		'Q'	

The Schedules referred to above form an integral part of the Profit and Loss Account
As per our attached report of even date

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

Mumbai, 5th August, 2005

For and on behalf of the Board of Directors

R. N. AGARWAL
Managing Director

N. R. AGARWAL
Director

S. N. CHATURVEDI
Director

N. R. Agarwal Industries Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 st March, 2005 Rupees	As at 31 st March, 2004 Rupees
SCHEDULE : A		
SHARE CAPITAL		
AUTHORISED		
125,00,000 Equity Shares of Rs.10/- each	125,000,000	125,000,000
25,00,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10/- each	25,000,000	25,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
1,02,50,000 (Previous year - 6150000) Equity Shares of Rs.10/- each fully paid up	102,500,000	61,500,000
850,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10/- each fully paid up	8,500,000	8,500,000
	<u>111,000,000</u>	<u>70,000,000</u>

Note : Preference Shares of Rs.10/- each are redeemable at par at the end of 7th year from the date of allotment.i.e 27.07.2000

SCHEDULE : B

RESERVES AND SURPLUS

GENERAL RESERVE

Balance as per last account	1,423,711	923,711
Add: Transferred from Profit and Loss account	1,500,000	500,000
	<u>2,923,711</u>	<u>1,423,711</u>

PROFIT AND LOSS ACCOUNT

77,664,017	61,286,849
<u>80,587,728</u>	<u>62,710,560</u>

SCHEDULE : C

SECURED LOANS

i) Term Loans from Financial Institution and Banks		
I. D. B. I.	9,100,000	20,300,000
The Greater Bombay Co-operative Bank Ltd.	7,200,000	12,000,000
Bank of India (for Co-Generation Plant)	61,250,000	26,448,069
Bank of India (for Expansion)	12,950,067	0
Oriental Bank of Commerce	44,763,419	0
Bank of Baroda -Vapi	14,488,383	0
ii) Working Capital Loan from Banks	119,780,460	119,401,652
	<u>269,532,329</u>	<u>178,149,721</u>

NOTES :

- The term loans from IDBI are secured by the first charge by way of joint mortgage by deposit of title deeds relating to the Company's immovable properties and further deeds of hypothecation in respect of the Company's plant and machinery including movable machinery, machinery spares, tools and accessories excluding those hypothecated in favour of banks for securing cash credits.
- Terms loans from IDBI are further secured by pledge of 15,21,494 shares of the Company held by promoters, relatives and associate Companies.
- The term loan from Bank of India (for Co-Generation Plant at Unit II) is secured by hypothecation of plant and machinery for Co-Generation Plant and further secured by first pari passu charge with IDBI by way of joint mortgage by deposit of title deeds relating to Company's immovable properties situated at Vapi.
- All the above loans are further secured by the personal guarantees of Shri N.R.Agarwal, Shri R.N.Agarwal and Shri G.N.Agarwal.
- The term loan from The Greater Bombay Co-operative Bank Limited is secured by exclusive first charge by way of hypothecation of specific items of plant and machinery and secured by joint mortgage by deposit of title deeds relating to the Company's and group Companies immovable properties situated in Mumbai.
- The term loan from Oriental Bank of Commerce (for Expansion-cum-Modernisation – 1st Phase) is secured by hypothecation of plant and machinery for Expansion-cum-Modernisation and further secured by first pari passu charge with term lending Financial Institutions/Banks by way of joint mortgage by deposit of title deeds relating to Company's immovable properties situated at Vapi.
- The term loan from Bank of Baroda (for Co-Generation Plant at Unit I) is secured by hypothecation of plant and machinery for Co-

Annual Report 2004 - 2005

Generation Plant and further secured by first pari pasu charge with term lending Institutions/Banks by way of joint mortgage by deposit of title deeds relating to Company's immovable properties situated at Vapi.

- 8) The term loan from Bank of India (for Expansion-cum-Modernisation – 2nd Phase) is secured by hypothecation of plant and machinery for Expansion-cum-Modernisation and further secured by first pari passu charge with term lending Institutions / Banks by way of joint mortgage by deposit of title deeds relating to Company's immovable properties situated at Vapi.
- 9) The term loans at serial Nos. 6, 7 and 8 are further secured by the personal guarantees of Shri N.R.Agarwal and Shri R.N.Agarwal.
- 10) The working capital loans from Banks are secured by Joint hypothecation of present and future stock of raw materials, steam coal, goods-in-process, finished goods and book debts etc. ranking pari passu inter-se and second charge pari passu charge on Companies movable and immovable fixed assets and the personal guarantees of Shri N.R.Agarwal, Shri R.N.Agarwal and Shri G.N.Agarwal and the Corporate Guarantee of M/s. Suman Paper And Boards Limited.

As at	As at
31st March, 2005	31 st March, 2004
Rupees	Rupees

SCHEDULE : D

UNSECURED LOANS

Intercorporate Deposits	21,512,994	25,053,648
Fixed Deposits	4,550,000	2,300,000
Trade Deposits	45,650,000	134,350,000
Other deposits	3,733,000	1,925,000
	75,445,994	163,628,648

SCHEDULE : E

FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.04	Additions during the year	Deductions	As at 31.03.05	As at 01.04.04	For the year	On Deductions	As at 31.03.05	As at 31.03.05	As at 31.03.04
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
1. Leasehold Land	17,433,186	0	0	17,433,186	0	0	0	0	17,433,186	17,433,186
2. Factory Building	74,759,916	14,045,572	0	88,805,488	15,103,722	2,775,253	0	17,878,975	70,926,513	59,656,194
3. Plant and Machinery	356,138,066	97,960,025	1,342,611	452,755,480	106,662,135	20,403,284	691,366	126,374,053	326,381,427	249,475,931
4. Furniture and Fixtures	1,700,583	0	0	1,700,583	705,944	107,646	0	813,590	886,993	994,639
5. Motor Cars	645,087	0	0	645,087	452,246	61,283	0	513,530	131,557	192,841
6. Others - Building	11,482,797	0	0	11,482,797	1,173,118	187,170	0	1,360,288	10,122,509	10,309,679
7. Computer	2,064,434	403,240	55,750	2,411,924	1,474,048	382,308	31,231	1,825,125	586,799	590,386
TOTAL	464,224,069	112,408,837	1,398,361	575,234,545	125,571,213	23,916,944	722,597	148,765,561	426,468,984	338,652,856
Previous Year	441,688,282	25,558,076	3,022,288	464,224,069	105,392,717	21,159,461	980,965	125,571,213		
Capital Work in Progress									114,352,765	41,225,912
									540,821,749	379,878,768

SCHEDULE : F

INVESTMENTS (AT COST)

UNQUOTED

Shares of Sagar Sarita Co. Operative Housing Society Limited	3,500	3,500
Shares of Laxmi Co. Operative Housing Society Limited	2,750	2,750
Shares of MahaLaxmi Co. Operative Housing Society Limited	3,750	3,750
Shares of The Greater Bombay Co-operative Bank Limited (4000 Equity Shares of @ Rs. 25/- each fully paid up)	100,000	100,000

QUOTED

6000 fully paid up Equity Shares of Bank of Baroda of Rs. 10/- each (Previous year 6000 Equity Shares fully paid up)	510,000	510,000
Aggregate book value of : Quoted investment : Rs.510000 Unquoted investment : Rs.1100000 Aggregate market value of Quoted Investment Rs.1308300 (Previous Year Rs. 1456200)	620,000	620,000

N. R. Agarwal Industries Limited

	As at 31 st March, 2005 Rupees	As at 31 st March, 2004 Rupees
SCHEDULE : G		
INVENTORIES		
(As taken, valued and certified by the Management)		
Stores, spares and tools	16,799,378	16,890,615
Packing Materials	626,623	891,421
Raw Materials	22,303,128	38,780,221
Work - in process	1,588,269	1,587,187
Finished Goods	20,109,410	12,720,575
Goods in Transit	16,518,089	589,234
	<u>77,944,897</u>	<u>71,459,253</u>
SCHEDULE : H		
SUNDRY DEBTORS		
Debts - exceeding 6 months		
- considered good	3,873,324	7,030,273
- considered doubtful	0	0
	<u>3,873,324</u>	<u>7,030,273</u>
Less : Provision for doubtful debts	0	0
	<u>3,873,324</u>	<u>7,030,273</u>
Other Debts	101,695,022	175,072,700
	<u>105,568,346</u>	<u>182,102,973</u>
SCHEDULE : I		
CASH AND BANK BALANCES		
Cash on Hand	68,979	228,872
Balances with Scheduled Banks - In Current Accounts	1,632,141	276,723
- In Margin Money Accounts	10,291,710	4,715,431
	<u>11,992,830</u>	<u>5,221,026</u>
SCHEDULE : J		
LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advances Recoverable in cash or in kind or for value to be received	59,185,571	8,457,420
Deposits	9,653,211	9,577,211
Advance Payment of Income Tax (Net of Provisions)	306,829	31,232
	<u>69,145,611</u>	<u>18,065,863</u>
SCHEDULE : K		
CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities		
Sundry Creditors (due to small scale industrial undertaking)	2,432,562	3,478,356
Sundry Creditors (due to others)	153,117,982	79,707,547
Advances Received Against Order	1,200,000	1,200,000
Temporary overdraft	0	9,748,939
Security and Other Deposits		
Investor education and protection fund shall be credited by the following amounts when due:-		
a) Unclaimed Dividend	245,161	0
Other Liabilities	25,586,542	33,096,614
Interest accrued and but not due	3,509,399	2,057,559
	<u>186,091,646</u>	<u>129,289,015</u>
(b) Provisions		
For Leave Encashment	1,156,233	915,603
For Proposed Dividend on Equity Shares	6,150,000	0
For Proposed Dividend on Preference Shares	85,000	85,000
For Tax on Dividend	874,459	10,895
	<u>8,265,692</u>	<u>1,011,498</u>
	<u>194,357,338</u>	<u>130,300,513</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	31 st March, 2005 Rupees	31 st March, 2004 Rupees
SCHEDULE : L		
OTHER INCOME		
Interest (TDS Rs.78695/-) (Previous Year Rs. 48841/-)	376,899	236,913
Miscellaneous Income	<u>5,002,011</u>	<u>1,860,224</u>
	<u>5,378,910</u>	<u>2,097,137</u>
SCHEDULE : M		
INCREASE (+) / DECREASE (-) IN STOCK		
OPENING STOCK		
Finished Goods	12,720,575	8,877,881
Work-In-Process	<u>1,587,187</u>	<u>741,403</u>
(A)	<u>14,307,762</u>	<u>9,619,284</u>
CLOSING STOCK		
Finished goods	20,109,410	12,720,575
Work-In-Process	<u>1,588,269</u>	<u>1,587,187</u>
(B)	<u>21,697,679</u>	<u>14,307,762</u>
(B-A)	<u>7,389,917</u>	<u>4,688,478</u>
SCHEDULE : N		
RAW MATERIALS CONSUMED		
Opening Stock	38,780,221	75,434,903
Add : Purchases	<u>553,624,751</u>	<u>407,631,091</u>
	<u>592,404,972</u>	<u>483,065,994</u>
Less : Closing Stock	<u>22,303,128</u>	<u>38,780,221</u>
	<u>570,101,844</u>	<u>444,285,773</u>
SCHEDULE : O		
MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Consumption of Store, Spares and Tools	34,534,005	28,494,303
Power, Fuel and Water Charges	222,283,980	203,201,962
Material Handling Charges	7,127,242	5,792,891
Excise Duty	<u>75,862,227</u>	<u>67,380,092</u>
	<u>305,273,449</u>	<u>276,374,945</u>
Employees Remuneration and Benefits		
Salaries, Wages, Bonus etc.	29,466,754	23,908,842
Contribution to ESIC and Other Funds	3,202,452	2,509,807
Staff Welfare Expenses	<u>404,952</u>	<u>268,464</u>
	<u>33,074,158</u>	<u>26,687,113</u>
Administrative Expenses		
Insurance	1,297,366	969,861
Rates and Taxes	293,226	268,298
Sales Tax	0	636,003
General Expenses	<u>13,894,294</u>	<u>11,174,842</u>
	<u>15,484,886</u>	<u>13,049,004</u>

N. R. Agarwal Industries Limited

	31 st March, 2005 Rupees	31 st March, 2004 Rupees
SCHEDULE : O (Contd.)		
Selling and Distribution Expenses	67,821,833	54,104,336
Repairs and Maintenance		
Machinery	4,993,327	2,003,915
Building	2,209,812	432,259
Others	1,277,686	1,222,946
	<u>8,480,825</u>	<u>3,659,120</u>
Other Expenses		
Directors Sitting Fees	37,000	21,000
Remuneration to Auditors	130,147	129,679
Miscellaneous Expenses	75,572	189,159
Advertisement	66,490	0
Donation	228,003	41,001
Loss on Sales of Assets	225,729	469,823
Bad debts written off	0	86,961
	<u>762,941</u>	<u>937,623</u>
	<u>465,432,097</u>	<u>403,306,444</u>
SCHEDULE : P		
INTEREST		
Interest on		
(a) Term Loans	5,434,106	8,347,160
(b) Bank	11,891,093	12,890,383
(c) Others	4,271,949	3,342,636
	<u>21,597,148</u>	<u>24,580,179</u>

SCHEDULE: Q

NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Accounting Convention:

The financial statements are prepared on accrual basis, under the historical cost convention, on the basis of a going concern and in accordance with the generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956.

(b) Fixed Assets:

Fixed Assets are stated at cost, net of Cenvat, less accumulated depreciation. Expenditure related to and incurred during implementation of project is included under Capital Work-in-Progress and the same is capitalized by allocating to various fixed assets on completion of the project. Depreciation on buildings erected on land taken on a short lease (i.e. upto 10 years) are written off equally over the lease period of the land.

(c) Depreciation:

Depreciation is provided on the Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on assets added/disposed off during the year is provided on pro-rata basis with reference to the date of addition/disposal.

(d) Investments:

Investments are stated at cost. Provision of diminution in value of long term investment is made only if such a decline is other than temporary in the opinion of the management.

(e) Foreign Currency Transactions:

(i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

(ii) Monetary items denominated in foreign currencies at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognized over the life of the contract.

(iii) Any income or expenses on account of exchange difference on translation is recognized in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

(f) Inventories:

Inventories are valued at the lower of cost, computed on FIFO basis, and estimated net realizable value, after providing due allowance for defective and obsolete items, wherever necessary, based on the past experience of the Company.

Goods in Transit are stated at cost.

Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(g) Retirement Benefits:

Annual premium contribution towards group gratuity-cum-Life Assurance Scheme is made on the basis of actuarial valuation assessed by Life Insurance Corporation of India and charged to Profit & Loss Account.

The liability in respect of Leave Encashment Benefit on retirement of the employees is provided on the basis of actuarial valuation.

(h) Borrowing Cost:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

(i) Treatment of expenditure during construction period:

Expenditure during construction period is included under Capital Work-in-Progress and the same is allocated to respective Fixed Assets on the completion of its construction.

(j) Revenue Recognition:

Sale of goods is recognized at the point of despatch of finished goods to customers. Sales include amounts recovered towards Excise Duty but is net of Sales Tax.

(k) Taxes on Income:

Provision for current Income Tax is made in accordance with the Income Tax Act, 1961.

In accordance with the accounting Standard AS-22 issued by the Institute of Chartered Accountants of India, the provision for Deferred Tax has been made in the account. Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method at the current rate of tax, to the extent that the timing differences are expected to crystallize. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future.

N. R. Agarwal Industries Limited

(l) Cenvat Credit:

Excise cenvat credit in respect of capital assets is adjusted against excise duty liability arising subsequent to such credit.

(m) Contingent Liabilities:

Contingent Liabilities are not provided for in the accounts but are disclosed separately.

(n) Preliminary Expenses:

Preliminary Expenses are written off over a period of ten years.

2. Contingent Liabilities:

- (a) Guarantees and counter guarantees given by the Company on behalf of group companies Rs.2725.00 Lacs (Previous year Rs.2636.00 lacs).
 - (b) Corporate Guarantee given by the Company – Rs.300 lacs. (Previous year Rs.300 Lacs).
 - (c) Excise duty demands and penalties – Rs.2,73,14,042/-(Previous Year Rs.2,84,50,309/-)
 - (d) Claims against the Company not acknowledged as debts in respect of labour disputes – Amount indeterminate.
3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs.789.20 lacs (Previous Year Rs.1769.62 lacs).
4. The deferred tax liability as at 31st March 2005 comprise of the following:

	As at 31st March, 2005 (Rupees)	As at 31st March, 2004 (Rupees)
Deferred Tax Liability		
Fixed Assets excess net block over Written down value as per the provisions of the Income Tax Act 1961	24,67,14,211	20,60,17,781
Miscellaneous Expenditure w/o	1,66,963	3,75,651
	<u>24,68,81,174</u>	<u>20,63,93,432</u>
Deferred Tax Assets		
Disallowance under Income Tax Act 1961	7,66,708	93,979
Unabsorbed Depreciation	4,06,89,734	5,93,29,684
	<u>4,14,56,442</u>	<u>5,94,23,663</u>
	<u>20,54,24,732</u>	<u>14,69,69,769</u>
Provision for deferred tax (net)	<u>7,51,70,044</u>	<u>5,27,25,404</u>

5. Earnings Per Share:

	31st March, 2005	31st March, 2004
(a) Weighted average number of equity shares of Rs. 10 each		
(i) Number of shares at the beginning of the year	61,50,000	61,50,000
(ii) Number of shares at the end of the year	1,02,50,000	61,50,000
(iii) Weighted average number of equity shares outstanding during the year	77,33,836	61,50,000
(b) Net Profit after tax but before prior year adjustments(Rs.)	3,04,32,145	1,60,57,519
(c) Less:Preference Dividend Including tax thereon (Rs.)	96,921	95,895
(d) Profit attributable to equity share holders (Rs.)	<u>3,03,35,224</u>	<u>1,59,61,624</u>
(e) Basic and diluted earnings per share (in Rupees)	<u>3.92</u>	<u>2.60</u>

6. Sundry Debtors, Sundry Creditors, Unsecured Loans and Loans and Advances balances are subject to confirmation and reconciliation.

7. Sundry Creditors include a sum of Rs.5,81,47,492 (Previous Year Rs. Nil) payable for Capital Goods.

8. Segment Reporting:

The Company operates in Single Business Segment of "Manufacturing of Paper Boards & Newsprint". Therefore, the Company is of the opinion that the disclosure requirements of accounting Standard AS-17 issued by the Institute of Chartered Accountants of India is not applicable to the Company.

9. The name of the Small Scale Undertakings to whom the Company owes a sum exceeding Rs. 1.00 Lac outstanding for more than 30 days are: Bhavik Enterprises, Non Ferrous Foundry, Siddhartha Chemicals, Allwyn Engineers and Alok Trade & Investments Pvt. Ltd. The

information regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company.

10. During the year the Company has imported Capital Goods under 'Export Promotion Capital Goods' Scheme for which the Company has an export obligation of Rs.33,37,47,627 to be fulfilled within a period of eight years i.e. upto 07.12.2012. On failure to fulfil the obligation, the Company would be liable to pay the customs duty saved amounting to Rs.4,14,48,116 with interest as applicable.
11. Proceeds of equity shares issued on preferential basis during the year amounting to Rs.4,10,00,000 have been fully utilized for installation of Co-Generation Plant.
12. Disclosure in respect of related parties pursuant to Accounting Standard AS-18:
 - (a) Related parties with whom transactions have been taken place during the year:

Associates:

N.R. Paper & Boards Limited
 Suman Paper & Boards Limited
 Gayatrishakti Paper & Boards Limited
 Kherani Paper Mills Private Limited
 Agarwal Paper Mills Private Limited
 Agrashakti Paper Mills Private Limited

Key Management Personnel & Relatives:

Shri N.R. Agarwal
 Shri R.N. Agarwal
 Shri G.N. Agarwal

Relatives of Directors

Smt. S.N. Agarwal
 Smt. R.R. Agarwal
 Smt. M.G. Agarwal

- (b) During the year the following transactions were carried out with the related parties in the ordinary course of business:

	31 st March, 2005 (Rs. In lacs)	31 st March, 2004 (Rs. In lacs)
(i) Purchase of Goods/Payment for other services		
Associate	0.97	54.38
(ii) Sales & Services		
Associates	0.58	13.09
(iii) Unsecured Advances given		
Associates	892.76	1043.00
(iv) Unsecured Advances received		
Associates	892.37	1040.21
(v) Unsecured Deposits received		
Key Management Personnel & Relatives	18.08	2.25
(vi) Remuneration paid		
Key Management Personnel	15.86	9.39
(vii) Sitting Fees Paid		
Key Management Personnel	0.12	0.14
(viii) Outstanding Credit Balance		
Unsecured Deposits		
Key Management Personnel & Relatives	37.33	19.25
(ix) Guarantees provided for Associates	2725.00	2636.00

- (c) **Loans and Advances in the nature of Loans given to Associates:**

A) Loans and Advances in the nature of Loans :

	As at 31 st March, 2005 (Rs. In lacs)	As at 31 st March, 2004 (Rs. In lacs)
Maximum Balance	Nil	Nil

B) Investment by the loanee in the shares of the Company

The loanee has not made investments in shares of the Company.

Notes:

1. Loans and advances shown above, to Associates fall under category of 'Loans and advances' in the nature of Loans where there is no repayment schedule.
2. Loans to Employees as per Company's policy are not considered.
3. Related party relationship is as identified by the Company and relied upon by the auditors.

N. R. Agarwal Industries Limited

13. Auditor's Remuneration

	31 st March, 2005 (Rupees)	31 st March, 2004 (Rupees)
Audit Fees	99,180	97,200
Tax Audit	11,020	10,800
Reimbursement of Expenses	19,947	21,679
Other matters	22,680	8,640
Total	1,52,827	1,38,319

14. Management Remuneration under Section 198 of the Companies Act, 1956:

To The Managing Director		
(a) Remuneration and contribution to funds	15,09,360	8,67,500
(b) Perquisites	76,400	71,600
Total	15,85,760	9,39,100

15. Capital Work in Progress includes advance:

Paid towards

Building	38,48,376	77,78,051
Expenses	44,64,731	—
Plant & Machinery	10,60,39,658	3,34,47,861
Total	11,43,52,765	4,12,25,912

16. Details of capacity and production:

PRODUCT	DUPLEX BOARD CAPACITY (ANNUAL IN M.T.)		NEWSPRINT CAPACITY (ANNUAL IN M.T.)	
	Licensed	Installed	Licensed	Installed
This Year	32400	32400 TPA (3 shifts)	30000	30000 TPA (3 shifts)
Previous year	32400	32400 TPA (3 shifts)	30000	30000 TPA (3 shifts)

Note: The installed capacities are as per certificate given by the Managing Director & being a technical matter, has been accepted by auditors.

17. Additional information pursuant to the Provisions 3 and 4 of Part II of Schedule VI of the Companies Act, 1956:

A. Information regarding Raw Materials Consumed:

	Waste Paper		Chemicals, Dyes	
	Qty.	Value	Qty.	Value
	MT.	Rs.	MT.	Rs.
Indian	23,635.028 (20,281.952)	15,96,90,014 (13,27,99,273)	(—) (—)	6,64,51,774 (3,69,25,441)
Imported	45,765.627 (31,995.353)	31,72,07,647 (26,00,46,246)	(—) (—)	2,67,52,409 (1,45,14,813)
Total	69,400.655 (52,277.305)	47,68,97,661 (39,28,45,519)	(—) (-)	9,32,04,183 (5,14,40,254)

B. Information regarding Exports, imports and other Matters:

	31 st March, 2005 (Rupees)	31 st March, 2004 (Rupees)
1. Earnings in Foreign Exchange		
F.O.B. Value of Goods Exported	77,80,638	51,93,083
2. C.I.F. Value of imports		
(i) Raw Materials	5,70,72,262	3,78,61,683
(ii) Stores, Components & parts	32,75,413	42,10,259
(iii) Capital Goods	5,83,24,253	—
3. Expenditure in Foreign Currency		
Travelling	6,56,284	—

Annual Report 2004 - 2005

	31 st March, 2005 (Rupees)	31 st March, 2004 (Rupees)
4. Value of Imported and Indigenous Raw Materials, Stores and Spares consumed:		
Raw Materials:		
Imported	34,39,60,056	27,45,61,059
Indigenously obtained	22,61,41,788	16,97,24,714
Total	57,01,01,844	44,42,85,773
Stores and Spares:		
Imported	53,47,097	44,27,234
Indigenously obtained	2,91,86,908	2,40,67,069
Total	3,45,34,005	2,84,94,303
5. Percentage of Total Consumption		
Raw Materials:		
Imported	60.33%	61.80%
Indigenously obtained	39.67%	38.20%
Stores and Spares:		
Imported	15.48%	15.54%
Indigenously obtained	84.52%	84.46%

C. Information in regard to Opening and Closing Stocks, Production and Sales of Finished Goods

	DUPLEX BOARD				NEWSPRINT			
	2004-2005		2003-2004		2004-2005		2003-2004	
	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)
Op. Stock	409.377	70,50,152	320.660	59,34,007	361.968	56,70,423	235.161	29,43,874
Production	31239.292	—	23842.570	—	26953.360	—	23838.262	—
Sales	31080.285	62,37,96,123	23753.853	49,20,78,460	26691.576	50,20,00,175	23711.455	42,22,82,542
Closing Stock	568.384	1,00,29,249	409.377	70,50,152	623.752	95,83,545	361.968	56,70,423

TRADED GOODS

	2004-2005		2003-2004	
	Qty. MT.	Value Rs.	Qty. MT.	Value Rs.
Op. Stock	—	—	—	—
Purchase	33.600	9,25,344	190.860	11,77,033
Sales	33.600	9,52,000	190.860	12,00,574
Closing Stock	—	—	—	—

18. Balance Sheet abstract and Company's general business profile as required in terms of the Part IV of the Schedule VI of the Companies Act, 1956 is attached herewith.

19. Previous year's figures are re-grouped / re-arranged wherever considered necessary.

Signatures to Schedule 'A' to 'Q'

As per our attached report of even date

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered Accountants

R. N. AGARWAL
Managing Director

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

N. R. AGARWAL
Director

Mumbai, 5th August, 2005

S. N. CHATURVEDI
Director

N. R. Agarwal Industries Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(IN TERMS OF AMENDMENT TO SCHEDULE VI - PART IV)

I. Registration Details

Registration No.	:	11-133365	State Code	:	11
Balance Sheet Date	:	31 st March, 2005			

II. Capital Raised during the year

Public Issue	:	Nil	Rights Issue	:	Nil
Bonus Issue	:	Nil	Private Placement (Equity Shares)	:	41,000,000

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.)

Total Liabilities	:	611,736,095	Total Assets	:	611,736,095
Sources of Funds			Application of Funds		
Paid-up capital	:	111,000,000	Net Fixed Assets	:	540,821,749
Reserves and Surplus	:	80,587,728	Investment	:	620,000
Secured Loans	:	269,532,329	Net Current Assets	:	70,294,346
Unsecured Loans	:	75,445,994	Misc. Expenditure	:	0
Deferred Tax Liabilities	:	75,170,044	Accumulated Losses	:	—

IV. Performance of Company

Turnover	:	1,126,748,298	Total expenditure	:	1,082,140,340
Profit/Loss Before Tax	:	57,376,785	Profit/Loss After Tax	:	30,335,224
Earnings per Share in Rs.	:	3.92	Dividend Rate %	:	12%

V. Generic Names of Two Principle Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	480523
Product Description	Duplex Board
Item Code No. (ITC Code)	480100
Product Description	News Print

For and on behalf of the Board of Directors

R. N. AGARWAL
Managing Director

N. R. AGARWAL
Director

VINOD BAPNA
Company secretary

S. N. CHATURVEDI
Director

Mumbai, 5th August, 2005

Annual Report 2004 - 2005

CASH FLOW STATEMENT AS PER THE CLAUSE 32 OF THE LISTING AGREEMENT CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	Year ended 31.03.2005		Year ended 31.03.2004	
	Rs.	Rs.	Rs.	Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax and Extraordinary Items		57,376,785		26,842,859
ADJUSTMENTS FOR				
Depreciation	23,916,944		21,159,461	
Interest	21,597,148		24,580,179	
Loss on Sale of Assets	225,729		469,823	
Misc. Expenses W/off	166,963	45,906,784	995,442	47,204,905
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		103,283,569		74,047,764
CHANGES IN				
Trade and Other Receivables	76,534,627		(37,218,213)	
Inventories	(6,485,644)		32,758,600	
Trade Payables	64,056,825		991,236	
Loans & Advances	(52,316,572)	81,789,236	232,852	(3,235,525)
CASH GENERATED FROM OPERATIONS		185,072,805		70,812,239
Direct Taxes Paid	(4,715,015)	(4,715,015)	(2,005,100)	(2,005,100)
Cash Flow Before Extra Ordinary Items		180,357,790		68,807,139
Extra Ordinary Items				
Miscellaneous Expenditure	0		0	
Previous Year Adjustments	(1,273,276)	(1,273,276)	(145,535)	(145,535)
Net Cash from Operating Activities		179,084,514		68,661,604
B CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets	(185,535,690)		(66,298,801)	
Sale of Fixed Assets	450,035		1,571,500	
Purchase of Investments	0		0	
Sale of Investments	0	(185,085,655)	0	(64,727,301)
Net Cash used in Investing Activities		(185,085,655)		(64,727,301)
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	41,000,000		0	
Interest Paid	(20,145,308)		(25,542,317)	
Proceeds from Long Term Borrowings	61,250,000		26,448,069	
Repayment of Long Term Borrowings	30,132,608		(36,132,317)	
Secured Loans	0		0	
Unsecured Loans	(88,182,654)		27,803,648	
Preference Dividend including tax thereon	(96,921)		(95,895)	
Equity share Dividend including tax thereon	(11,184,780)			
		12,772,945		(7,518,812)
Net Cash used in Financing Activities		12,772,945		(7,518,812)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		6,771,804		(3,584,509)
CASH AND CASH EQUIVALENTS - OPENING BALANCE		5,221,026		8,805,535
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		11,992,830		5,221,026
		6,771,804		(3,584,509)

As per our attached report of even date

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

Mumbai, 5th August, 2005

For and on behalf of the Board of Directors

R. N. AGARWAL
Managing Director

N. R. AGARWAL
Director

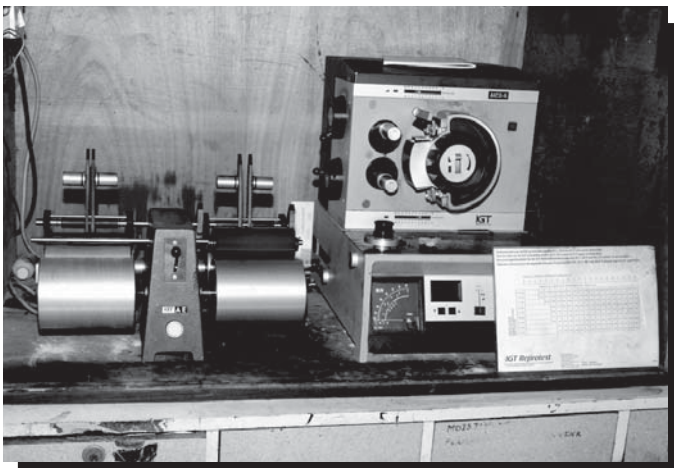
S. N. CHATURVEDI
Director



3MW Co-Generation Power Plant - Unit II



Effluent Treatment Plant



Laboratory Testing Equipment

N. R. AGARWAL INDUSTRIES LIMITED

Regd.Office: 415-418, Janki Centre, 4th Floor, 29, Shah Industrial Estate, Off: Veera Desai Road, Andheri (W), Mumbai – 400 053

FORM OF PROXY

I/We _____
of _____ being
members of the above named Company, hereby appoint _____ of
_____ or failing him _____ of

_____ as my/our proxy to vote for me/us on my/our behalf at the
TWELFTH ANNUAL GENERAL MEETING of the Company to be held at Aishwarya Party Hall, Shop No.13-14, Ground Floor, MHADA
Oshiwara Shopping Complex, Near Oshiwara Police Station, Opp. Tarapore Garden, Oshiwara, Jogeshwari (West), Mumbai – 400 102, on
Thursday, 29th September, 2005.

Signed this _____ day of _____, 2005.

DP Id*	
Client Id*	
Reg.Folio No.	

Signature.....

Affix Revenue Stamp

*Applicable if shares are held in Electronic Form.

Note: This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

N. R. AGARWAL INDUSTRIES LIMITED

Regd.Office: 415-418, Janki Centre, 4th Floor, 29, Shah Industrial Estate, Off: Veera Desai Road, Andheri (W), Mumbai – 400 053

ATTENDANCE SLIP

DP Id*	
Client Id*	
Reg.Folio No.	

Name & Address of the Registered Shareholder

*Applicable if shares are held in Electronic Form.

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Twelfth Annual General Meeting of the Company at Mumbai, on 29th September, 2005.

.....
Member's/Proxy's Signature

NOTE : Please fill this attendance slip and hand it over at the Entrance of the hall.

**Book - Post
UCP**

If undelivered, please return to :

N. R. AGARWAL INDUSTRIES LIMITED

Regd. Off.: 415 - 418, Janki Centre, 4th Floor,
29, Shah Industrial Estate, Off. Veera Desai Road, Andheri (W),
Mumbai - 400 053.