

# 14th Annual Report 2006 - 2007



**N. R. Agarwal**  

---

**Industries Limited**

---

## Board of Directors

Shri. N. R. Agarwal  
Shri. R. N. Agarwal  
Shri. S. N. Chaturvedi  
Shri. Chittaranjan Musib  
Shri. P. Kumar  
Shri. C. R. Radhakrishnan

*Executive Chairman*  
*Managing Director*  
*Director*  
*Director*  
*Director*  
*Director*

### REGISTERED OFFICE:

415-418, Janki Centre, 4<sup>th</sup> 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

**Unit – III**  
Plot No.901, Phase-3  
GIDC, Vapi - 396 195  
Dist. Valsad  
Gujarat State

**Unit - IV**  
Plot No.901/P, Phase-3  
GIDC, Vapi - 396 195  
Dist. Valsad  
Gujarat State

### Auditors:

CHATURVEDI & PARTNERS

### Bankers:

BANK OF INDIA  
BANK OF BARODA  
ORIENTAL BANK OF COMMERCE  
STANDARD CHARTERED BANK

### REGISTRAR & TRANSFER AGENTS

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

Annual General Meeting will be held on Saturday, 29<sup>th</sup> September, 2007 at GMS Community Centre Hall, Sitladevi Complex, 1<sup>st</sup> Floor, D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053

## NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of N. R. AGARWAL INDUSTRIES LIMITED will be held at GMS Community Centre Hall, Sitladevi Complex, 1<sup>st</sup> Floor, D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053 on Saturday, September 29, 2007 at 11.00 A.M. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri. P. Kumar, 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 consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution

“RESOLVED THAT Shri C. R. Radhakrishnan, who was appointed as an Additional Director of the Company by the Board of Directors and who holds office upto the date of this Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.”

6. 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, 309 and 310 read with Schedule XIII and other applicable provisions, of the Companies Act, 1956 (the Act) and subject to such other approvals as may be necessary, the approval of the Company be and is hereby granted to the revision in remuneration payable to Shri N. R. Agarwal with effect from 1<sup>st</sup> September, 2007 for the remaining period of his tenure as the Executive Chairman of the Company i. e. upto 30<sup>th</sup> September 2010 as approved by the remuneration committee and as set out in the Supplemental Agreement dated 23<sup>rd</sup> August, 2007 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 supplemental agreement so as the remuneration 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 sections 198 and 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 at anytime 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”.

7. 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, 309 and 310 read with Schedule XIII and other applicable provisions, of the Companies Act, 1956 (the Act) and subject to such other approvals as may be necessary, the approval of the Company be and is hereby granted to the revision in remuneration payable to Shri R. N. Agarwal with effect from 1<sup>st</sup> September, 2007 for the remaining period of his tenure as the Managing Director of the Company i.e. upto 4<sup>th</sup> August 2010 as approved by the Remuneration committee and as set out in the Supplemental Agreement dated 23<sup>rd</sup> August, 2007 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 supplemental agreement so as the remuneration 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 sections 198 and 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 at anytime 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 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”.

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 Section 314 and other applicable provisions, if any, of the Companies Act 1956 and subject to the approval of the concerned authorities, if

# N. R. Agarwal Industries Limited

required, the consent of the Company be and is hereby accorded to Smt. Reena R. Agarwal, relative of Directors of the Company to hold with effect from May 1, 2007 and continue to hold an office or place of profit in the Company as Vice President – HRD of the Company on the payment of remuneration with usual allowances, benefits, perquisites, amenities and facilities as determined by the Board of Directors of the Company, from time to time, so that her total remuneration does not exceed Rs. 45,000/- (Rupees Forty Five thousand only) per month or Rs. 5,40,000/- (Rupees Five Lacs Forty thousand only) per annum.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board or any Committee thereof be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary for such purpose and with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company."

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF 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 to 8 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, September 25, 2007 to Saturday, September 29, 2007 (both days inclusive) for the purpose of Annual General Meeting.
5. 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.

By order of the Board of Directors

R. N. Agarwal  
Managing Director

## Registered Office:

415-418, Janki Centre, 4<sup>th</sup> Floor  
29, Shah Industrial Estate  
Off: Veera Desai Road  
Andheri (W), Mumbai – 400 053  
Mumbai, 23<sup>rd</sup> August, 2007.

## N. R. AGARWAL INDUSTRIES LIMITED

### ANNEXURE TO NOTICE:

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

#### Item No. 5

Shri C.R. Radhakrishnan was appointed as Additional Director of the Company by the Board of Directors on 27.02.2007. By virtue of Section 260 of the Companies Act, 1956 he holds office up to the date of the forthcoming Annual General Meeting and are eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 alongwith deposit of Rs. 500/- from member of the Company proposing the name of Shri C.R. Radhakrishnan as candidate for the office of Director.

Shri C.R. Radhakrishnan is interested in the resolution as it relates to his own appointment.

#### Item No. 6

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 board of directors of the Company at its meeting held on 23<sup>rd</sup> August, 2007 approved the revision in remuneration payable to Shri N. R. Agarwal with effect from 1<sup>st</sup> September 2007 for the remaining period of his tenure as Executive Chairman of the Company and the other terms of his appointment remaining unchanged. The revised remuneration as approved and as contained in the Supplemental Agreement dated 23<sup>rd</sup> August, 2007 are as under:

#### Remuneration:

- a) Salary: Rs. 1,75,000/- per month with an annual increment of Rs. 50,000/- per month subject to Provision of Schedule XIII.
- b) Commission and other perquisites and benefits approved earlier shall remain unchanged. However the perquisites shall relate to the increased salary as above.

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.

A special resolution at item no. 6 of the accompanying notice is proposed for approval of the revision in remuneration payable to him as he is above the age of Seventy years. The Board commends the approval by the members of the said special resolution.

Shri N. R. Agarwal is concerned or interested in the said Special Resolution at item no. 6 of the accompanying notice. Shri R. N. Agarwal is also interested or concerned in the said resolution as the relative of Shri N. R. Agarwal.

The above should be considered as an abstract of the terms of appointment of the 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 Supplemental Agreement dated 23<sup>rd</sup> August, 2007 for the revision in remuneration payable to 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. 7

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 Board of Directors of the Company at its meeting held on 23<sup>rd</sup> August, 2007 approved the revision in remuneration payable to Shri R. N. Agarwal with effect from 1<sup>st</sup> September 2007 for the remaining period of his tenure as Managing Director of the Company and the other terms of his appointment remaining unchanged. The revised remuneration as approved and as contained in the Supplemental Agreement dated 23<sup>rd</sup> August, 2007 is as under:

Remuneration:

- a) Salary : Rs. 2,75,000/- per month with an annual increment of Rs. 50,000/- per month subject to Provision of Schedule XIII.
- b) Commission and other perquisites and benefits approved earlier shall remain unchanged. However the perquisites shall relate to the increased salary as above.

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.

The Board commends the approval by the members of the revision in remuneration payable to Shri R. N. Agarwal as Managing Director as contained in the Ordinary Resolution at item no. 7 of the accompanying notice.

Shri R. N. Agarwal is concerned or interested in the said Ordinary Resolution at item no. 7 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 Supplemental Agreement dated 23<sup>rd</sup> August, 2007 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.

## Item No. 8

The Board of Directors of the Company at its meeting held on April 30, 2007 appointed Smt. Reena R. Agarwal, a relative of Directors of the Company as Vice President – HRD with effect from May 1, 2007 at a remuneration with usual allowances, benefits, perquisites, amenities and facilities as determined by the Board of Directors of the Company, from time to time, so that her total remuneration does not exceed Rs. 45,000/- (Rupees Forty Five thousand only) per month or Rs. 5,40,000/- (Rupees Five Lacs Forty thousand only) per annum.

As per the provisions of Section 314 of the Companies Act, 1956 consent of the members of the company is required for the payment of aforesaid remuneration to relative of directors of the Company by way of special resolution.

Accordingly, special resolution at item no. 8 of the accompanying notice is proposed for the approval of the members of the Company.

Shri N. R. Agarwal and Shri R. N. Agarwal are interested or concerned in the said resolution as the relative of Smt. Reena R. Agarwal.

The Directors commend the resolutions for approval of the members.

By order of the Board of Directors

R. N. Agarwal  
Managing Director

## Registered Office:

415-418, Janki Centre, 4<sup>th</sup> Floor  
29, Shah Industrial Estate  
Off: Veera Desai Road  
Andheri (W), Mumbai – 400 053  
Mumbai, 23<sup>rd</sup> August, 2007.

# N. R. Agarwal Industries Limited

## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Fourteenth Annual Report alongwith the Audited Annual Accounts for the year ended on 31st March, 2007.

### FINANCIAL RESULTS:

Particulars	(Rs. in lakhs)	
	Year ended 31.03.2007	Year ended 31.03.2006
Net Sales / Income from Operations and other income	29138.47	21858.74
Interest	866.79	568.56
Gross Profit after Interest but Before Depreciation and Taxation	2144.48	1435.50
Depreciation	665.08	527.49
Profit Before Tax	1479.40	908.01
Provisions for Taxation	215.00	76.81
M Vat Entitlement	(76.41)	—
Deferred Tax	229.25	250.16
Fringe Benefit Tax	5.40	4.97
Prior year Adjustments	2.97	(9.03)
Net Profit for the year	1109.13	567.03
Balance in Profit & Loss Account	795.37	776.64
Amount Transferred on Amalgamation	—	651.76
Surplus available for appropriation	1904.50	1995.43
Transferred to General Reserve	68.00	17.00
Capital Redemption Reserve	—	85.00
Proposed final Dividend	255.29	204.23
Proposed Dividend on Preference Shares	—	2.75
Tax on Dividend	43.38	35.09
Balance carried to Balance Sheet	1537.83	1651.36

### DIVIDEND:

The Board of Directors of the Company recommend for declaration by the Shareholders at the Annual General Meeting payment of a dividend of 15% (Rs.1.50 per equity share) on 1,70,19,100 equity shares of the face value of Rs.10/- each.

### SHARE CAPITAL:

The Company has redeemed on 27<sup>th</sup> July 2007 8,50,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10/- each. With the result the paid up Share Capital of the Company as on the date of this Report stands at Rs. 17,01,91,000/-.

### YEAR IN RETROSPECT:

During the year, the Company achieved a production of 98893 tonnes of Duplex Boards and 30549 tonnes of Newsprint, highest achieved by the Company so far, compared to 78978 tonnes of Duplex Board and 25518 tonnes of Newsprint in the previous year.

The gross sales and other income for the financial year under review were Rs.29138.47 lakhs as against Rs.21858.74 lakhs for the previous financial year registering an increase of 33.30%. The Profit before tax and extraordinary items (after interest and depreciation charges) of Rs.1482.38 lakhs and the Profit after tax of Rs.1106.16 lakhs for the financial year under review as against Rs. 898.98 lakhs and Rs.567.04 lakhs respectively for the previous financial year, improved by 65% and 95% respectively.

Exports efforts of the Company fructified during the year and the Company exported Duplex Board worth more than US \$ 17,72,990 to various countries.

### CURRENT YEAR'S PROSPECTS:

During the current year, the Company has diversified into manufacturing Cream Wove (writing printing paper) and produced 1816 tonnes in the first quarter. The production of Duplex Board and Newsprint during the first quarter was 26224 tonnes and 6301 tonnes respectively compared to 23988 tonnes of Duplex Board and 7224 tonnes of Newsprint during April-June 2006.

During the first quarter of the current year 1592 tonnes of Duplex Board, valued at INR 327.18 lakhs were exported.

### FIXED DEPOSITS:

As on 31st March, 2007 no fixed deposit was due and 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 31<sup>st</sup> March, 2007 are being audited by the Cost Auditor M/s.Talati & Associates, who were appointed by the Board with the approval of the Central Government.

### DIRECTORS:

Shri P. Kumar would retire by rotation at the ensuing Annual General Meeting of the Company and is eligible for reappointment.

Shri C. R. Radhakrishnan had been appointed as an Additional Director by the Board on 27.02.2007. By virtue of section 260 of the Companies Act, 1956 he holds office upto the date of the ensuing Annual General Meeting and is eligible for appointment.

Brief resume of the above Directors, nature of their experience in specific functional areas and names of the Companies in which 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.

The remuneration payable to Shri N. R. Agarwal, Executive Chairman and to Shri R. N. Agarwal, Managing Director have been revised. Necessary resolutions for approval of revision in remuneration payable to Shri N. R. Agarwal, Executive Chairman and to Shri R. N. Agarwal, Managing Director are being proposed for approval by the shareholders at the ensuing Annual General Meeting of 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 the 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 employee where particulars are required to be given under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended.

## **DIRECTORS RESPONSIBILITY STATEMENT:**

The Directors confirm:

- a) that in the 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 the accounting policies selected and applied are consistent and judgements and estimates made 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 proper and sufficient care has been taken 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 the annual accounts have been prepared on a going concern basis;

## **AUDITORS AND AUDIT REPORT:**

M/s. Chaturvedi & Partners, Chartered Accountants, the Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment as auditors to hold office until the conclusion of the next Annual General Meeting of the Company.

As regards the observations made by the Auditor in their report, the Company already have an internal auditor. However, the steps are being taken to further strengthen the internal audit system.

## **LISTING:**

The Equity shares of the Company are listed with the Bombay Stock Exchange Limited. The Equity Shares allotted to the shareholders of the Transferor Companies on amalgamation of N. R. Paper and Boards Limited and Suman Paper and Boards Limited with the Company are also listed with the Bombay Stock Exchange Limited with effect from August 17, 2007. The Company has paid Annual Listing Fee to the Bombay Stock Exchange Limited for the year 2007-2008.

## **DELISTING OF SHARES:**

The Company's application for Delisting of Shares from Delhi Stock Exchange Limited has been approved and the Shares of the Company were delisted with effect from 24.03.2007.

## **CORPORATE GOVERNANCE/ MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

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 acknowledges the continued support received from Financial Institutions, Banks and various Central and State Government Agencies, shareholders, suppliers, dealers and valued customers.

For and on behalf of the Board of Directors

N. R. Agarwal  
Executive Chairman

Mumbai, 23<sup>rd</sup> August, 2007

# N. R. Agarwal Industries Limited

## 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 31<sup>ST</sup> MARCH, 2007.

### I) CONSERVATION OF ENERGY:

#### A) Energy Conservation measures taken:

Installation of 3MW Co-Generation Plant at News Print Unit and 5MW Co-Generation Plant at Duplex Board Unit to reduce specific Steam Consumption for Power generation and to improve Co-Generation.

Installation of Forbes Marshal Steam and condensate system to reduce steam consumption and maximum recovery condensate.

Installation of energy saving vacuum pump in paper machines.

Installation of capacitors with harmonic filter in various sections of the mill for power factor improvement and reduction in the additional burden in the network because of harmonics generated due to non-linear loads.

Continuing the installation of transparent sheets in various sections of the mills for providing natural day light.

Replacement of efficient pumps by energy saving pumps from Sam Turbo, KSB and Andritz.

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

The Company is further 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	29254360	27629647
Total amount	Rs.in lakhs	1600.70	1469.83
Rate / Unit	Rs.	5.48	5.32
ii) Own Generation			
(i) Through Diesel Generator			
Units	KWH	N.A	1063628
Qty.	Kilo Ltrs.		313.629
Total Cost	Rs.in lacs		81.80
Units per Ltr. of Furnace Oil & LDO			0.29
Average Cost/Unit	Rs./KWH		7.69
(ii) Through Steam Turbine			
Units	KWH	37506852	23944834
Units per tonne of coal	KWH	562.80	624.48
Average Cost/Unit	Rs./KWH	1.65	3.25

###### b) COAL AND LIGNITE:

Quantity	Tonnes	91739	75122
Total amount	Rs.in lakhs	2271.00	1546.61
Average Rate/Ton	Rs.	2475	2059

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

##### 2) CONSUMPTION PER TONNE OF PRODUCTION:

Electricity	KWH	290	504
Coal	Kgs.	709	719
Furnace Oil	Ltr.	NA	6
L.D.O.	Ltr.	NA	4

### II) TECHNOLOGY ABSORPTION:

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

### III) FOREIGN EXCHANGE EARNINGS & OUTGO:

Foreign Exchange Outgo	: Rs.1169.26 Lacs
Foreign Exchange Earnings	: Rs. 788.53 Lacs

For and on behalf of the Board of Directors

N. R. Agarwal  
Executive Chairman

Mumbai, 23<sup>rd</sup> August, 2007



## AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of N. R. Agarwal Industries Limited

1. We have examined the compliance of conditions of Corporate Governance by **N.R. AGARWAL INDUSTRIES LIMITED**, for the period ended on 31<sup>st</sup> March, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.
4. 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

ANIL CHATURVEDI  
Partner  
M. No. 40763

Mumbai, 23<sup>rd</sup> August, 2007

## CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Rajendra N. Agarwal, Managing Director and Gopal Uchil, Chief Financial Officer, of N. R. Agarwal Industries Limited (the Company), hereby certify to the Board that :

- (a) We have reviewed the financial statements and the Cash Flow Statement for the year ended March 31, 2007 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by N.R.Agarwal Industries Limited during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. We have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
  - (i) Significant changes in internal controls over financial reporting during the year;
  - (ii) Significant changes in accounting policies during the year and the same have been disclosed in the Notes to the financial statements; and
  - (iii) There have been no instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system.

R. N. AGARWAL  
MANAGING DIRECTOR  
Mumbai, 23<sup>rd</sup> August, 2007

GOPAL UCHIL  
CHIEF FINANCIAL OFFICER

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

### INDUSTRY STRUCTURE AND DEVELOPMENT:

The paper industry is an important industrial sector having a bearing on the socio-economic development of the country. The industry mirrors the country's economic growth. It creates economic wealth in the hands of the poor, by generating rural employment. Indian Paper Industry is an important vehicle to drive the Government's National Literacy Mission. It is an important contributor to greening India through Social Forestry Programmes. The Indian Paper Industry is a rural based industry with linkage to Agriculture and Agro Forestry.

There has been a steady shift in paper consumption patterns consequent to change in the country's economic scenario. Improved standard of living and increased urbanization have fuelled the shift in demand from low value, low quality paper to high quality papers.

Over the years, the industry has made steady progress and in the coming years also the growth potential is high in view of increased demand of paper due to industrialization and economic reforms.

#### Opportunities and Threats:

The competitive strengths and the opportunities that are available to the Indian Paper Industry are:

- its large and growing domestic paper market and potential export market
- qualified technical manpower with capability to manage world scale pulp and paper mills
- relatively low employee cost
- fast growing contemporary printing sector
- Government's thrust for improving literacy in the country.

While so, the competitive weaknesses and threats that face the industry are:

- inadequate availability of virgin fibre resulting in high cost of raw materials, including wood, non-wood and waste paper.
- small and fragmented industry structure
- many non competitive mills
- inconsistent multi-tiered quality of products
- environmental problems of most of the small pulp mills and also some big mills
- high energy consumption and costs
- poor infrastructure
- likely closures owing to increasingly stringent environmental regulations

Paper Industry is capital intensive and yields poor returns on investments. The issues that require the urgent attention of the Government are creation of robust raw material base, fiscal incentives for assimilation of eco-friendly technologies etc.

The major players, alive to the fast emerging international threats, have been aggressively pursuing quality improvement programmes coupled with cost management and capacity additions. Increasingly, more up-to-date technologies are sought to be implemented, with added focus on environmental regulations.

#### Segment-wise performance:

The Company is a single product Company and hence segment-wise performance is not provided.

#### Industry Outlook:

Demand for paper is closely aligned to the economic growth of the nation. Indian economy is witnessing strong growth momentum and its GDP growth is projected at 8% to 9% in the medium term. With demand for paper to remain upbeat, the long-term outlook for the Indian paper industry is indeed bright. The domestic paper industry, which is growing steadily at 6% in the past few years, is expected to grow at a CAGR of 6.6% in the next five years. Paper industry has a diversified product mix to cater to different end uses and hence witnesses stability in demand even if there is slow down in a particular end user segment. However, demand perception of different segments of the industry will vary depending upon its linkage with the growth prospects of the economy.

Over the next five years, incremental capacity addition is projected at around 2.6 million tones which is nearly 35% of current capacity of the industry. Currently, the improvement in demand over supply in the domestic market, coupled with firm trends in the international paper prices, due to increase in costs, is likely to trigger increase in domestic paper prices. However, huge capacity additions, expected over the next few years, will exert pressure on domestic paper prices in the medium term. The industry will witness downward trend in its operating margins due to substantial input cost escalation, together with pressure on prices of end products.

#### Risk Management:

- Significant strengthening of the Indian Rupees against major international currencies will impact unfavourably the export realizations substantially while it may have favourable impact on import liabilities.
- Any undue spurt in price of imported coal will affect the operating margins of the Company, since the Company mainly depends on imported coal for operating its Captive Power Plants.
- Spurt in interest rates in the garb of curtailing inflation will impact the cost of going/future projects and operating margins since the project loans / working capital borrowings will attract high interest rates.

#### 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 systems and their adequacy:

The Company is having an efficient and well established internal control system commensurate with the size and level of operations of the Company.

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:

During the year, the Company produced 98893 tonnes of Duplex Board and 30549 tonnes of Newsprint, compared to the installed capacity of 112800 tonnes and 36000 tonnes respectively. The Company sold 99480 tonnes of Duplex Board and 30812 tonnes of Newsprint, during the year, as against 78472 tonnes of Duplex Board and 25772 tonnes of Newsprint, in the previous year. Throughout the year under review, the sentiments in the paper market witnessed steady trends, enabling the Company effect price revisions for its end products in line with other players in the industry.

Overcoming the increase in input costs, the Company has posted record results during the year with total sales revenues and other

income of Rs. 29138.47 lakhs as against Rs.21858.74 lakhs for the previous financial year registering an increase of 33.30%. The Profit before tax and extraordinary items (after interest and depreciation charges) of Rs. 1482.38 lakhs and the Profit after tax of Rs.1106.16 lakhs for the financial year under review as against 898.98 lakhs and Rs. 567.04 lakhs respectively for the previous financial year, improved by 65% and 95% respectively.

During the year, the Company exported Duplex Board and realized Rs.788.53 lakhs, as compared to Rs. 155.74 lakhs, during the previous year.

## Human Resources and Industrial Relations:

Relations between the Management and the labour were cordial, throughout the year under review.

## 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 31<sup>st</sup> March, 2007, 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. Those 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 as on 31<sup>st</sup> March 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
  - 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 31<sup>st</sup> March, 2007

- 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, 23<sup>rd</sup> August, 2007

*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 management, at reasonable intervals during the year, has physically verified the inventories.
  - 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) The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4(iii) (b) to (g) of the Order are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems 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) In our opinion and according to the information's and explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Act have been properly entered.
  - b) All the transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and the nature of services rendered by such parties.
- 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 that needs to be further strengthened.*
- 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 Books of Accounts and records as produced and examined by us in accordance with the generally accepted auditing practice in India, in our opinion, 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 and other material statutory dues as applicable with the appropriate authorities.
- b) According to the Books of Accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, as at 31<sup>st</sup> March, 2007, the following are the particular of dues 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	1,99,166	Appellate Authority Tribunal level	1996-1997
Central Excise Act, 1944	Excise duty	7,41,533	Appellate Authority up to Commissioner level	1992 - 1993, 1993-1994 and 1996-1997
Central Excise Act, 1944	Excise duty	11,95,969	Appellate Authority up to Commissioner level	2003-2004
Central Excise Act, 1944	Excise duty	51,65,174	Appellate Authority up to Commissioner level	2005-2006
Central Excise Act, 1944	Excise duty	7,79,052	Appellate Authority up to Commissioners' level	2006-2007

- 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) According to the Books of Accounts and records of the Company, there has been no default in repayment of dues to any financial institution or bank or debenture holders during the year.
- 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 not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 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) During the course of our examination of the books & records of the Company carried out in accordance with the generally accepted accounting practices in India & according to the information's & explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For CHATURVEDI & PARTNERS  
*Chartered Accountants*

A. K. CHATURVEDI  
*(Partner)*

*Membership No.: 40763*

Mumbai, 23<sup>rd</sup> August, 2007

# N. R. Agarwal Industries Limited

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2007

	Schedules	As at 31 <sup>st</sup> March, 2007 Rupees	As at 31 <sup>st</sup> March, 2006 Rupees
<b>SOURCES OF FUNDS</b>			
<b>(1) SHARE HOLDERS' FUND</b>			
(a) Share Capital	A	178,691,000	111,000,000
(b) Share Capital Suspense Account	B	0	67,691,000
		<u>178,691,000</u>	<u>178,691,000</u>
<b>(2) RESERVES AND SURPLUS</b>			
	C	<u>196,580,973</u>	<u>115,534,876</u>
		<u>375,271,973</u>	<u>294,225,876</u>
<b>(3) LOAN FUNDS</b>			
(a) Secured Loans	D	761,076,254	755,262,247
(b) Unsecured Loans	E	90,010,398	121,056,239
		<u>851,086,652</u>	<u>876,318,486</u>
<b>(4) DEFERRED TAX LIABILITY</b>			
		<u>157,001,235</u>	<u>134,076,235</u>
<b>TOTAL</b>		<u><b>1,383,359,861</b></u>	<u><b>1,304,620,597</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>(1) FIXED ASSETS</b>			
(a) Gross Block		1,490,933,391	1,165,608,496
(b) Less : Depreciation	F	<u>363,215,974</u>	<u>298,606,962</u>
(c) Net Block		1,127,717,417	867,001,534
(d) Add : Capital Work in Progress		<u>38,075,158</u>	<u>169,690,802</u>
		<u>1,165,792,575</u>	<u>1,036,692,336</u>
<b>(2) INVESTMENTS</b>			
	G	1,635,510	829,500
<b>(3) CURRENT ASSETS, LOANS AND ADVANCES</b>			
(a) Inventories	H	211,370,659	256,833,355
(b) Sundry Debtors	I	367,306,526	312,999,921
(c) Cash and Bank Balances	J	58,872,672	32,902,396
(d) Loans and Advances	K	127,071,045	122,053,354
		<u>764,620,902</u>	<u>724,789,026</u>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>			
(a) Liabilities	L	490,412,875	430,871,082
(b) Provisions		<u>58,276,251</u>	<u>26,819,183</u>
		<u>548,689,126</u>	<u>457,690,265</u>
<b>NET CURRENT ASSETS</b>			
		<u>215,931,776</u>	<u>267,098,761</u>
<b>TOTAL</b>		<u><b>1,383,359,861</b></u>	<u><b>1,304,620,597</b></u>
<b>NOTES TO ACCOUNTS</b>			
	R		

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

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS  
Chartered Accountants

N. R. AGARWAL  
Executive Chairman

A. K. CHATURVEDI  
Partner

R. N. AGARWAL  
Managing Director

Mumbai, 23rd August, 2007

S. N. CHATURVEDI  
Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007

	Schedules	31 <sup>st</sup> March, 2007 Rupees	31 <sup>st</sup> March, 2006 Rupees
<b>INCOME</b>			
Sales		2,906,781,338	2,174,782,109
Other Income	M	7,065,404	11,091,961
Increase / Decrease in stock + / (-)	N	<u>1,458,757</u>	<u>6,796,868</u>
		<u>2,915,305,499</u>	<u>2,192,670,938</u>
<b>EXPENDITURE</b>			
Raw Materials Consumed	O	1,544,548,722	1,143,710,808
Purchases Of Traded Goods		2,566,349	2,579,609
Manufacturing and Other Expenses	P	1,067,062,746	837,654,842
Interest	Q	86,679,196	65,175,542
Depreciation	F	<u>66,508,105</u>	<u>52,748,725</u>
		<u>2,767,365,118</u>	<u>2,101,869,526</u>
<b>PROFIT BEFORE TAXATION</b>			
		<u>147,940,381</u>	<u>90,801,412</u>
Provision for Taxation including wealth tax		21,500,000	7,681,300
Mat Credit Entitlement		(7,640,939)	0
Provision for Deferred Tax		22,925,000	25,016,293
Fringe Benefit Tax		<u>540,241</u>	<u>497,133</u>
<b>PROFIT AFTER TAXATION</b>			
		<u>110,616,079</u>	<u>57,606,686</u>
Prior year Adjustment + / (-)		489,856	(1,011,474)
Previous year taxation Adjustment + / (-)		(192,594)	108,296
Balance brought forward		79,536,765	77,664,017
Amount transferred on Amalgamation		0	65,175,517
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			
		<u>190,450,106</u>	<u>199,543,042</u>
<b>APPROPRIATIONS</b>			
Capital Redemption Reserve		0	8,500,000
Proposed final dividend - equity shares		25,528,650	20,422,920
Tax on proposed equity dividend		4,338,594	3,470,875
Proposed dividend on preference shares		0	275,000
Tax on proposed preference dividend		0	38,571
Transfer to General Reserve		<u>6,800,000</u>	<u>1,700,000</u>
<b>BALANCE CARRIED TO BALANCE SHEET</b>			
		<u>153,782,862</u>	<u>165,135,676</u>
Basic and diluted earning per share (in Rs.)		<u>6.52</u>	<u>3.31</u>
NOTES TO ACCOUNTS	R		

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

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS  
Chartered Accountants

N. R. AGARWAL  
*Executive Chairman*

A. K. CHATURVEDI  
Partner

R. N. AGARWAL  
*Managing Director*

Mumbai, 23rd August, 2007

S. N. CHATURVEDI  
*Director*

# N. R. Agarwal Industries Limited

## CASH FLOW STATEMENT AS PER THE CLAUSE 32 OF THE LISTING AGREEMENT CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Year ended 31.03.2007		Year ended 31.03.2006	
	Rs.	Rs.	Rs.	Rs.
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before Tax and Extraordinary Items		<b>147,940,381</b>		90,801,412
ADJUSTMENTS FOR				
Depreciation	<b>66,508,105</b>		52,748,725	
Interest	<b>86,679,196</b>		56,855,909	
Loss on Sale of Assets	<b>2,388,936</b>		1,031,298	
Profit on sale of Investments	<b>0</b>		(3,372,714)	
Bad Debts written off	<b>471,264</b>		2,094,214	
Misc. Expenses W/off	<b>0</b>	<b>156,047,500</b>	<b>0</b>	109,357,432
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		<b>303,987,881</b>		200,158,844
CHANGES IN				
Trade and Other Receivables	<b>(54,777,869)</b>		(134,488,147)	
Inventories	<b>45,462,696</b>		(81,930,834)	
Trade Payables	<b>88,821,276</b>		137,691,984	
Loans & Advances	<b>3,433,249</b>	<b>82,939,352</b>	(8,562,246)	(87,289,243)
CASH GENERATED FROM OPERATIONS		<b>386,927,233</b>		112,869,601
Direct Taxes Paid	<b>(22,850,241)</b>	<b>(22,850,241)</b>	(13,843,961)	(13,843,961)
Cash Flow Before Extra Ordinary Items		<b>364,076,992</b>		99,025,640
Extra Ordinary Items				
Miscellaneous Expenditure	<b>0</b>		<b>0</b>	
Previous Year Adjustments	<b>297,262</b>	<b>297,262</b>	(903,178)	(903,178)
Net Cash from Operating Activities		<b>364,374,254</b>		98,122,463
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchase of Fixed Assets	<b>(198,784,798)</b>		(360,471,442)	
Sale of Fixed Assets	<b>787,518</b>		1,022,201	
Purchase of Investments	<b>(806,010)</b>		<b>0</b>	
Sale of Investments	<b>0</b>	<b>(198,803,290)</b>	<b>0</b>	(359,449,241)
Net Cash used in Investing Activities		<b>(198,803,290)</b>		(359,449,241)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Issue of Share Capital	<b>0</b>		<b>0</b>	
Interest Paid	<b>(84,501,611)</b>		(55,540,384)	
Proceeds from Long Term Borrowings	<b>69,996,239</b>		355,174,966	
Repayment of Long Term Borrowings	<b>(64,182,231)</b>		(10,000,000)	
Unsecured Loans	<b>(31,045,841)</b>		12,109,847	
Preference Dividend including tax thereon	<b>0</b>		(313,571)	
Equity share Dividend including tax thereon	<b>(29,867,244)</b>		(23,893,795)	
		<b>(139,600,688)</b>		277,537,063
Net Cash used in Financing Activities		<b>(139,600,688)</b>		277,537,063
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		<b>25,970,276</b>		16,210,285
CASH AND CASH EQUIVALENTS - OPENING BALANCE		<b>32,902,396</b>		11,992,830
CASH & CASH EQUIVALENT AS AT 1ST APRIL 2005				
TAKEN OVER ON AMALGAMATION (NOTE 5)		<b>0</b>		4,699,281
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		<b>58,872,672</b>		32,902,396
		<b>25,970,276</b>		16,210,285

As per our attached report of even date

For CHATURVEDI & PARTNERS  
Chartered Accountants

A. K. CHATURVEDI  
Partner

Mumbai, 23rd August, 2007

For and on behalf of the Board of Directors

N. R. AGARWAL  
Executive Chairman

R. N. AGARWAL  
Managing Director

S. N. CHATURVEDI  
Director



## SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31 <sup>st</sup> March, 2007 Rupees	As at 31 <sup>st</sup> March, 2006 Rupees
<b>SCHEDULE : A</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
225,00,000 (previous year 125,00,000) Equity Shares Rs. 10 each	225,00,000	125,00,000
25,00,000 Preference Shares of Rs.10 each	25,00,000	25,00,000
	<b>250,00,000</b>	<b>150,00,000</b>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
1,70,19,100 (previous year 1,02,50,000) Equity Shares of Rs. 10 each fully paid up	170,191,000	102,50,000
850,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10 each fully paid up	8,500,000	8,500,000
	<b>178,691,000</b>	<b>111,000,000</b>
850,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10 each are redeemable at par at the end of 7 <sup>th</sup> year from the date of allotment. i.e 27.07.2000.		
Subscribed and paid up equity share capital includes 67,69,100 (previous year nil ) fully paid equity share of Rs. 10 each allotted to the share holders of erstwhile N R Paper and Boards Ltd (NRPBL) and Suman Paper and Boards Ltd (SPBL) pursuant to the scheme of amalgamation without consideration.		
<b>SCHEDULE : B</b>		
<b>SHARE CAPITAL SUSPENSE ACCOUNT</b>		
In terms of the Scheme of Amalgamation of erst while N. R. Paper & Boards Limited and Suman Paper & Boards Limited with the Company:		
(i) An aggregate of 1,05,00,000 Equity Shares of Rs. 10 each of the Company to be issued as fully paid-up to the equity shareholders of N. R. Paper & Boards Limited and Suman Paper & Boards Limited whose names appear on the Record Date to be fixed for this purpose.	0	105,000,000
(ii) Less:		
(a) 17,44,800 Equity Shares of Rs. 10 each of the Company held by NRPBL to be cancelled pursuant to Scheme of Amalgamation	0	17,448,000
(b) 19,86,100 Equity Shares of Rs. 10 each of the Company held by SPBL to be cancelled pursuant to Scheme of Amalgamation	0	19,861,000
	<b>0</b>	<b>37,309,000</b>
<b>TOTAL</b>	<b>0</b>	<b>67,691,000</b>
Pending allotment the amount has been shown as share capital suspense account as of 31.03.2006.		
<b>SCHEDULE : C</b>		
<b>RESERVES AND SURPLUS</b>		
<b>GENERAL RESERVE</b>		
Balance as per Last Account	27,498,111	2,923,711
Add: Transfer from N. R. Paper & Boards Limited	0	20,053,858
Transfer from Suman Paper & Boards Limited	0	2,820,542
Add: Transfer from profit and loss account	6,800,000	1,700,000
	<b>34,298,111</b>	<b>27,498,111</b>

# N. R. Agarwal Industries Limited

	Rupees	As at 31 <sup>st</sup> March, 2007 Rupees	As at 31 <sup>st</sup> March, 2006 Rupees
<b>CAPITAL REDEMPTION RESERVE</b>			
Balance as per Last Account	<b>8,500,000</b>		0
Add: Transfer from Profit and Loss Account	<u>0</u>	<b>8,500,000</b>	8,500,000
<b>PROFIT AND LOSS ACCOUNT</b>			
Balance as per profit and loss account	<b>153,782,862</b>		165,135,676
Less: Adjustment on account of amalgamation of N. R. Paper & Boards Limited and Suman Paper & Boards Limited	<u>0</u>	<b>153,782,862</b>	85,598,911
		<u><b>196,580,973</b></u>	79,536,765
			<u><b>115,534,876</b></u>
<b>SCHEDULE : D</b>			
<b>SECURED LOANS</b>			
i ) Term Loans			
I D B I Bank		<b>93,750,000</b>	103,900,000
Bank of India		<b>194,411,598</b>	178,095,469
The Greater Bombay Co-operative Bank Ltd.		<b>0</b>	2,400,000
The Bombay Mercantile Co-operative Bank Ltd.		<b>32,000,000</b>	0
Oriental Bank of Commerce		<b>52,007,000</b>	68,003,000
Bank of Baroda -Vapi		<b>96,336,403</b>	118,288,763
ii ) Working Capital Loan from Banks		<u><b>292,571,253</b></u>	284,575,015
		<u><b>761,076,254</b></u>	<u><b>755,262,247</b></u>

## NOTES :

- 1) Term Loan from IDBI Bank is secured by hypothecation of plant and machinery and extension of existing security on immovable properties situate at Vapi Plants on pari passu with other term lenders.
- 2) The Term Loans from Bank of India are secured by hypothecation of plant and machinery and extension of existing security on immovable properties situate at Vapi Plants on pari passu with other term lenders.
- 3) The Term Loan from Oriental Bank of Commerce is secured by hypothecation of plant and machinery and extension of existing security on immovable properties situate at Vapi Plants on pari passu with other term lenders.
- 4) The Term Loan from Bank of Baroda is secured by hypothecation of plant and machinery and extension of existing security on immovable properties situate at Vapi Plants on pari passu with other term lenders.
- 5) The Term Loan from Bombay Mercantile Co-operative Bank Limited is secured by way of Equitable Mortgage of Office premises situate at Janki Centre, Mumbai of the Company and its associate Companies (since amalgamated).
- 6) The term loans at serial Nos. 2, 3, 4 and 5 above are further secured by the personal guarantees of Shri N. R. Agarwal and Shri R. N. Agarwal.
- 7) The term loan at serial No. 5 is further secured by the Corporate Guarantee of N. R. Paper and Boards Limited and Suman Paper and Boards Limited (since amalgamated).
- 8) The working capital loans from Banks are secured by 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 on Companies movable and immovable fixed assets and further guaranteed by personal guarantees of Shri N. R. Agarwal, Shri R. N. Agarwal and Shri G. N. Agarwal.

# Annual Report 2006 - 2007

	As at 31 <sup>st</sup> March, 2007 Rupees	As at 31 <sup>st</sup> March, 2006 Rupees
<b>SCHEDULE : E</b>		
<b>UNSECURED LOANS</b>		
Intercompany Deposits	<b>30,000,000</b>	19,790,240
Fixed Deposits	<b>7,300,000</b>	7,800,000
Trade Deposits	<b>49,960,398</b>	92,990,999
Other deposits	<b>2,750,000</b>	4,75,000
	<b>90,010,398</b>	<b>121,056,239</b>

**SCHEDULE : F**  
**FIXED ASSETS**

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at 01.04.2006	Acquired Pursuant to Scheme of Amalgamation *	Additions during the year	Deductions/ Adjustments	As at 31.03.2007	As at 01.04.2006	Acquired Pursuant to Scheme of Amalgamation**	For the year	On Deductions/ Adjustments	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
1. Land	0	0	20,999,730	0	<b>20,999,730</b>	0	0	0	0	0	<b>20,999,730</b>	0
2. Leasehold Land	22,423,075	0	12,979,373	0	<b>35,402,448</b>	820,727	0	0	0	820,727	<b>34,581,721</b>	21,602,348
3. Factory Building	149,270,173	0	39,526,225	2,222,286	<b>186,574,112</b>	31,929,136	0	5,569,679	1,056,164	36,442,651	<b>150,131,461</b>	117,341,037
4. Plant and Machinery	952,498,596	0	236,375,396	0	<b>1,188,873,992</b>	252,610,152	0	55,461,216	0	308,071,368	<b>880,802,624</b>	699,888,443
5. Furniture and Fixtures	12,533,759	0	129,101	0	<b>12,662,860</b>	5,490,402	0	867,287	0	6,357,689	<b>6,305,171</b>	7,043,358
6. Motor Cars	8,507,300	0	6,798,895	2,853,261	<b>12,452,934</b>	2,216,573	0	1,173,186	708,850	2,680,909	<b>9,772,025</b>	6,290,727
7. Others - Building	16,865,400	0	150,000	0	<b>17,015,400</b>	2,520,679	0	276,740	0	2,797,419	<b>14,217,981</b>	14,344,721
8. Computer	3,510,193	0	7,763,513	0	<b>11,273,706</b>	3,019,293	0	1,267,261	134,079	4,152,475	<b>7,121,231</b>	490,900
9. Intangible Asset-												
Sap Software	0	0	5,678,209	0	<b>5,678,209</b>	0	0	1,892,736	0	1,892,736	<b>3,785,473</b>	0
<b>TOTAL</b>	<b>1,165,608,496</b>	<b>0</b>	<b>330,400,442</b>	<b>5,075,547</b>	<b>1,490,933,391</b>	<b>298,606,962</b>	<b>0</b>	<b>66,508,105</b>	<b>1,899,093</b>	<b>363,215,974</b>	<b>1,127,717,417</b>	<b>867,001,534</b>
Previous Year	575,234,545	288,677,789	305,133,405	3,437,243	1,165,608,496	148,765,561	98,476,420	52,748,725	1,383,744	298,606,962		
Capital Work in Progress											<b>38,075,158</b>	169,690,802
											<b>1,165,792,575</b>	1,036,692,336

	As at 31 <sup>st</sup> March, 2007 Rupees	As at 31 <sup>st</sup> March, 2006 Rupees
--	---	---

**SCHEDULE : G**

**INVESTMENTS (AT COST)**

**UNQUOTED**

Shares of Sagar Sarita Co-operative Housing Society Limited	<b>3,500</b>	3,500
Shares of Laxmi Co-operative Housing Society Limited	<b>2,750</b>	2,750
Shares of MahaLaxmi Co-operative Housing Society Limited	<b>3,750</b>	3,750
Shares of The Greater Bombay Co-operative Bank Limited (8040 Equity Shares of @ Rs. 25/- each fully paid up)	<b>201,000</b>	201,000
Shares of Kherani Paper Mills Pvt. Ltd. (95 Equity Shares of Rs. 100/- each fully paid up)	<b>9,500</b>	9,500
Shares - Bombay Mercantile Co-operative Bank Ltd (26867 Equity Shares of @ Rs. 30/- each fully paid up)	<b>806,010</b>	0

# N. R. Agarwal Industries Limited

	As at 31 <sup>st</sup> March, 2007 Rupees	As at 31 <sup>st</sup> March, 2006 Rupees
<b>QUOTED</b>		
6000 fully paid up Equity Shares of Bank of Baroda of Rs. 10/- each	510,000	510,000
2200 fully paid up Equity Shares of Bank of India of Rs. 10/- each	99,000	99,000
Aggregate book value of :		
Quoted investment : Rs.609000		
Unquoted investment : Rs.1026510		
Aggregate market value of Quoted Investment Rs.1661560 ( Previous Year Rs.1672200)		
	<u>1,635,510</u>	<u>829,500</u>
<b>SCHEDULE : H</b>		
<b>INVENTORIES</b>		
(As taken, valued and certified by the Management)		
Stores, spares and tools	44,504,226	40,666,238
Packing Materials	3,695,586	2,490,882
Raw Materials	119,659,735	171,413,540
Work- in process	17,137,043	2,910,865
Finished Goods	26,374,069	39,351,830
	<u>211,370,659</u>	<u>256,833,355</u>
<b>SCHEDULE : I</b>		
<b>SUNDRY DEBTORS</b>		
Debts - exceeding 6 months - considered good	21,624,431	11,518,571
	<u>21,624,431</u>	<u>11,518,571</u>
Other Debts	345,682,094	301,481,350
	<u>367,306,526</u>	<u>312,999,921</u>
<b>SCHEDULE : J</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	649,935	371,897
Balances with Scheduled Banks - In Current Accounts	47,663,462	3,106,685
- In Margin Money Accounts	10,559,275	29,423,814
	<u>58,872,672</u>	<u>32,902,396</u>
<b>SCHEDULE : K</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered good)		
Advances Recoverable in cash or in kind or for value to be received	81,247,039	87,523,502
Deposits	25,403,750	23,698,740
Advance Payment of Income Tax (Net of Provisions) (including MAT credit entitlement of Rs.76,40,939) (Previous year Rs. Nil)	20,420,256	10,831,112
	<u>127,071,045</u>	<u>122,053,354</u>
<b>SCHEDULE : L</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>(a) Current Liabilities</b>		
Sundry Creditors (due to small scale industrial undertaking)	2,763,867	7,738,155
Sundry Creditors (due to others)	438,049,058	363,423,125

# Annual Report 2006 - 2007

## SCHEDULE : L (Contd.)

	As at 31 <sup>st</sup> March, 2007 Rupees	As at 31 <sup>st</sup> March, 2006 Rupees
Advances Received Against Order	700,000	2,210,000
Other Liabilities	40,900,080	51,648,077
Interest accrued and but not due	7,566,538	5,388,953
Investor education and protection fund shall be credited by the following amounts when due:-		
a) Unclaimed Dividends	433,332	462,772
	<b>490,412,875</b>	<b>430,871,082</b>
<b>(b) Provisions</b>		
For Leave Encashment	2,439,885	2,225,057
For Proposed Dividend on Equity Shares	45,951,570	20,422,920
For Provision for Fringe Benefit Tax	540,241	43,172
For Provision for Wealth Tax	27,000	31,300
For Provision for Gratuity	312,288	312,288
For Proposed Dividend on Preference Shares	1,183,877	275,000
For Tax on Dividend	7,821,390	3,509,446
	<b>58,276,251</b>	<b>26,819,183</b>
	<b>548,689,126</b>	<b>457,690,265</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	31 <sup>st</sup> March, 2007 Rupees	31 <sup>st</sup> March, 2006 Rupees
<b>SCHEDULE : M</b>		
<b>OTHER INCOME</b>		
Interest on Fixed Deposits (TDS Rs.71998/-) (Previous Year Rs.78695)	328,113	578,517
Miscellaneous Income	6,737,291	10,513,444
	<b>7,065,404</b>	<b>11,091,961</b>
<b>SCHEDULE : N</b>		
<b>INCREASE (+) / DECREASE (-) IN STOCK</b>		
<b>OPENING STOCK</b>		
Finished Goods	39,351,830	20,109,410
Work-In-Process	2,910,865	1,588,269
	<b>(A) 42,262,695</b>	<b>21,697,679</b>
Add: Stocks taken over on amalgamation of N.R.Paper & Boards Limited and Suman Paper & Boards Limited		
Finished Goods	0	12,648,147
Work-In-Process	0	1,120,000
	<b>(B) 0</b>	<b>13,768,147</b>
	<b>(A)+(B) = (C) 42,262,695</b>	<b>35,465,826</b>
<b>CLOSING STOCK</b>		
Finished goods	26,584,409	39,351,830
Work-In-Process	17,137,043	2,910,864
	<b>(D) 43,721,452</b>	<b>42,262,694</b>
	<b>(D-C) 1,458,757</b>	<b>6,796,868</b>

# N. R. Agarwal Industries Limited

	31 <sup>st</sup> March, 2007		31 <sup>st</sup> March, 2006
	Rupees	Rupees	Rupees
<b>SCHEDULE : O</b>			
<b>RAW MATERIALS CONSUMED</b>			
Opening Stock		171,413,540	22,303,128
Add: Stocks taken over on amalgamation of N.R.Paper & Boards Limited and Suman Paper & Boards Limited		0	58,603,734
Less: Value Added Tax Credit available on Opening Stock		<u>310,006</u>	<u>0</u>
		171,103,534	80,906,862
Add : Purchases		1,482,780,005	1,234,217,486
		1,653,883,539	1,315,124,348
Less : Closing Stock		<u>109,334,817</u>	<u>171,413,540</u>
		<u>1,544,548,722</u>	<u>1,143,710,808</u>
<b>SCHEDULE : P</b>			
<b>MANUFACTURING AND OTHER EXPENSES</b>			
<b>Manufacturing Expenses</b>			
Consumption of Stores, Spares and Tools		65,609,962	77,576,066
Power , Fuel and Water Charges	436,447,148		350,101,462
Material Handling Charges	16,427,630		11,148,382
Excise Duty	<u>232,515,916</u>	<u>685,390,694</u>	<u>176,862,227</u>
<b>Employees Remuneration and Benefits</b>			
Salaries, Wages, Bonus etc.	82,350,435		60,921,311
Contribution to ESIC and Other Funds	6,368,181		6,194,284
Staff Welfare Expenses	<u>497,207</u>	<u>89,215,823</u>	<u>743,213</u>
<b>Administrative Expenses</b>			
Insurance	3,811,588		2,409,966
Rates and Taxes	1,338,323		878,296
General Expenses	<u>30,190,607</u>	<u>35,340,518</u>	<u>19,373,498</u>
<b>Selling and Distribution Expenses</b>		165,874,884	113,803,492
<b>Repairs and Maintenance</b>			
Machinery	14,254,574		9,428,490
Building	6,072,020		3,156,323
Others	<u>1,446,407</u>	<u>21,773,001</u>	<u>822,856</u>
<b>Other Expenses</b>			
Directors Sitting Fees	132,000		141,000
Remuneration to Auditors	482,388		471,610
Miscellaneous Expenses	51,458		73,083
Advertisement	110,818		237,058
Donation	221,000		186,711
Loss on Sales of Assets	2,388,936		1,031,298
Bad Debts Written Off	471,264		2,094,216
		3,857,864	4,234,976
		<u>1,067,062,746</u>	<u>837,654,842</u>
<b>SCHEDULE : Q</b>			
<b>INTEREST</b>			
Interest on			
(a) Term Loans		41,881,130	25,081,924
(b) Bank		29,261,028	24,117,136
(c) Others		15,537,038	15,976,482
		<u>86,679,196</u>	<u>65,175,542</u>

**SCHEDULE: R****NOTES TO ACCOUNTS****1. Significant Accounting Policies:****(a) Accounting Convention:**

The financial statements are prepared under the historical cost convention on an accrual basis of accounting with the generally accepted accounting principles in India, Accounting Standards issued by the Institute of Chartered Accountants of India as applicable and the relevant provisions of the Companies Act, 1956.

**(b) Fixed Assets:**

All fixed Assets are stated at cost, net of Cenvat/Service Tax/VAT, 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.

**(c) Depreciation:**

i) 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. 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.

ii) Intangible Assets are amortised over their useful life not exceeding ten years.

**(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 rates prevailing at the time of the transaction.

(ii) Monetary items denominated in foreign currencies at year end and not covered by forward exchange contracts are translated at year end exchange 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:**

(i) Inventories are valued at the lower of cost, computed on moving average 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.

(ii) Goods in Transit are stated at cost.

(iii) 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) Employee Benefits:**

Contribution to Provident fund is made at predetermined rate and charged to the profit and loss account.

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 on the basis of estimated taxable income for the year, in accordance with the Income Tax Act, 1961.

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

# N. R. Agarwal Industries Limited

carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future.

Fringe Benefit tax provision is made in accordance with the provisions of the Income Tax Act, 1961.

**(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.1900 Lacs (Previous year Rs.1900 lacs).
  - (b) Excise duty demands and penalties – Rs. 80,80,893 (Previous Year Rs. 2,81,90,099)
  - (c) Claims against the Company not acknowledged as debts in respect of labour disputes –Rs. 18,21,930 (Previous year - amount unascertainable).
  - (d) Letter of Credit outstanding Rs.1602.67 lacs (Previous year Rs.1246.49 lacs).
  - (e) Customs penalties on Imports – Rs. 5,00,000 (Previous year Rs. 5,00,000).
  - (g) Tax Liabilities and interest in respect thereof demanded by the Income Tax Department has been paid but the company has preferred an appeal against the said demand.
3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs.92.22 lacs (Previous Year Rs.136.28 lacs).
4. The deferred tax liability as at 31st March 2007 comprise of the following:

<b>31<sup>st</sup> March, 2007 (Rupees)</b>	<b>31<sup>st</sup> March, 2006 (Rupees)</b>
---	---

**Deferred Tax Liability**

Fixed Assets excess net block over written down value as per the provisions of the Income Tax Act 1961

	46,36,81,050	45,96,11,746
--	--------------	--------------

Miscellaneous Expenditure w/o

	0	0
--	---	---

	46,36,81,050	45,96,11,746
--	--------------	--------------

**Deferred Tax Assets**

Disallowance under Income Tax Act 1961

	17,76,857	1,43,132
--	-----------	----------

Unabsorbed Depreciation

	0	6,11,43,496
--	---	-------------

	17,76,857	6,12,86,628
--	-----------	-------------

	46,19,04,193	39,83,25,119
--	--------------	--------------

Provision for deferred tax (net)

	15,70,01,235	13,40,76,235
--	--------------	--------------

**5. Earnings Per Share :**

<b>31<sup>st</sup> March, 2007</b>	<b>31<sup>st</sup> March, 2006</b>
------------------------------------	------------------------------------

(a) Weighted average number of equity shares of Rs. 10 each

(i) Number of shares at the beginning of the year	1,70,19,100	1,02,50,000
---	-------------	-------------

(ii) Add: Number of shares to be issued to the shareholders of NRPBL and SPBL pursuant to the Scheme of Amalgamation	-	1,05,00,000
--	---	-------------

(iii) Less: Shares of the Company held by the erstwhile NRPBL and SPBL cancelled pursuant to the Scheme of Amalgamation*	-	(37,30,900)
--	---	-------------

(iv) Number of shares at the end of the year	1,70,19,100	1,70,19,100
--	-------------	-------------

(iii) Weighted average number of equity shares outstanding during the year	1,70,19,100	1,70,19,100
--	-------------	-------------

(b) Net Profit after tax and after prior year adjustments (Rs.)	11,09,13,341	5,65,95,212
---	--------------	-------------

(c) Less: Preference Dividend Including tax thereon (Rs.)	-	3,13,571
---	---	----------

(d) Profit attributable to equity share holders (Rs.)	11,09,13,341	5,62,81,641
---	--------------	-------------

Basic and diluted earnings per share (in Rupees)	6.52	3.31
--	------	------



6. The Company has changed the method of valuation of raw materials, stores and spares, coal and packing material from FIFO (First-in-First-out) basis to moving average basis. Had the company followed the method of valuation of aforesaid stocks as in the previous year, the closing stocks and the profit before tax for the year would have been lower by Rs. 89,20,695.
7. In the absence of necessary information with the Company relating to registration status of suppliers under the Micro, Small and Medium Enterprise Development Act, 2006, the information required under the said Act could not be compiled and disclosed.
8. The names of the Small Scale Undertakings to whom the Company owes a sum exceeding Rs.1.00 lac outstanding for more than 30 days as on 31<sup>st</sup> March, 2007 are: Allwyn Engineers, Alok Trade & Investments Pvt. Ltd., Bhavik Enterprises, Good Cast Industries and Siddhartha Chemicals. 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 and relied upon by the auditors.
9. Sundry Debtors, Sundry Creditors, Unsecured Loans and Loans and Advances balances are subject to confirmation and reconciliation.
10. Sundry Creditors include a sum of Rs.1,09,87,071 (Previous Year Rs.1,70,29,664) payable for Capital Goods.
11. Segment Reporting:  
The Company operates in Single Business Segment of "Manufacturing of Paper Boards & Newsprint". Therefore, the Company is of the view that the disclosure requirements of Accounting Standard AS-17 issued by the Institute of Chartered Accountants of India is not applicable to the Company.
12. The Company has imported Capital Goods under 'Export Promotion Capital Goods' Scheme for which the Company has an export obligation of Rs.43,86,65,570 (previous year 43,86,65,570) to be fulfilled within a period of eight years i.e. upto 2013 (previous year 2013). On failure to fulfill the obligation, the Company would be liable to pay the customs duty saved amounting to Rs.5,16,42,778 (previous year Rs.5,16,42,778) with interest as applicable. The Company is confident of achieving the export obligation and accordingly no provision has been made in the accounts.
13. 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:**

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

**Relatives of Directors**

Shri G.N. Agarwal  
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 <sup>st</sup> March, 2007 (Rs. In lacs)	31 <sup>st</sup> March, 2006 (Rs. In lacs)
(i) Purchase of Goods/Payment for other services		
Associates	0.00	0.00
(ii) Purchase of Fixed Assets Associates	102.27	0.00
(iii) Sales & Services Associates	0.00	0.00
(iv) Unsecured Advances given Associates	0.00	0.00
(v) Unsecured Advances received Associates	0.00	0.00
(vi) Unsecured Deposits received		
Key Management Personnel & Relatives	29.00	81.23
(vii) Remuneration paid Key Management Personnel	47.94	39.01
(viii) Sitting Fees Paid Key Management Personnel	0.18	0.31
(ix) Outstanding Credit Balance Unsecured Deposits		
Key Management Personnel & Relatives	32.50	4.75
(x) Guarantees provided for Associates	1900.00	1900.00

# N. R. Agarwal Industries Limited

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

Loans and Advances in the nature of Loans

**Maximum balance**

**Nil**

**Nil**

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.

## 14. Auditor's Remuneration

	<b>31<sup>st</sup> March, 2007 (Rupees)</b>	<b>31<sup>st</sup> March, 2006 (Rupees)</b>
Audit Fees	<b>2,95,000</b>	2,95,000
Tax Audit	<b>55,000</b>	55,000
Reimbursement of Expenses	<b>79,388</b>	73,110
Other matters	<b>53,000</b>	48,500
<b>Total</b>	<b><u>4,82,388</u></b>	<b><u>4,71,610</u></b>

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

(i) To The Executive Chairman and The Managing Director		
(a) Remuneration and contribution to funds	<b>66,18,720</b>	38,50,819
(b) Perquisites	<b>50,000</b>	50,000
<b>Total</b>	<b><u>66,68,720</u></b>	<b><u>39,00,819</u></b>

## (ii) Computation of Net Profit as per Section 349 read with Section 309(5) of the Companies Act, 1956.

Profit Before Tax and after prior period adjustment as per Profit and Loss Account	<b>14,82,37,643</b>	8,97,89,938
Add: Depreciation Charged in the Accounts	<b>6,65,08,105</b>	5,27,48,725
Loss on sale of assets as per Section 349 of the Companies Act, 1956	<b>23,88,936</b>	10,31,298
Directors' remuneration (including Sitting fees)	<b>77,94,209</b>	40,41,819
Commission payable to Directors	<b>30,00,000</b>	0
	<b>22,79,28,893</b>	14,76,11,780
Less: Depreciation under Section 350	<b>6,65,08,105</b>	5,27,48,725
Profit on settlement of derivatives	<b>18,00,000</b>	0
	<b>6,83,08,105</b>	5,27,48,725
Net Profit	<b>15,96,20,788</b>	9,48,63,055
Overall ceiling on Managerial remuneration under Section 198 of the Companies Act, 1956	<b>1,59,62,079</b>	94,86,036

## 16. Capital Work in Progress includes advance:

Paid towards		
Building	<b>22,91,399</b>	3,30,00,023
Expenses	<b>4,143</b>	84,95,532
Plant & Machinery	<b>3,09,79,616</b>	12,76,28,022
Advance for Land	<b>48,00,000</b>	5,67,225
<b>Total</b>	<b><u>3,80,75,158</u></b>	<b><u>16,96,90,802</u></b>

## 17. 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	N.A.	112800 TPA(3 shifts)	N.A.	36000TPA (3 shifts)
Previous year	N.A.	72400 TPA(3 shifts)	N.A.	30000TPA (3 shifts)

Note:

1. Licensed capacity is not applicable in view of the Company's products having been delicensed as per the licensing policy of the Government of India.
2. Installed capacity is as certified by the management and accepted by auditors, being technical matter.
18. **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. MT.	Value Rs.	Qty. MT.	Value Rs.
<b>Indian</b>	<b>94,853.583</b> (78,244.057)	<b>73,03,72,590</b> (54,65,29,871)	(—) (—)	<b>23,56,10,762</b> (17,09,12,221)
<b>Imported (including High Seas)</b>	<b>46,522.369</b> (35,471.918)	<b>51,17,46,060</b> (38,00,33,290)	(—) (—)	<b>6,68,19,310</b> (4,62,35,426)
<b>Total</b>	<b>141,375.952</b> (113,715.975)	<b>124,21,18,650</b> (92,65,63,161)	(—) (—)	<b>30,24,30,072</b> (21,71,47,647)

**B. Information regarding Exports, imports and other Matters:**

**1. Remittance in foreign currency on account of dividend:**

The Company has paid dividend in respect of shares held by Non-Resident Shareholders on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to Non Resident External (NRE A/c.). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in this respect is given below:

Year to which the dividend relates	<b>2005-2006</b>	2004-2005
Number of non resident shareholders	<b>20</b>	13
Number of shares held by them	<b>9,126</b>	11,644
Amount of dividend (Rupees)	<b>10,951</b>	13,226
	<b>31st March, 2007 (Rupees)</b>	31st March, 2006 (Rupees)
<b>2 Earnings in Foreign Exchange</b>		
F.O.B. Value of Goods Exported	<b>7,88,53,318</b>	1,58,73,908
<b>3 C.I.F. Value of imports</b>		
(i) Raw Materials	<b>5,27,70,047</b>	99,17,022
(ii) Stores, Components & parts	<b>2,08,37,432</b>	7,92,034
(iii) Capital Goods	<b>4,33,19,018</b>	1,72,79,079
<b>4 Expenditure in Foreign Currency</b>		
Travelling	<b>1,25,670</b>	3,75,752
<b>5 Value of Imported and Indigenous Raw Materials, Stores and Spares consumed:</b>		
<b>Raw Materials:</b>		
Imported (including High Seas)	<b>57,85,65,370</b>	42,62,68,716
Indigenously obtained	<b>96,59,83,352</b>	71,74,42,092
	<b><u>154,45,48,722</u></b>	<u>114,37,10,808</u>
<b>Stores and Spares:</b>		
Imported	<b>36,58,458</b>	51,80,243
Indigenously obtained	<b>6,19,51,504</b>	7,23,95,823
	<b><u>6,56,09,962</u></b>	<u>7,75,76,066</u>

# N. R. Agarwal Industries Limited

	31 <sup>st</sup> March, 2007 (Rupees)	31 <sup>st</sup> March, 2006 (Rupees)
<b>6 Percentage of Total Consumption</b>		
<b>Raw Materials:</b>		
Imported (including High Seas)	37.46%	37.27%
Indigenously obtained	62.54%	62.73%
<b>Stores and Spares:</b>		
Imported	5.58%	6.68%
Indigenously obtained	94.42%	93.32%

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

	DUPLIX BOARD				NEWSPRINT			
	2006-2007		2005-2006		2006-2007		2005-2006	
	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)
Opening Stock	1714.699	32651537	568.382	9866441	370.324	6700292	623.752	10242969
Stock transferred								
On amalgamation	(—)	(—)	641.058	12648147	(—)	(—)	(—)	(—)
Production	98892.743	(—)	78977.565	(—)	30549.102	(—)	25518.492	(—)
Sales	99480.610	2228503015	78472.305	1649660283	30812.357	678278323	25771.92	522565352
Closing Stock	1126.832	24763787	1714.699	32651537	107.069	1820622	370.324	6700292

### TRADED GOODS

	2006-2007		2005-2006	
	Qty. MT.	Value Rs.	Qty. MT.	Value Rs.
Op. Stock	—	—	—	—
Purchase	139.281	25,66,349	67.200	25,79,609
Sales	139.281	25,89,771	67.200	25,56,473
Closing Stock	—	—	—	—

19. 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.

### Signatures to Schedule 'A' to 'R'

As per our attached report of even date

For CHATURVEDI & PARTNERS  
Chartered Accountants

A. K. CHATURVEDI  
Partner

Mumbai, 23rd August, 2007

For and on behalf of the Board of Directors

N. R. AGARWAL  
Executive Chairman

R. N. AGARWAL  
Managing Director

S. N. CHATURVEDI  
Director

## 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 <sup>st</sup> March, 2007		

### II. Capital Raised during the year

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

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

Total Liabilities	: 1,383,359,861	Total Assets	: 1,383,359,861
-------------------	-----------------	--------------	-----------------

#### Sources of Funds

Paid-up capital	: 178,691,000
Reserves and Surplus	: 196,580,973
Secured Loans	: 761,076,254
Unsecured Loans	: 90,010,398
Deferred Tax Liabilities	: 157,001,235

#### Application of Funds

Net Fixed Assets	: 1,165,792,575
Investment	: 1,635,510
Net Current Assets	: 215,931,776
Misc. Expenditure	: 0
Accumulated Losses	: —

### IV. Performance of Company

Turnover	: 2,906,781,338	Total expenditure	: 2,767,365,118
Profit/Loss Before Tax	: 147,940,381	Profit/Loss After Tax	: 110,616,079
Earnings per Share in Rs.	: 6.52	Dividend Rate %	: 15%

### V. Generic Names of Three 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
Item Code No. (ITC Code)	480200
Product Description	Writing and Printing

For and on behalf of the Board of Directors

N. R. AGARWAL  
*Executive Chairman*

R. N. AGARWAL  
*Managing Director*

S. N. CHATURVEDI  
*Director*

Mumbai, 23rd March, 2007



# N. R. AGARWAL INDUSTRIES LIMITED

Regd.Office: 415-418, Janki Centre, 4<sup>th</sup> 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  
Fourteenth Annual General Meeting of the Company to be held at GMS Community Centre Hall, Sitladevi Complex, 1<sup>st</sup> Floor,  
D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053, on Saturday, 29<sup>th</sup> September, 2007.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

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, 4<sup>th</sup> 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.

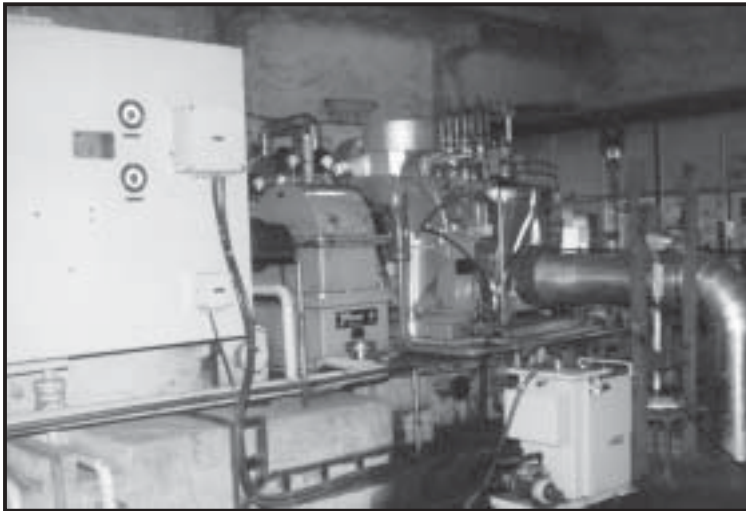
I hereby record my presence at the Fourteenth Annual General Meeting of the Company at Mumbai, on 29<sup>th</sup> September, 2007.

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

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







Power Generating Turbine



5MW Turbine Control Room

## Book - Post

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.