

# N R AGARWAL INDUSTRIES LIMITED





# GREENFIELD PROJECT ON PATH OF SUCCESS...



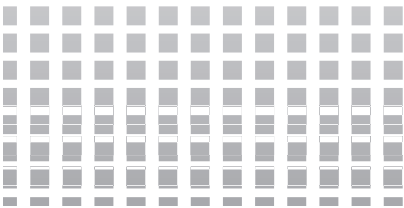
**N.R. Agarwal Industries Ltd.**  
Unit-5 Sarigam.  
SITE FOR PROPOSED PAPER MILL  
SURVEY NO.



Shri N R Agarwal  
1932-2011



*Our late  
Founder Chairman  
Shri N R Agarwal's  
approach to everything was  
developmental in nature.  
He never curbed anyone's  
ideas or creativity.  
He was very liberal in outlook and  
far from calculative,  
traits which made him a lovable human  
being and an excellent leader."*



# Value Statement by Managing Director & CEO



R N Agarwal  
Chairman, Managing Director & CEO

Dear Shareholders,

It gives me immense pleasure to communicate and share my views with you amidst promising financial reports by your Company.

For the year 2010-11, income of the Company posted a 24.03% increase over the previous year while profit after tax rose to 5.98% on net sales. It was another successful year for your Company.

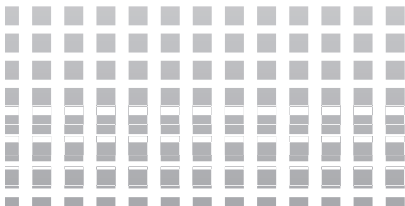
In India only about 20% waste paper is being currently recovered annually. Low recovery is on account of alternate use of paper in wrapping, packing etc. Lack of source segregation results in waste paper getting contaminated and becoming unusable. In comparison in developed countries the percentage of recovery of waste paper is very high. For instance in Germany it is 73%, Sweden 69%, Japan 60%, Western Europe 56%, USA 49% and Italy 45%.

As we believe “WASTE IS A TAX ON THE WHOLE PEOPLE”, at NRAIL we use 100% recycled waste paper which enable us to contribute to the environment. Your Company has set up 350 TPD Writing Printing / Newsprint / Kraft Paper project at a project cost of ₹ 260 Crores. The project has been set up at Sarigam near Vapi and is likely to be completed in the year 2011-12.

With the proven track record of more than 30 years in the paper industry, the new project of N R Agarwal Industries Limited will be the lowest cost paper manufacturer equipped with the best recycling technology in the world. Your Company has struggled to adhere to its long term strategies. There has nevertheless been need to reschedule and reprioritize investment strategies in consonance with market conditions during this period. The Company's philosophy is to achieve long term value to serve in the best interest of all stakeholders-shareholders, customers, employees, government and the society at large.

As shareholders, you have always appreciated the role of the employees of your Company in its growth and consistent profitability over the years. Their commitment, dedication and sense of belonging have contributed immensely to the growth and strength of your Company.

**R N AGARWAL**  
CHAIRMAN, MANAGING DIRECTOR & CEO



# Financial Highlights

(₹ in lacs)

FY 2006-07 FY 2007-08 FY 2008-09 FY 2009-10 FY 2010-11

Revenue from Operations	27,089	29,118	37,003	37,681	46,690
Other Income	71	205	301	303	310
PBDIT	3,011	2,983	2,750	3,719	5,186
PBT	1,479	1,234	932	2,049	3,606
PAT	1,106	906	891	2,095	2,775
Basic Earning Per Share (EPS) - ₹/Share	6.52	5.42	5.21	12.68	16.39
Dividend Per Share	1.50	1.20	1.00	1.80	1.80
Return on Capital Employed (ROCE)(%)	13.24	10.58	11.25	25.63	27.09
Return on Networth (RONW)(%)	20.16	30.16	20.98	17.80	30.80
Networth	2,857	3,668	4,316	5,003	6,804



## CORPORATE INFORMATION

### Board of Directors

Shri R N Agarwal (Chairman, Managing Director & CEO)

Shri Raunak Agarwal (Whole Time Director)

Shri S N Chaturvedi

Shri P Kumar

Shri C R Radhakrishnan

### Chief Financial Officer

Shri Gopal Uchil

### Company Secretary & Compliance Officer

Ms Hemali Sheth

### Auditors

Chaturvedi & Partners

Chartered Accountants, Mumbai

### Bankers

Bank of India

Bank of Baroda

Standard Chartered Bank

IDBI Bank Limited

The Saraswat Co-operative Bank Limited

### Registered Office

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

29, Shah Industrial Estate,

Off Veera Desai Road,

Andheri (West), Mumbai - 400 053

### Registrar & Share Transfer Agents

Sharex Dynamic (India) Private Limited

Unit No.1, Luthra Industrial Premises,

Safed Pool, Andheri Kurla Road,

Andheri (East), Mumbai - 400 072

## CONTENTS

<b>2</b>	Notice
<b>4</b>	Directors' Report
<b>8</b>	Report on Corporate Governance
<b>16</b>	Management Discussion & Analysis Report
<b>19</b>	Auditors' Report
<b>22</b>	Balance Sheet
<b>23</b>	Profit & Loss Account
<b>24</b>	Cash Flow Statement
<b>26</b>	Schedules
<b>42</b>	Balance Sheet Abstract
<b>43</b>	Proxy Form

## NOTICE

Notice is hereby given that the Eighteenth 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 Road, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053 on Saturday, August 27, 2011 at 11.30 a.m. to transact the following business;

### ORDINARY BUSINESS:

1. To consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2011 and the Balance Sheet as at that date together with 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. C R Radhakrishnan, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

5. Revision of Remuneration to Smt. Reena R. Agarwal:

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(1B) read with Directors Relatives (Office or Place of Profit) Amendment Rules, 2011 and other applicable provisions, if any, of the Companies Act, 1956 and as approved by the Selection Committee, the consent of the Company be and is hereby accorded to Smt. Reena R. Agarwal, relative of Directors of the Company to hold and continue to hold an office or place of profit in the Company as Vice President – HR of the Company on the payment of revised remuneration of ₹ 100,000/- (Rupees One Lakh only) per month inclusive of all perquisites with effect from June 1, 2011 with power to the Board of Directors to increase from time to time the remuneration upto a limit of ₹ 250,000/- per month inclusive of all perquisites.

**RESOLVED FURTHER** that for the purpose of giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized 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. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business at Item No.5 above is annexed hereto. The relevant details of directors seeking appointment/re-appointment under Item No.3 above as required by Clause 49 of Listing Agreements entered into with the Stock Exchanges are reported in Corporate Governance.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.** Proxies, in order to be effective, must be received at the Company's Registered Office not later than 48 hours before the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from Tuesday, August 23, 2011 to Saturday, August 27, 2011 (both days inclusive).
4. Dividend if declare, will paid on or after August 27, 2011 to those members, whose names are on the Company's Register of Members on August 27, 2011. In respect of Equity Shares held in electronic form, the dividend will be payable to the beneficial owners as at the end of business hours on Monday, August 22, 2011, as per details furnished by the Depositories for this purpose.
5. **Shareholders holding shares in physical form are requested to get their shares dematerialized.**
6. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank.
7. Members are requested to avail the facility of remittance of dividend through the National Electronic Clearing System (NECS). The NECS facility is available at locations identified by Reserve Bank of India from time to time. Members holding shares in physical form and desirous of availing this facility are requested to immediately write to the Company's Registrars and Transfer Agents with changes in their bank account/ accounts numbers, if any, alongwith a photocopy of a Blank cheque pertaining to the concerned account **particulars or bank mandates**. Such changes are to be advised only to the Depository Participant of the Members.
8. As per the provisions of the Companies Act, 1956, facility for making nominations is available to the shareholders in respect of the shares held by them. Nomination forms can be obtained from the Share Registrars of the Company.



9. Members holding shares in physical form are requested to advise any change of address immediately to the Company's Share Registrar and Transfer Agents. Members holding shares in electronic form must send the advice about change in address to their respective Depository Participant only and not to the Company or the Company's Share Registrar and Transfer Agents.
10. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (IEPF) set up by the Government of India and no payments shall be made in respect of any such claims by the IEPF.
- Members who have not yet encashed their dividend warrant(s) for the financial years ended March 31, 2005 onwards are requested to make their claims to the Company accordingly, without any delay.
11. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

**By order of the Board of Directors**

**HEMALI SHETH**  
Company Secretary

**Registered Office:**

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

Dated: May 30, 2011

## ANNEXURE TO NOTICE

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

#### Item No.5

Smt. Reena Agarwal, relative of Directors has been looking after the HR Department of the Company as Vice-President at a monthly remuneration of ₹ 45,000/- and under her guidance the company has set up a full fledged HR department which has formulated various HR policies. In order to recognize her services, the Board of Directors had at their meeting held on Monday, May 30, 2011 approved a revised remuneration of ₹ 100,000/- per month including all perquisites payable to her with effect from June 1, 2011 with power to the Board of Directors to increase the same from time to time upto a limit of ₹ 250,000/- per month inclusive of all perquisites.

As per the provisions of Section 314(1B) of the Companies Act, 1956, consent of the members of the Company is required by way of special resolution for her holding and continuing to hold an office or place of profit in the Company at the revised remuneration as contained in the resolution at item no 5 of the notice.

Accordingly, special resolution at item no. 5 of the accompanying notice is proposed for the approval of the members of the Company.

Shri R. N. Agarwal, Chairman Managing Director & CEO and Shri. Raunak Agarwal, Whole Time Director are interested or concerned in the said resolution being relatives of Smt. Reena R. Agarwal.

The directors commend the resolution for approval of the members.

**By order of the Board of Directors**

**HEMALI SHETH**  
Company Secretary

**Registered Office:**

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

Dated: May 30, 2011

The Ministry of Corporate Affairs (MCA), vide circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively has clarified that a Company will be deemed to have complied with provisions of Section 53 and 219(1) of the Companies Act, 1956, in case documents like notices, annual reports etc. are sent to its Members in electronic form, subject to compliance with the conditions stated therein.

The Company in support of the Green Initiative of the MCA, proposes to send its notices, annual report etc. in electronic form to the Members. The Members who wish to receive the said documents in electronic form are requested to register/update their e-mail addresses as per the following:

- i) Members holding equity shares of the Company in electronic form are requested to update/register their e-mail addresses with their respective depository participants.
- ii) Members holding equity shares in physical form are requested to update/register their e-mail addresses with Company by sending a mail to [investors@nrail.com](mailto:investors@nrail.com) mentioning their name and folio number.

## DIRECTORS' REPORT

To the Members,  
Your Directors have pleasure in submitting their Eighteenth Annual

Report on the business and operation of the Company along with the Annual Accounts for the year ended on March 31, 2011.

### FINANCIAL RESULTS

(₹ in Lacs)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Net Sales / Income from Operations and Other Income	48,754.91	39,244.02
Interest	732.42	861.38
Gross Profit After Interest but Before Depreciation and Taxation	4,453.83	2,857.17
Depreciation	848.17	808.53
Profit Before Tax and Exceptional Items	3,605.66	2,048.64
Exceptional Item	-	761.80
Profit Before Tax and After Exceptional Items	3,605.66	2,810.44
Provisions for Taxation	860.16	715.00
Deferred Tax	(29.37)	-
Prior year Adjustments	(14.76)	63.37
Net Profit for the year	2,789.63	2,158.81
Balance in Profit and Loss Account	4,501.08	2,858.68
Amount Available for Appropriation	7,290.71	5,017.49
Appropriation:		
General Reserve	158.00	158.00
Proposed Dividend	306.34	306.34
Tax on Dividend	50.88	52.06
Balance carried to Balance Sheet	6,775.49	4,501.08

### DIVIDEND

The Directors are pleased to recommend a dividend of ₹ 1.80 per equity share (18%) [Previous year ₹ 1.80 per equity share]. If the dividend, as recommended above, is approved by the Members at the Annual General Meeting, the total outflow towards dividend on equity shares for the year would be ₹ 35,722,368 (including dividend tax).

### COMPANY PERFORMANCE

During the financial year ended March 31, 2011 the Company recorded production of 131106 MT of Duplex Board, 28476 MT of Newsprint and 3402 MT of Kraft Paper as against 126059 MT of Duplex Board and 31972 MT of Newsprint in previous financial year. During the year under review, the Company has commenced production of Kraft Paper in its Unit No.II.

The turnover for the financial year under review was ₹ 48,328 lacs as against ₹ 38,855 lacs for the previous financial year. As compared to

the previous year, there has been a substantial increase in the Net Profit, mainly due to improved sales realization.

During the year, the Company exported Duplex Board and realized ₹ 1,529 lacs, as compared to ₹ 439 lacs, in the previous year.

### FIXED DEPOSITS

As on March 31, 2011 no fixed deposit was due or unclaimed.

### COST AUDIT

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, Company's cost records in respect of Paper products for the year ended March 31, 2011 are being audited by the Cost Auditor M/s. N Ritesh & Associates, Cost Accountants, who were appointed by the Board with the approval of the Central Government.

The due date for filing of the Cost Audit Reports for the financial year 2009-10 was September 30, 2010. The Company has filed the Reports with Ministry of Corporate Affairs on September 29, 2010.

## DIRECTORS

Shri C R Radhakrishnan would retire by rotation at the ensuing Annual General Meeting of the Company and is eligible for reappointment.

Brief resume of the above Director, nature of his experience in specific functional areas and names of the companies in which he 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.

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

Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with the provisions of 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, are given in Annexure I to the Directors' Report.

## PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given below.

Sr. No.	Name	Age	Designation	Gross Remuneration	Net Remuneration	Qualifications	Total Experience	Date of Commencement of Employment	Last Employment
1.	Shri R N Agarwal	51	Chairman MD & CEO	18,248,960	15,574,960	BE-Electrical, MBA	22	Since Incorporation	-

-Nature of employment is contractual.

-Gross Remuneration includes Salary, Commission, Contribution to Provident Fund and Perquisite chargeable under the Income Tax Act, 1961.

## DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- that the accounting policies selected and applied are consistent and judgments 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;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis;

## AUDITORS

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. The Directors recommend that they be re-appointed as Auditors of the Company for the current year.

## CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Report on Corporate Governance, Management Discussion and Analysis, Managing Director's Certificate and Auditor's Certificate regarding the compliance of conditions of Corporate Governance are made part of the Annual Report.

## INDUSTRIAL RELATIONS

The Employer - Employee relations at all units of the Company were cordial and harmonious throughout the year under review.

## ACKNOWLEDGEMENT

The Board wishes to record its deep appreciation for the exemplary contribution made by the employees at all levels. The Board would also like to express their appreciation for assistance and co-operation received from the Financial Institutions, Banks and various Central and State Government Authorities, Customers, Vendors and Shareholders during the year under the review.

**For and on behalf of the Board of Directors**

**R N AGARWAL**

Chairman Managing Director & CEO

Mumbai, May 30, 2011

## 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 DIRECTORS' REPORT FOR THE YEAR ENDED MARCH 31, 2011.**

### I) CONSERVATION OF ENERGY

ENERGY CONSERVATION MEASURE TAKEN IN NEWSPRINT/ KRAFT UNIT AND DUPLEX COATED PAPER BOARD UNITS

#### A) Newsprint/Kraft manufacturing unit

- 1) As Indian newsprint market is bad presently therefore management has decided to produce the Kraft paper from its Unit II and done the required modification for Kraft paper manufacturing and started the production from March 2011.
- 2) During this modification, total steam and condensate system has revived for achieving the best results. And after this modification a significant steam saving has achieved up to 1.55 tons steam per ton of paper as well as better condensate recovery has also achieved which will help directly in fuel saving in our boiler of co-generation captive power plant which resulted in saving heat energy.
- 3) After switching over on Kraft paper manufacturing we are recycling 100% water and maintaining the zero discharge, hence, we are saving the precious water.
- 4) Some old inefficient electrical motors has replaced with energy efficient motors for achieving as lowest as possible power consumption per ton of paper. We also replaced old motors with inverter duty motors which were connected with VFDs, resulting we are achieving minimum break down which helps to save the electrical and heat energy in our process.

The Power and steam consumption has considerably improved as compared to the previous norms or as compared to the previous consumption and the present norms are better. This improvement will continue in future by

adopting newly introduced technology in this field. Today, we have the capability to produce the Kraft Paper.

#### B) Duplex coated paperboard units

- 1) We have improved our ETP section and we are recycling of more used water which helps not only in reducing the usage of water but also to maintain the statutory norms of the drainage water for a healthy environmental condition.
- 2) We have put plastic waste boiling machines in our all units for not only the better handling of our plastic waste but transportation also.
- 3) Further to slash and optimize the steam and electrical power consumption, it has decided to improve the overall production and done the necessary modifications in units III and IV.
- 4) Old hood has replaced with new one latest technology based SONAR make hood for improving the drying capacity after coating section. We also re-aligned the gap between paper and hot air slice for effective dryness.
- 5) We have replaced paper mould suction blowers for removing the water from mould efficiently which helps to increase the machine speed.
- 6) Whole steam and condensate system has modified for improving the drying capacity as well as condensate recovery.
- 7) After putting above stated equipments and conceptual efforts, paper production has increased considerably. Resulted steam and power consumption has come down.

**i) Power & fuel consumption:**

a)	Electricity:	Unit	Current Year	Previous Year
i)	Purchased Units	Lakh/KWH	21,692,470	15,579,515
	Total amount	₹ in lakhs	1,312.31	982.13
	Rate / Unit	₹	6.05	6.30
ii)	Own Generation			
(i)	Through Diesel Generator			
	Units	KWH	N.A	N.A
	Qty.	Kilo Ltrs.		
	Total Cost	₹ in lacs		
	Units per Ltr. of Furnace Oil & LDO			
	Average Cost/Unit	₹ /KWH		
(ii)	Through Steam Turbine			
	Units	KWH	60,381,160	62,970,141
	Units per tonne of coal	KWH	970	1067
	Average Cost/Unit	₹ /KWH	2.64	2.16
b)	Coal and Lignite			
	Quantity	Tonnes	137,719	130,654
	Total amount	₹ in lakhs	4,696.32	3,982.73
	Average Rate/Ton	₹	3,410	3,048

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

**ii) Consumption per tonne of production:**

Electricity	KWH	133	99
Coal	Kgs.	845	827
Furnace Oil	Ltr.	NA	NA
L.D.O.	Ltr.	NA	NA

**II) TECHNOLOGY ABSORPTION:**

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

**III) FOREIGN EXCHANGE EARNINGS & OUTGO:**

Foreign Exchange Outgo	:	₹ 7,200.12 Lacs
Foreign Exchange Earnings	:	₹ 1,529.22 Lacs

**For and on behalf of the Board of Directors**

**R N AGARWAL**

Chairman Managing Director & CEO

Mumbai, May 30, 2011

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance involves a code of behaviour that defines guidelines for transparent management and control of the Company. The Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the organization, such as the Board, Management, and Shareholders. The Company would continue to strengthen its principles of transparency, fairness and accountability to generate long-term value for its shareholders on a continuous and sustainable basis in harmony with the interest of all the other stakeholders. Corporate Governance is concerned with having a balance between economic and social goals and between individual and community goals.

The Company is in compliance with all the regulations stipulated by the Companies Act, 1956, and Securities and Exchange Board of India (SEBI) with regard to Corporate Governance. The following together with information contained in Management Discussion and Analysis and other parts of Annual Report constitutes the Company's compliance with Corporate Governance.

### BOARD OF DIRECTORS

#### Composition:

The Board of Directors, along with its Committees, provides leadership and guidance to the management and directs and supervises the performance of the Company, thereby enhancing stakeholder value. The Board consists of persons with considerable professional expertise and experience in business and industry, finance, management and marketing. The Board has a fiduciary relationship in ensuring that the rights of all stakeholders are protected.

The Board comprises of 5 (five) Directors, of whom 2 (two) are Executive Directors and 3 (three) are Non-Executive/Independent Directors. Shri. R. N. Agarwal is Promoter and the Chairman & Managing Director of the Company. In accordance with the provisions of Clause 49 of the Listing Agreement, not less than 50% of the Board shall consist of Non-Executive and Independent Directors.

#### Category and Attendance of Directors:

The names and categories of Directors on the Board, their attendance at the Board Meetings held during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Positions held by them in the other Companies are given below:

Name of Director	Category	No. of Board Meetings attended during 2010-11	Attendance at the last AGM held on 16th September 2010	No of Directorship* (As on 31.03.2011)		No. of Committee positions in Mandatory Committees (As on 31.03.2011)	
				Chairman	Member	Chairman	Member
Shri R N Agarwal	Chairman, Managing Director & CEO	6	Yes	-	-	-	-
Shri Raunak Agarwal	Whole-time Director	4	Yes	-	-	-	-
Shri S N Chaturvedi	Non-Executive Independent	6	Yes	-	4	-	3
Shri P Kumar	Non-Executive Independent	6	Yes	-	1	2	-
Shri C R Radhakrishnan	Non-Executive Independent	6	Yes	-	-	-	-

\*Excludes Directorship in Private Limited Companies, Foreign Companies and Government Bodies and Alternate Directorships. Only Audit Committee and Shareholders'/Investors' Grievance Committee have been considered for the Committee positions.

Shri Raunak Agarwal is the son of Shri R N Agarwal and hence they are related to each other.

None of the Non-Executive Directors of the Company hold any Equity Shares in the Company. The independent directors are not related to promoters or management at the Board level.

Six Board Meetings were held during the year 2010-11 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows:

May 4, 2010, July 29, 2010, July 31, 2010, September 8, 2010, November 3, 2010 and February 9, 2011.

The Particulars of Director, who is proposed to be appointed/re-appointed at the ensuing Annual General Meeting, are given below, as required pursuant to Clause 49 of the Listing Agreement:

Name of the Director	: Shri. C R Radhakrishnan
Qualification	: M.Com, C.A.I.I.B
Expertise	: Banking & Finance
Name of other Companies in which holds directorship	: Nil
Name of other Companies in which holds membership of the committees of the Board	: Nil
No of shares held in the Company	: Nil

**Board Procedure:**

Board Meetings are generally held at the Registered Office of the Company. The agenda along with the supporting notes circulated in advance to the Board of Directors. The information as required under Annexure IA to Clause 49 is made available to the Board. The Board also reviews the declaration made by the Managing Director regarding compliance with all applicable laws on a quarterly basis.

All the directors have made necessary disclosures about the committee positions, they occupy in other companies, if any.

The company has not entered into any materially significant transactions during the year under review with promoters, directors, senior management personnel etc. other than transactions if any, entered into in the normal course of company's business.

**Code of Conduct:**

The Board has laid down a code of conduct for Board Members and Senior Management Personnel of the Company and the same is posted on the Company's website [www.nrail.com](http://www.nrail.com). All the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. The Managing Director & CEO has also confirmed and certified the same. The said Certificate is attached at the end of this report.

**AUDIT COMMITTEE****Terms of Reference:**

The Audit Committee functions according to its Charter that defines its powers, scope and role in accordance with Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are as follows:

- To overview the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- To review with the management the quarterly and annual financial statements before submission to the Board for approval.

- To recommend to the Board the appointment, re-appointment and, if required, the replacement or removal of statutory auditors, fixation of audit fees and to approve payment for any other services rendered by the statutory auditors.
- To review with the management, performance of the statutory and internal auditors.
- To review the adequacy of the internal audit function and the adequacy and efficacy of the internal control systems.
- To review the findings of any internal investigations by the internal auditors.
- To review the statement of significant related party transaction submitted by the management.
- And, generally, all items listed in Clause 49II(D) of the Listing Agreement.

**Composition and Attendance during the year:**

The Audit Committee is constituted in accordance with Clause 49II(A) of the Listing Agreement read with Section 292A of the Companies Act, 1956.

The Composition of the Audit Committee and details of Meetings attended by the Directors during the year are given below:

Name of Director	Category	No. of Meetings Attended
Shri S N Chaturvedi, Chairman	Non-Executive Independent	4
Shri P Kumar, Member	Non-Executive Independent	4
Shri C R Radhakrishnan, Member	Non-Executive Independent	4

The Audit Committee met 4 times during the year and the gap between two meetings did not exceed four months. The dates on which the Audit Committee Meetings were held were as follows:

May 4, 2010, July 29, 2010, November 3, 2010 and February 9, 2011. Necessary quorum was present at the above meetings.

The members of the Committee have the relevant experience in the field of finance, taxation and accounting, with Shri. S N Chaturvedi, being a Chairman of the Committee have expert knowledge in the field of finance, taxation and company audit.

The meetings of the Audit Committee are generally held at the Registered Office of the Company. The Statutory Auditors, Internal Auditors and Finance Personnel are invitees to the meetings of the Audit Committee. The Company Secretary acts as a Secretary to the Committee.

The Chairman of the Audit Committee, Shri. S N Chaturvedi was present at the Annual General Meeting of the Company held on September 16, 2010.

#### SUBSIDIARY COMPANY

The Company has no Subsidiary Company.

#### REMUNERATION-CUM-SELECTION COMMITTEE

##### Terms of Reference:

Effective May 30, 2011, the Remuneration Committee was reconstituted as Remuneration-Cum-Selection Committee. The terms of reference of the Remuneration-Cum-Selection Committee includes matters specified in Clause 49 of the Listing Agreement and also formulating policies on specific remuneration packages for all the directors, their relatives and other senior managerial personnel and also such other functions as may be delegated to it by the Board of Directors.

##### Composition and Attendance during the year:

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

Name of Director	Salary (₹)	Benefits (₹)	Commission* (₹)	Sitting fees (₹)	Total (₹)
Shri R N Agarwal	5,500,000	9,360	3,000,000	-	8,509,360
Shri Raunak Agarwal	950,000	9,360	-	-	959,360
Shri S N Chaturvedi	-	-	-	59,000	59,000
Shri P Kumar	-	-	-	59,000	59,000
Shri C R Radhakrishnan	--	--	--	53,000	53,000

\*Commission relates to financial year ended March 31, 2010 which was paid during the financial year under review. Commission of ₹ 1.30 Crores has been provided as payable to Managing Director and Whole Time Director in the accounts for the year ended March 31, 2011.

Non-Executive Directors are not entitled to any remuneration other than the sitting fees.

The Company does not have a scheme for grant of stock options.

#### SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

##### Terms of reference:

The Shareholders' / Investors' Grievance Committee of the Company

The composition and category of members of Remuneration Committee and their attendance at the meeting during the year is given below:

Name of Director	Category	No. of Meetings attended during 2010-11
Shri P Kumar, Chairman	Non-Executive Independent	1
Shri S N Chaturvedi, Member	Non-Executive Independent	1
Shri C R Radhakrishnan, Member	Non-Executive Independent	1

During the financial year 2010-11, one meeting was held on July 29, 2010.

##### Remuneration to Directors:

The details of remuneration paid to all the Directors for the year ended March 31, 2011 are as under:

is constituted in accordance with the provisions of Clause 49 of the Listing Agreement. The Committee looks into redressing of investors complaints like non-receipt of balance sheet, non-receipt of declared dividend etc. The Company Secretary has been designated as the Compliance Officer. Subsequent to the resignation of Ms. Priyanka Agarwal, Company Secretary & Compliance Officer with effect from January 31, 2011, Ms. Hemali Sheth has been appointed as Company Secretary & Compliance Officer with effect from February 9, 2011.

##### Composition and Attendance during the year:

The composition of Shareholders'/Investors' Grievance Committee and the details of the Meetings attended by the Directors during the year are given below:



Name of Director	Category	No. of Meetings attended
Shri P Kumar, Chairman	Non-Executive Independent	2
Shri R N Agarwal, Member	Executive Non-Independent	2
Shri S N Chaturvedi, Member	Non-Executive Independent	2

The Shareholders'/Investors' Grievance Committee met twice during the year on July 29, 2010 and February 9, 2011.

The Shareholders'/ Investors' Grievance Committee has delegated the power of approving transfer / transmission of shares to share transfer committee which met on fortnightly basis during the year 2010-11.

Based on the report received from the Company's Registrar and Share Transfer Agent, the company had received 95 request / complaints which were satisfactorily resolved / replied to. There were no investors' complaints pending as on March 31, 2011.

#### Name, designation and address of Compliance Officer:

Ms. Hemali Sheth, Company Secretary & Compliance Officer  
415-418, Janki Centre, 4<sup>th</sup> Floor, 29 Shah industrial Estate,  
Off Veera Desai Road, Andheri (West), Mumbai 400 053  
Tel: 6731 7500/ 6731 7547  
Fax: 2673 0227/ 2673 6953  
Email: [hemali.sheth@nrail.com](mailto:hemali.sheth@nrail.com)

Financial Year	Day, Date & Time	Location	Special Resolution, if any
2007-08	Thursday, September 11, 2008 at 11.00 a.m	GMS Community Centre Hall, Sittladevi Complex, D.N. Nagar, Andheri (w), Mumbai-400053	-
2008-09	Saturday, September 26, 2009 at 11.00 a.m.	GMS Community Centre Hall, Sittladevi Complex, D.N. Nagar, Andheri (w), Mumbai-400053	1. Appointment of Shri. Raunak Agarwal as Whole-time Director  2. Further issue of Shares upto ₹ 200 Crores
2009-10	Thursday, September 16, 2010 at 11.00 a.m	GMS Community Centre Hall, Sittladevi Complex, D.N. Nagar, Andheri (w), Mumbai-400053	1. Appointment of Shri. R N Agarwal as Managing Director

All resolutions moved at the last Annual General Meeting were passed by a show of hands by the requisite majority of shareholders present at the meeting.

#### (b) Details of Extra-ordinary General Meeting:

An Extra ordinary General Meeting of the Members of the Company was duly called and held on Friday, August 27, 2010 at 12.00 noon at the Registered Office of the Company at 415-

Shareholders may also correspond with the Company on the email address: [investors@nrail.com](mailto:investors@nrail.com)

#### EXECUTIVE COMMITTEE OF THE BOARD

##### Composition and Terms of reference:

The Executive Committee of Board is constituted for various administrative matters and in the best interest of the Company. It has power delegated by Board in various businesses such as borrowings from various lenders, creating charges on Company's assets, executing Power of Attorneys and various other matters.

The composition of the Executive Committee of Board is given below:

Name of Director	Category
Shri R N Agarwal, Chairman	Executive Non-Independent
Shri P Kumar, Member	Non-Executive Independent
Shri S N Chaturvedi, Member	Non-Executive Independent

During the year under review, no meeting of the Executive Committee was held.

#### GENERAL BODY MEETINGS

- (a) Location, date and time of Annual General Meetings held during the last 3 years and special resolution passed:

418, Janki Centre, 4<sup>th</sup> Floor, 29 Shah Industrial Estate, Off Veera Desai Road, Andheri (West), Mumbai-400053 for passing of the resolutions for preferential issue of Convertible Warrants in order to obtain the approval of the Members.

- (c) No Postal Ballot was conducted during the year. None of the resolution proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.

**DISCLOSURES**

- a) The particulars of transactions between the Company and its related parties as per Accounting Standard AS-18, are set out in notes to accounts in the Annual Report and were placed before the Audit Committee periodically. There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- b) **Risk Management**  
The Board of Directors has been informed from time to time the business risks faced by the Company and the steps taken by the management to face them.
- c) **Proceeds from Initial Public Offerings (IPOs)**  
The Company has not made any IPO during the year.
- d) **Management**  
A separate report on Management Discussion & Analysis which forms part of the report is annexed.
- e) The Company has complied with the requirements of the Stock Exchanges/SEBI and Statutory Authorities on all matters related to the capital markets during the last three years. No penalties or strictures were imposed on the Company by these authorities.
- f) The Managing Director & CEO and the CFO have certified to the Board in accordance with Clause 49V of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended March 31, 2011.
- g) Clause 49 of the Listing Agreement mandates to obtain a certificate from either the Auditors or Practicing Company Secretaries regarding the compliance of conditions of corporate governance stipulated in the clause and annex the certificate with the Directors' Report, which is sent annually to all the shareholders. The Company has obtained a certificate from the Auditors of the Company to this effect and the same is given as an annexure to the Directors' Report.
- h) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance. Further, the Company has adopted the following non-mandatory requirements of the Clause:
- The Company has set up the Remuneration-Cum-Selection Committee as per the provisions of Clause 49.
  - The financial statements of the Company are unqualified.
  - The Company has adopted the guidelines for the composition of the Board of Directors, which provides for the tenure and retirement age for the Managing and Non-Executive Directors.
- i) The Company has not adopted Whistle Blower Policy. However, it is affirmed that no personnel of the Company has been denied access to the Audit Committee.

Remaining non-mandatory requirements of Clause 49 are expected to be addressed in due course.

**CEO/CFO CERTIFICATION**

A certificate has obtained from the Managing Director & CEO and Chief Financial Officer of the Company in terms of Clause 49V of the Listing Agreement was placed before the Board at the Board meeting held on May 30, 2011 to approve the audited annual accounts for the year ended March 31, 2011.

**RECONCILIATION OF SHARE CAPITAL AUDIT**

A qualified Practicing Company Secretary carried out a Reconciliation of Share Capital Audit on quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL), and Central Depository Services (India) Limited (CDSL), and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**MEANS OF COMMUNICATION**

- The quarterly and the half yearly results, published in the proforma prescribed by the Listing Agreement, are approved and taken on record by the Board of Directors. The approved results are forthwith sent to the Stock Exchanges where the Company's shares are listed. The results are also published within 48 hours in one English language and one Marathi language newspaper having wide circulation. The results are displayed on the Company's website, [www.nrail.com](http://www.nrail.com) and on the SEBI's Corpfilling website, [www.corpfiling.co.in](http://www.corpfiling.co.in)
- The Company publishes the audited annual results within the stipulated period of 60 days from the close of the financial year as required by the Listing Agreement and hence the unaudited results for the last quarter of the financial year are not published.
- The annual audited results are also communicated to the Stock Exchanges where the Company's shares are listed, published in the newspapers and displayed on the Company's and Corpfilling Website.
- No presentations were made to the Institutional Investors or Analysts.

**GENERAL SHAREHOLDER INFORMATION****Annual General Meeting - Date, Time and Venue:**

Saturday, August 27, 2011 at 11.30 a.m. at GMS Community Centre Hall, Sitaladevi Complex, D. N. Road, Opp. Indian Oil Nagar, On Link Road, Andheri (West), Mumbai 400 053

Corporate Identification Number : L22210MH1993PLC133365

Financial Year : April to March

Date of Book Closure : August 23, 2011 to  
August 27, 2011  
(both days inclusive)

Dividend Payment Date	: 30 days from the date of Annual General Meeting
Listing of equity shares on Stock Exchange	: Bombay Stock Exchange Limited (BSE)
Script Code	: 516082
Demat (ISIN)	: INE740D01017
Registrar and Share Transfer Agent	: Sharex Dynamic (India) Private Limited Unit I Luthra Industrial Premises 1 <sup>st</sup> Floor, 44-E, M Vasanti Marg, Andheri Kurla Road, Safed Pool, Andheri (East), Mumbai-400072 Tel: 2264 13 76/2270 2485

**Share Transfer System:**

Share Transfer in physical form can be lodged with Sharex Dynamic (India) Private Limited at the above mentioned address. The transfers are normally processed within a period of 30 days from the date of receipt, if the documents are complete in all respects. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants. In compliance with the Listing Agreement with the Stock Exchanges, a Practicing Company Secretary audits the System of Transfer and a Certificate to that effect is issued. The Share Transfer Committee meets on fortnightly basis (depending upon share transfers received).

**Market Price Data:**

High / Low of daily closing market price of the Company's shares traded at BSE during each month during the financial year ended March 31, 2011 due as under:

Months	High		Low	
	NRAIL	BSE SENSEX	NRAIL	BSE SENSEX
April 2010	43.70	18,047.86	35.00	17,276.80
May 2010	40.95	17,536.86	36.05	15,960.15
June 2010	44.00	17,919.62	35.60	16,318.39
July 2010	60.50	18,237.56	40.10	17,395.58
August 2010	83.90	18,475.27	63.50	17,819.99
September 2010	96.80	20,267.98	70.20	18,027.12
October 2010	101.25	20,854.55	83.10	19,768.96
November 2010	108.35	21,108.64	73.00	18,954.82
December 2010	92.80	20,552.03	63.00	19,074.57
January 2011	79.80	20,664.80	65.00	18,038.48
February 2011	70.20	18,690.97	47.00	17,295.62
March 2011	74.90	19,575.16	50.00	17,792.17

**Distribution of shareholding as on March 31, 2011:**

Sr. No.	Range	No. of shareholders	% to total holders	No. of Shares held	% of Capital
1	1 to 500	5,911	88.24	870,003	5.11
2	501 to 1,000	361	5.39	300,124	1.76
3	1,001 to 2,000	177	2.64	276,753	1.63
4	2,001 to 3,000	45	0.67	120,823	0.71
5	3,001 to 4,000	24	0.36	87,966	0.52
6	4,001 to 5,000	62	0.93	298,037	1.75
7	5,001 to 10,000	52	0.78	376,066	2.21
8	10,001 & above	67	1.00	14,689,328	86.31
<b>Total</b>		<b>6,699</b>	<b>100</b>	<b>17,019,100</b>	<b>100.00</b>

**Categories of Shareholders as on March 31, 2011:**

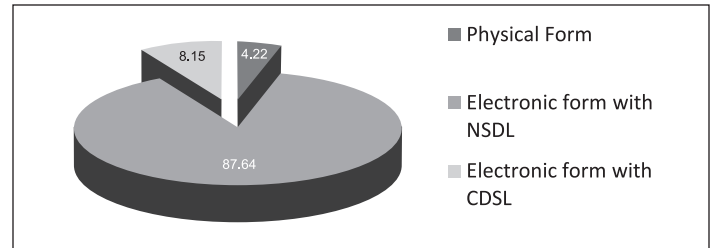
Category	No. of shares held	% to total share capital
Foreign holding (FIIs, OCBs and NRIs)	82,207	0.483
Financial Institutions/Banks/ Insurance Companies	2,500	0.014
Mutual Funds and UTI	28,044	0.165
Corporate Bodies	1,317,269	7.740
Directors and their relatives	12,460,923	73.217
Public	3,128,157	18.380
<b>Total</b>	<b>17,019,100</b>	<b>100.00</b>

**Dematerialization of shares and Liquidity**

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

**Percentage of shares held in physical and dematerialized form as on March 31, 2011:**

Mode	No of Shares	% of Share Capital
Physical Form	717,324	4.215
Electronic form with NSDL	14,914,618	87.635
Electronic form with CDSL	1,387,158	8.151
<b>Total</b>	<b>17,019,100</b>	<b>100</b>



**Outstanding Warrants or any convertible instruments conversion date and likely impact on equity:**

Company has issued and allotted on September 8, 2010, 1,250,000 zero percent convertible warrants on preferential basis with a right exercisable by the Warrant holder to subscribe for equal number of Equity Shares within eighteen months of its allotment. If option is exercised by the warrant holder, the paid up Equity Share Capital of the Company will increase from ₹ 170,191,000 to ₹ 182,691,000.

**Address for Correspondence:**

**N R Agarwal industries Limited**

415-418, Janki Centre, 4<sup>th</sup> Floor,  
29, Shah Industrial Estate, Off. Veera Desai Road,  
Andheri (West), Mumbai 400 053

**Registrar and Share Transfer Agent**

Sharex Dynamic (India) Private Limited,  
Unit I Luthra Industrial Premises, 1<sup>st</sup> Floor, 44-E, M Vasanti Marg,  
Andheri Kurla Road, Safed Pool, Andheri (East), Mumbai - 400072  
Tel: 2264 13 76/2270 2485

**Plant Locations:**

Unit – I	Unit – II	Unit – III	Unit - IV	Unit - V
Plot No.169, GIDC, Vapi – 396 195, Dist. Valsad, Gujarat State, Tele-Fax: 0260-2401634/2401706	Plot No.1, Phase 1, GIDC, Vapi –396 195, Dist. Valsad, Gujarat State, Tele-Fax: 0260-2400979/2401841	Plot No. 901, Phase 3, GIDC, Vapi – 396 195, Dist. Valsad, Gujarat State, Tele-Fax: 0260 2400052/2401836	Plot No.901/P, Phase 3, GIDC, Vapi – 396 195, Dist. Valsad, Gujarat State, Tele-Fax: 0260 2400052/2401836	Sarigam, Taluka, Umbergaon, District Valsad, Gujarat

## DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, the Board Members and the Senior Management Personnel have affirmed compliance with the code of conduct for the Board of Directors and Senior Management for the year ended March 31, 2011.

For **N R AGARWAL INDUSTRIES LIMITED**

Mumbai, May 30, 2011

**R N AGARWAL**  
Chairman Managing Director & CEO

## 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 year ended March 31, 2011 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 and the representations made by the directors and management, in our opinion the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.
4. On the basis of the certificate issued by the registrars of the Company and the minutes of meetings of the 'Shareholders'/ Investors' Grievance Committee' of the Company, we state that there were no investor grievances pending as at March 31, 2011, against the Company for a period exceeding one month.
5. 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*

Firm's Registration No.307068E

**G. VENKATAKRISHNAN**

*Partner*

Mumbai, May 30, 2011

Membership no.: 11255

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The Paper Industry in India is witnessing significant growth and capacity expansions to meet the growing demand for paper consumption as a result of growth in education sector and increasing literacy rate. Increased economic activity is providing the players an opportunity for growth and expansion. Over the centuries, paper has been one of the “unsung” drivers of world development, and remains an essential ingredient of homes, factories, offices and schools.

After liberalization in the late nineties, the paper industry in India became a government priority sector for foreign collaboration, with flexi loans and several fiscal incentives put in place. The country is almost self-sufficient in manufacture of most varieties of paper but performance of the industry has been constrained due to high cost of production caused by inadequate availability and high cost of raw materials, power cost and concentration of mills in one particular area. Several policy measures have been initiated in recent years to remove these bottlenecks.

The Indian Paper Industry is among the top 15 global players today, with an output of more than 6 millions tones annually with an estimated turnover of ₹ 150,000 Millions. (Approx. USD 3400 million). The Indian Economy is progressing well and targeting 8%+ growth. The economic reforms coupled with the liberalized Government Policies, India today offers excellent business opportunity for investments. One of the first FDI Projects may come through the proposed Finnish Proposal to set up a 400000 TPA capacity plant with an investment of US \$ 240 million.

There is a vast range of opportunities available, some more specialized than others. Overall industry prospects are good. Many companies have added capacities, most of which became operational in the last calendar year. Lot of capacity addition has been done, both in the organized and unorganized sector. There is an overhang of extra supply that will get absorbed in the next year.

India is self-sufficient to manufacture most varieties of paper and paperboards. Newsprint and Publication paper account for 2 million tons of which 1.2 million tons is manufactured in India and remaining 0.8 million tons is imported. India also has surplus to export some grades. It exports A4 copiers, wood-free (mostly from bamboo and agro waste by several small mills), MG varieties (from small agro based mills), coated duplex (mostly recycled fibre) and large quantity of converted products like stationery items, calendars, books, magazines, children’s play books and comics to Middle East, South Eastern Countries, Eastern Europe and USA and the prime grades

of paper are imported from USA, Europe, Dubai and Singapore like label stock, wet strength papers, tea bag tissue, soft tissue, filter paper, insulation kraft, extensible kraft, decorative laminates, overlay tissue, thermal papers, digital papers, coated papers/boards and some specialties. Stock lots of all grades totaling about 200,000 tonnes arrive every year mostly from USA and Europe. These are imported by traders in major metro cities of Mumbai, Chennai, Cochin, Bengaluru and Delhi.

In the long-term, “Asia will continue to be a major growth driver in the global paper industry. The Indian paper market is growing at 3x the global average and 50% more than Asian average. Demand is over encouraging and good traction is seen in the high value added segment.”

### OPPORTUNITIES AND OUTLOOK

The new millennium is going to be the millennium of the knowledge, so demand for paper would go on increasing in times to come. In view of paper industry’s strategic role for the society and also for the overall industrial growth it is necessary that the paper industry performs well.

The paper industry is a priority sector for foreign collaboration and foreign equity participation upto 100%, receives automatic approval by Reserve Bank of India. Several fiscal incentives have also been provided to the paper industry, particularly to those mills which are based on non-conventional raw material. Increased capacity is expected to result in slightly reduced capacity utilisation over the short to medium term. Moreover, the new capacity additions would increase the competition among domestic paper manufacturers and prevent increase in paper prices in the medium-term.

Essentially, there is a huge potential for automation and system integrators to work collaboratively with India’s paper companies and help them acquire the competitive edge. This means paper mills in India have tremendous opportunity to improve their profit margin by increasing their investments in automation systems and enterprise solutions and integrating them to achieve collaborative production management. With the country’s economy growing robustly, the paper consumption in India is bound to expand and the existing gap is a good indicator of the industry’s growth potential.

Paper Industry in India is riding on a strong demand and on an expanding mood to meet the projected demand of 13 million tons by 2020. A large number of expansion programme and expansion of capacities with an outlay of ₹ 10,000 Crores have been announced covering the various sectors like paper, paperboard, newsprint etc.

The operating capacity of the industry stands at 9.3 million tons. As per the industry estimates, overall paper consumption has now touched 8.86 million tons and per capita consumption is pegged at 9.18 kg.

The Indian Paper industry is currently in the midst of a transformation with major Capital Expenditure (Capex) underway and improving operating efficiencies is the major concern of all players. All players are committing a large amount of investment, focusing on:-

- Improving the operational efficiencies through rightsizing pulping capacities
- Capacity Expansions
- Integration into Captive Power
- Adherence to pollution norms by chemical recovery and recycled usage
- In India demand is driven by rapid growth of both incomes and population
- India will emerge as a global hub for high-quality printing at a competitive cost

### SEGMENT-WISE PERFORMANCE

As the entire operation of Company relate to products categorized under "Consumer Products" as a primary reportable segment, no separate reporting is required under Accounting Standards 17 issued by the Institute of Chartered Accountants of India.

### EXPANSION

The Company has set up a 300 TPD Writing/Printing cum Copier/Kraft paper project. The Company is confident of commencing the production in the year 2011-12.

### RISK, CONCERNS AND THREATS

Paper sector is dominated by small and medium size units; number of mills of capacity 50000 tons per annum or more is not more than 25. Less than half a dozen mills account for almost 90% production of newsprint in the country. There is a growing need to modernize the Indian mills, improve productivity and build new capacities.

The capacity utilization of the industry is low at 60% but this is likely to change as the general outlook for demand is positive going forward. With the expected increase in literacy rate and economic growth, an increase in the per capita consumption of paper from the current dismal level is expected. Recovered fibre consumption is going up globally. In India about 850,000-1,000,000 tons of waste paper is being currently recovered annually. The recovery rate works out to about 20% which is much lower in comparison with 65% recovery achieved by many global players. Low recovery is on account of alternate use of paper in wrapping, packing, etc. The utilization rate of recovered fibre is only 47%. Paper mills are heavily dependent on imported

waste paper which commands exorbitant price due to inadequate availability. India needs a well-defined and aggressive system for collection, sorting, grading and utilization recyclable waste paper to contain imports.

The expanding Industrial Scenario calls for efforts to tackle related problems:

- Industry needs capital and technology.
- Since energy cost accounts nearly 25 % of cost of production there is an urgency to improve energy management and energy consumption.
- Quantum jump in production, called for by the demand projection is possible only by expansion of existing capacity and creation of additional capability.
- Upgradation of technology and new capacities also involve massive investment.

Indian Paper Manufacturers Association projects that India's demand for paper is expected to double by 2020 but a perennial raw material shortage remains one of the major hurdles before the industry. The major constraint in capacity enhancement that the industry faces is related to raw material shortfall. While issues related to technology, capacity and environment come directly under the purview of Companies. Raw material shortage is a disadvantage affecting all domestic Companies. There are not many mills that have integrated wet-end systems in the overall control strategy. The paper mill is the formative stage in a paper making process and any forward control strategy results in impressive gains in terms of quality. Likewise, energy, being the significant portion of production cost, is getting less attention in terms of monitoring the overall consumption of power across various sections of the plant. Businesses will not survive with just traditional automation systems. Only integrated automation and enterprise systems will enable these industries to achieve sustainable competitive advantage.

Challenges Ahead:

- Capacity utilization in India is just 79% due to old technology India accounts for nearly 15% of the world population, but it consumes only 1% of the world paper consumption.
- Meeting the rising demand provide a major challenge to the Indian Pulp and Paper Industry because the industry will have to undergo significant modernization and expansion process in order to optimize capacity utilization. During this process small agro-based mills may not survive and will face closure.
- The Companies are facing stiff competition and price pressure from imports mainly from China and South Asian countries.
- High cost of production caused by the uncertainty in the raw material prices, inadequate availability and the uneconomical plant size also pose challenges for the paper industry.

**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 financial year ended March 31, 2011 the Company recorded production of 131106 MT of Duplex Board and 28476 MT of Newsprint and Writing Printing Paper and 3402 MT of Kraft Paper as against 126059 MT of Duplex Board and 31972 MT of Newsprint in the previous year. During the year under review, the Company has commenced production of Kraft Paper in its Unit No.II.

The Turnover for the financial year under review was ₹ 48,328 lacs as against ₹ 38,855 lacs for the previous financial year. As compared to

the previous year, there has been a substantial increase in the Net Profit, mainly due to improved Sales realization.

During the year, the Company exported Duplex Board and realized ₹ 1,529 lacs, as compared to ₹ 439 lacs, during the previous year.

**HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

Relations between the Management and 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.



# 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 March 31, 2011, 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 March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 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 March 31, 2011;
    - 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  
Firm's Registration No. 307068E

**G. VENKATAKRISHNAN**

(Partner)  
Membership No. 11255

Mumbai, March 31, 2011

## 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 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) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the said records.
- 9) a) According to the books of account and records as produced and examined by us in accordance with the generally accepted auditing practice in India, in our opinion, the Company is 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 March 31, 2011, the following are the particulars of dues that have been paid under protest on account of dispute.

Name of the statute	Name of the dues	Amount (₹)	Forum where dispute is pending	Financial year to which the amount relates
Central Excise Act, 1944	Excise duty	1,643,254	Appellate Authority up to Commissioner level	2003-04 to 2009-10

- 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) On the basis of certificate issued by the term lending bankers, the Company has not defaulted the repayment of dues to them, 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 and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- 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 preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 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 & 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  
Firm's Registration No. 307068E

**G. VENKATAKRISHNAN**

(Partner)

Membership No.11255

Mumbai, May 30, 2011

**BALANCE SHEET** AS AT MARCH 31, 2011

	Schedule	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>SOURCES OF FUNDS</b>			
<b>Share Holders' Fund</b>			
Share Capital	A	170,191,000	170,191,000
Share Warrants		14,625,000	-
Reserves and Surplus	B	753,402,236	510,161,016
		<u>938,218,236</u>	<u>680,352,016</u>
<b>Loan Funds</b>			
Secured Loans	C	1,743,860,997	882,284,068
Unsecured Loans	D	69,503,494	45,778,154
		<u>1,813,364,491</u>	<u>928,062,222</u>
<b>Deferred Tax Liability</b>			
		161,368,675	164,306,064
	TOTAL	<u>2,912,951,402</u>	<u>1,772,720,302</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
	E		
Gross Block		1,821,301,559	1,723,635,743
Less : Depreciation		<u>681,227,277</u>	<u>597,042,667</u>
Net Block		1,140,074,281	1,126,593,076
Add : Capital Work in Progress		<u>1,661,541,022</u>	<u>534,748,844</u>
		<u>2,801,615,303</u>	<u>1,661,341,920</u>
<b>Investments</b>			
	F	1,872,860	1,847,860
<b>Current Assets, Loans And Advances</b>			
Inventories	G	312,584,329	262,470,958
Sundry Debtors	H	464,230,351	410,214,258
Cash and Bank Balances	I	115,602,813	89,874,308
Loans and Advances	J	190,197,979	165,424,077
		<u>1,082,615,472</u>	<u>927,983,601</u>
<b>Less: Current Liabilities And Provisions</b>			
Liabilities	K	922,068,048	768,448,563
Provisions		51,084,185	50,004,517
		<u>973,152,233</u>	<u>818,453,079</u>
<b>Net Current Assets</b>			
	TOTAL	<u>109,463,239</u>	<u>109,530,522</u>
	TOTAL	<u>2,912,951,402</u>	<u>1,772,720,302</u>
<b>NOTES TO ACCOUNTS</b>			
	Q		

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

For **CHATURVEDI & PARTNERS**  
Chartered Accountants  
Firm's Registration No. 307068E

**G. VENKATAKRISHNAN**  
Partner  
Membership No. 11255

Mumbai, May 30, 2011

For and on behalf of the Board of Directors

**R N AGARWAL**  
Chairman Managing Director & CEO

**RAUNAK AGARWAL**  
Whole Time Director

**HEMALI SHETH**  
Company Secretary

**PROFIT AND LOSS ACCOUNT** FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	Year ended March 31, 2011 ₹	Year ended March 31, 2010 ₹
<b>INCOME</b>			
Sales		4,835,447,449	3,885,522,187
Less: Inter Unit Transfer		2,596,986	-
		4,832,850,464	3,885,522,187
Sales-Traded Goods		-	8,619,041
Other Income	L	30,953,812	30,260,974
Increase / Decrease in stock + / (-)	M	11,686,790	(417,608)
		4,875,491,065	3,923,984,594
<b>EXPENDITURE</b>			
Raw Materials Consumed	N	2,813,470,880	2,208,617,122
Purchases of Traded Goods		-	-
Manufacturing and Other Expenses	O	1,545,990,703	1,343,511,613
Less: Inter Unit Transfer		2,596,986	-
		1,543,393,718	1,343,511,613
Interest	P	73,243,269	86,138,642
Depreciation	E	84,816,724	80,853,356
		4,514,924,591	3,719,120,733
<b>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>		360,566,474	204,863,862
Exceptional Items	Q-10	-	76,180,000
<b>PROFIT BEFORE TAXATION AND AFTER EXCEPTIONAL ITEMS</b>		360,566,474	281,043,862
Provision for Taxation		86,016,100	71,500,000
Provision for Deferred Tax		(2,937,389)	-
Fringe Benefit Tax		-	-
<b>PROFIT AFTER TAXATION</b>		277,487,763	209,543,862
Excess Provision Written Back		-	6,337,015
Previous year Taxation Adjustment + / (-)		-	-
Prior year Adjustments + / (-)		1,475,824	-
Balance Brought Forward		450,108,073	285,867,889
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		729,071,661	501,748,766
<b>APPROPRIATIONS</b>			
Proposed Dividend		30,634,380	30,634,380
Tax on Proposed Dividend		5,087,988	5,206,313
Transfer to General Reserve		15,800,000	15,800,000
<b>BALANCE CARRIED TO BALANCE SHEET</b>		677,549,293	450,108,073
Basic earnings per share (in ₹)		16.39	12.68
Diluted earnings per share (in ₹)		16.22	12.68
<b>NOTES TO ACCOUNTS</b>		Q	

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

For **CHATURVEDI & PARTNERS**

Chartered Accountants  
Firm's Registration No. 307068E

**G. VENKATAKRISHNAN**

Partner  
Membership No. 11255

Mumbai, May 30, 2011

For and on behalf of the Board of Directors

**R N AGARWAL**

Chairman Managing Director & CEO

**RAUNAK AGARWAL**

Whole Time Director

**HEMALI SHETH**

Company Secretary

**CASH FLOW STATEMENT** FOR THE YEAR ENDED MARCH 31, 2011

	Year ended March 31, 2011		Year ended March 31, 2010	
	₹	₹	₹	₹
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before Tax and Extraordinary Items		360,566,474		281,043,862
ADJUSTMENTS FOR				
Depreciation	84,816,724		80,853,356	
Interest	73,243,269		86,138,642	
Loss/(Profit) on Sale of Assets	(1,636,811)		543,701	
Profit on Sale of Investments	-		(5,165)	
Dividend Received	(136,804)		(96,133)	
Interest Received	(16,030,885)		(19,866,752)	
Bad Debts Written Off	1,078,374		691,155	
Misc. Expenses Written Off	-	141,333,867	-	148,258,803
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		501,900,341		429,302,665
CHANGES IN				
Trade and Other Receivables	(55,094,467)		100,557,470	
Inventories	(50,113,372)		(4,690,038)	
Trade Payables	141,914,778		199,971,233	
Loans & Advances	(24773902)	11,933,038	(20,966,942)	274,871,723
<b>CASH GENERATED FROM OPERATIONS</b>		513,833,379		704,174,389
Direct Taxes Paid	(85,000,000)	(85,000,000)	(64,500,000)	(64,500,000)
Cash Flow Before Extra Ordinary Items		428,833,379		639,674,389
Extra Ordinary Items	-		6,337,015	
Miscellaneous Expenditure	-		-	
Previous Year Adjustments	1,475,824	1,475,824	-	6,337,015
Net Cash from Operating Activities		430,309,203		646,011,404
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Purchase of Fixed Assets	(1,226,061,412)		(575,073,092)	
Sale of Fixed Assets	2,608,116		857,000	
Purchase of Investments	(25,000)		-	
Dividend Received	136,804		96,133	
Interest Received	16,030,885		19,866,752	
Sale of Investments	-	(1,207,310,607)	-	(554,253,207)
Net Cash used in Investing Activities		(1,207,310,607)		(554,253,207)

**CASH FLOW STATEMENT (CONT.)** FOR THE YEAR ENDED MARCH 31, 2011

	Year ended March 31, 2011		Year ended March 31, 2010	
	₹	₹	₹	₹
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Issue of Share Capital/Share Warrants	14,625,000		-	
Interest Paid	(61,474,993)		(87,081,798)	
Proceeds from Long Term Borrowings	1,064,164,650		312,216,176	
Repayment of Long Term Borrowings	(202,587,720)		(163,510,870)	
Unsecured Loans	23,725,340		(52,954,019)	
Preference Dividend including tax thereon	-		-	
Equity Share Dividend including tax thereon	(35,722,368)	802,729,909	(35,840,693)	(27,171,204)
Net Cash used in Financing Activities		802,729,909		(27,171,204)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		25,728,505		64,586,993
CASH AND CASH EQUIVALENTS - OPENING BALANCE		89,874,308		25,287,315
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		115,602,813		89,874,308
		25,728,505		64,586,993

As per our attached report of even date

For **CHATURVEDI & PARTNERS**

Chartered Accountants

Firm's Registration No. 307068E

**G. VENKATAKRISHNAN**

Partner

Membership No. 11255

Mumbai, May 30, 2011

For and on behalf of the Board of Directors

**R N AGARWAL**

Chairman Managing Director & CEO

**RAUNAK AGARWAL**

Whole Time Director

**HEMALI SHETH**

Company Secretary

**SCHEDULES** FORMING PART OF THE BALANCE SHEET

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>SCHEDULE : A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
225,00,000 Equity Shares ₹ 10 each	225,000,000	225,000,000
25,00,000 Preference Shares of ₹ 10 each	25,000,000	25,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued, Subscribed and Paid Up</b>		
1,70,19,100 Equity Shares of ₹ 10 each fully paid up	170,191,000	170,191,000
	<u>170,191,000</u>	<u>170,191,000</u>
<b>Share Warrants</b>		
	14,625,000.00	-
Company has allotted 1250000 zero percent convertible warrants on a preferential basis entitling them to apply for and to obtain one equity share at a price of Rs.46.80 per share. Company has received 25% of amount against each warrant		
	<u>14,625,000.00</u>	<u>0</u>
<b>SCHEDULE : B</b>		
<b>RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
Balance as per Last Account	51,552,943	35,752,943
Add: Transfer from Profit and Loss Account	15,800,000	15,800,000
	<u>67,352,943</u>	<u>51,552,943</u>
<b>Capital Redemption Reserve</b>		
Balance as per Last Account	8,500,000	8,500,000
Add: Transfer from Profit and Loss Account	-	-
	<u>8,500,000</u>	<u>8,500,000</u>
<b>Profit and Loss Account</b>		
Balance as per profit and loss account	677,549,293	450,108,073
	<u>677,549,293</u>	<u>450,108,073</u>
	<u>753,402,236</u>	<u>510,161,016</u>



**SCHEDULES** FORMING PART OF THE BALANCE SHEET

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>SCHEDULE : C</b>		
<b>SECURED LOANS</b>		
<b>i) Term Loans</b>		
Bank of India	-	12,043,697
Bank of India-Office Loan	65,175,870	44,792,040
The Bombay Mercantile Co-operative Bank Limited	-	13,634,939
Oriental Bank of Commerce	-	4,061,239
Bank of Baroda	-	10,063,464
Bank of Baroda-Project Loan Unit 5	822,509,374	217,035,845
IDBI Bank	43,750,000	68,750,000
Kotak Mahendra bank	37,499,999	-
<b>ii) Buyers Credit</b>	138,307,290	-
<b>iii) Corporate Loans</b>		
IDBI Bank	-	18,750,000
Bank of India	-	1,644,000
The Saraswat Co-operative Bank Limited	250,000,000	-
<b>iv) Vehicle Loans</b>		
Centurian Bank	-	351,869
ICICI Bank	2,908,217	4,470,653
HDFC Bank	1,951,830	3,529,454
<b>v) IndusInd Bank Loan-Short Term Loan</b>	-	60,000,000
<b>vi) Working Capital Loan from Banks</b>	381,758,417	423,156,868
	<b>1,743,860,997</b>	<b>882,284,068</b>

**NOTES:**

- 1) Term Loan from IDBI Bank is secured by a first pari passu charge with Bank of Baroda for its Term Loan on movable properties, Plant & Machinery and immovable properties situated at Unit I, II, III and IV at Vapi and Unit V at Sarigam, Gujarat excluding free hold land admeasuring 37.61 Acres located at Sarigam, Gujarat. The Loan is further secured by personal guarantee of Shri. R N Agarwal.
- 2) The Bank of India Office Loan is secured by equitable mortgage on exclusive basis on office premises situated at 1101, Fortune Terraces, 11<sup>th</sup> Floor, Mahashree Compound, New Link Road, Andheri (West), Mumbai 400 053. The Loan is further secured by personal guarantee of Shri. R N Agarwal.
- 3) Kotak Mahindra Bank Limited, Term Loan is secured by exclusive charge on Unit 415-418, situated at Janki Centre, 4<sup>th</sup> Floor, 29, Shah Industrial Estate, Off. Veera Desai Road, Andheri (West), Mumbai – 400 053. The Loan is further secured by personal guarantee of Shri. R N Agarwal.
- 4) Bank of Baroda Unit V Project Term Loan (including Buyers Credit facility) is secured by a first pari passu charge with IDBI Bank on movable properties, Plant & Machinery and immovable properties situated at Unit I, II, III and IV at Vapi and Unit V at Sarigam, Gujarat excluding free hold land admeasuring 37.61 Acres located at Sarigam, Gujarat. The Loan is further secured by personal guarantee of Shri. R N Agarwal.
- 5) The Corporate Loan of The Saraswat Co-operative Bank Ltd, is secured by a first pari passu charge with Bank of Baroda and IDBI Bank on movable and immovable properties, Plant & Machinery situated at Unit I, Vapi. It is further secured by exclusive charge by way of equitable mortgage of Directors residential bungalow at Lokhandwala, Andheri (W), Mumbai 53, and also an exclusive charge by way of legal mortgage of non agricultural land admeasuring 37.61 Acres of Sarigam, Gujarat. The Loan is further secured by personal guarantee of Shri. R N Agarwal.
- 6) 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 it is further secured by personal guarantee of Shri. R N Agarwal.

**SCHEDULES** FORMING PART OF THE BALANCE SHEET

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>SCHEDULE : D</b>		
<b>UNSECURED LOANS</b>		
Fixed Deposits	8,050,000	6,300,000
Trade Deposits	4,892,808	5,642,808
Other Deposits-From Directors	56,560,686	33,835,346
	<b>69,503,494</b>	<b>45,778,154</b>

**SCHEDULE : E****FIXED ASSETS**

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK		
	As at 01.04.2010	Additions during the year	Deductions/ Adjustments	As at 31.03.2011	As at 01.04.2010	For the year	On Deductions/ Adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
1. Land	42,728,426	-	-	42,728,426	-	-	-	-	42,728,426	42,728,426	
2. Leasehold Land	35,402,448	12,086,515	-	47,488,963	820,727	-	-	820,727	46,668,236	34,581,721	
3. Factory Building	196,366,871	11,344,010	-	207,710,881	55,774,822	6,661,669	-	62,436,491	145,274,390	140,592,049	
4. Plant and Machinery	1,370,154,272	72,813,101	-	1,442,967,373	508,272,215	72,845,167	-	581,117,381	861,849,993	861,882,057	
5. Furniture and Fixtures	18,781,818	241,803	-	19,023,622	8,898,495	1,053,768	-	9,952,262	9,071,359	9,883,323	
6. Motor Cars	25,348,599	2,501,563	1,169,754	26,680,408	5,854,741	2,531,622	496,873	7,889,490	18,790,918	19,493,858	
7. Others-Building	17,015,400	-	417,465	16,597,935	3,629,472	297,971	122,175	3,805,268	12,792,667	13,385,928	
8. Computer	12,064,699	282,241	16,200	12,330,740	8,098,159	1,394,860	13,066	9,479,953	2,850,787	3,966,541	
9. Intangible Asset-SAP Software	5,773,210	-	-	5,773,210	5,694,038	31,667	-	5,725,705	47,505	79,171	
<b>TOTAL</b>	<b>1,723,635,743</b>	<b>99,269,234</b>	<b>1,603,419</b>	<b>1,821,301,559</b>	<b>597,042,670</b>	<b>84,816,724</b>	<b>632,114</b>	<b>681,227,278</b>	<b>1,140,074,281</b>	<b>1,126,593,075</b>	
Previous Year	1,652,996,296	72,799,273	2,159,826	1,723,635,743	516,953,602	80,853,356	764,290	597,042,668			
Capital Work in Progress								1,661,541,022	534,748,844		
								<b>2,801,615,303</b>	<b>1,661,341,920</b>		

**SCHEDULES** FORMING PART OF THE BALANCE SHEET

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>SCHEDULE : F</b>		
<b>INVESTMENTS (AT COST)</b>		
<b>Unquoted</b>		
Shares of Sagar Sarita Co. Operative Housing Society Limited	3,500	3,500
Shares of Laxmi Co. Operative Housing Society Limited	2,750	2,750
Shares of MahaLaxmi Co. Operative Housing Society Limited	3,750	3,750
Shares of The Greater Bombay Co-operative Bank Limited (8040 Equity Shares of @ ₹ 25/- each fully paid up)	201,000	201,000
Shares of Kherani Paper Mills Pvt. Ltd. (95 Equity Shares of ₹ 100/- each fully paid up)	9,500	9,500
Shares - Bombay Mercantile Co-operative Bank Limited (33912 Equity Shares of @ ₹ 30/- each fully paid up) (Previous year 33912 Equity Shares @ ₹ 30/-)	1,017,360	1,017,360
Shares - Moogaveera Co-operative Bank Limited (10 Shares of ₹ 100/- each) (Previous year 10 Shares of ₹ 100/-)	1,000	1,000
Shares - The Saraswat Co-operative Bank Limited (2500 Equity Shares of @ ₹ 10/- each fully paid up) (Previous year NIL )	25,000	0
<b>Quoted</b>		
6000 fully paid up Equity Shares of Bank of Baroda of ₹ 10/- each	510,000	510,000
2200 fully paid up Equity Shares of Bank of India of ₹ 10/- each	99,000	99,000
Aggregate book value of:		
Quoted investment: ₹ 609,000 (Previous year ₹ 609,000)		
Unquoted investment: ₹ 1,263,860 (Previous year ₹ 1,238,860)		
Aggregate market value of Quoted Investment ₹ 6,830,720( Previous Year ₹ 4,585,150)		
	<u>1,872,860</u>	<u>1,847,860</u>
<b>SCHEDULE : G</b>		
<b>INVENTORIES</b>		
(As taken, valued and certified by the Management)		
Stores, Spares and Tools	112,866,734	72,188,656
Packing Materials	6,706,305	5,306,045
Raw Materials	128,697,321	132,349,078
Work-in-Process	8,260,055	7,678,364
Finished Goods	56,053,914	44,948,815
	<u>312,584,329</u>	<u>262,470,958</u>
<b>SCHEDULE : H</b>		
<b>SUNDRY DEBTORS</b>		
Debts - exceeding 6 months	-	-
- considered good	2,136,327	4,046,473
	<u>2,136,327</u>	<u>4,046,473</u>
Other Debts	462,094,024	406,167,785
	<u>464,230,351</u>	<u>410,214,258</u>

**SCHEDULES** FORMING PART OF THE BALANCE SHEET

	As at March 31, 2011 ₹	As at March 31, 2010 ₹
<b>SCHEDULE : I</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on Hand	153,328	200,018
Balances with Scheduled Banks - In Current Accounts	54,566,728	27,475,785
In Margin Money Accounts	60,882,757	62,198,505
	<u>115,602,813</u>	<u>89,874,308</u>
<b>SCHEDULE : J</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, Considered good)		
Advances Recoverable in cash or in kind or for value to be received.	145,995,103	123,496,719
Deposits	44,202,876	34,396,328
Intercorporate Deposits	-	4,500,000
Balances with Customs	-	3,031,030
	<u>190,197,979</u>	<u>165,424,077</u>
<b>SCHEDULE : K</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>(a) Current Liabilities</b>		
Sundry Creditors (due to small scale industrial undertaking)	1,775,517	7,073,798
Sundry Creditors (due to others)(including capital creditors of ₹ 13.20 crores)	818,179,110	730,238,789
Investor Education and Protection Fund shall be credited by the following amounts when due:-		
Unclaimed Dividends	2,122,801	1,753,780
Other Liabilities (including new project U5 liabilities ₹ 74.13 Lacs)	88,222,344	29,382,196
Interest accrued but not due	11,768,276	-
	<u>922,068,048</u>	<u>768,448,563</u>
<b>(b) Provisions</b>		
For Leave Encashment	6,507,385	4,394,104
For Proposed Dividend	30,634,380	30,634,380
For Provision for Fringe Benefit Tax	1,549,615	1,549,615
For Provision for Income tax (Net of Advance Tax)	2,103,476	2,948,171
For Provision for Wealth Tax	331,030	331,030
For Provision for Gratuity	4,870,311	4,940,904
For Tax on Dividend	5,087,988	5,206,313
	<u>51,084,185</u>	<u>50,004,517</u>
	<u>973,152,233</u>	<u>818,453,079</u>

**SCHEDULES** FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year ended March 31, 2011 ₹	Year ended March 31, 2010 ₹
<b>SCHEDULE : L</b>		
<b>OTHER INCOME</b>		
Interest on Fixed Deposits (TDS ₹ 354,744/- ) (Previous Year ₹ 243,648/-)	3,779,494	1,721,067
Miscellaneous Income	27,174,318	28,539,907
	<u>30,953,812</u>	<u>30,260,974</u>
<b>SCHEDULE : M</b>		
<b>INCREASE (+) / DECREASE (-) IN STOCK</b>		
<b>Opening Stock</b>		
Finished Goods	44,948,815	44,924,787
Work-in-Process	7,678,364	8,120,000
	(A) <u>52,627,179</u>	<u>53,044,787</u>
<b>Closing Stock</b>		
Finished goods	56,053,914	44,948,815
Work-in-Process	8,260,055	7,678,364
	(B) <u>64,313,969</u>	<u>52,627,179</u>
	(B-A) <u>11,686,790</u>	<u>(417,608)</u>
<b>SCHEDULE : N</b>		
<b>RAW MATERIALS CONSUMED</b>		
Opening Stock	132,349,078	93,698,315
Add : Purchases	2,809,819,123	2,247,267,885
	2,942,168,201	2,340,966,200
Less : Closing Stock	128,697,321	132,349,078
	<u>2,813,470,880</u>	<u>2,208,617,122</u>

**SCHEDULES** FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Year ended March 31, 2011 ₹		Year ended March 31, 2010 ₹	
<b>SCHEDULE : O</b>				
<b>MANUFACTURING AND OTHER EXPENSES</b>				
<b>Manufacturing Expenses</b>				
Consumption of Stores, Spares and Tools		119,020,104		140,211,136
Power, Fuel and Water Charges	687,258,498		576,125,421	
Material Handling Charges	20,121,143		18,324,341	
Excise Duty	166,995,587	874,375,228	129,997,565	724,447,327
<b>Employees Remuneration and Benefits</b>				
Salaries, Wages, Bonus etc.	148,826,334		117,547,263	
Contribution to ESIC and Other Funds	10,361,881		9,009,436	
Staff Welfare Expenses	6,764,679	165,952,893	1,832,505	128,389,204
<b>Administrative Expenses</b>				
Insurance	3,680,882		2,003,983	
Rent	9,471,489		6,909,334	
Rates and Taxes	1,414,555		1,153,900	
General Expenses	52,085,652	66,652,578	54,643,052	64,710,269
<b>Selling and Distribution Expenses</b>				
		269,196,647		232,872,265
<b>Repairs and Maintenance</b>				
Machinery	35,869,838		34,271,803	
Building	5,392,675		10,665,853	
Others	6,069,316	47,331,829	4,859,779	49,797,434
<b>Other Expenses</b>				
Directors Sitting Fees	171,000		193,000	
Remuneration to Auditors	950,000		650,000	
Advertisement	484,988		204,904	
Donation	552,346		801,218	
Loss/(Profit) on Sales of Assets	224,715		543,701	
Bad Debts/Advances written off	1,078,374	3,461,423	691,155	3,083,978
		1,545,990,703		1,343,511,613
<b>SCHEDULE : P</b>				
<b>INTEREST</b>				
<b>Interest on</b>				
Term Loans		11,837,464		24,950,121
Bank		44,753,232		43,373,848
Others		16,652,573		17,814,672
		73,243,269		86,138,642

**SCHEDULE: Q****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. Buildings erected on land taken on a short lease (i.e. up to 10 years) are written off equally over the lease period of the land.
- ii) Intangible Assets are amortized over their useful life not exceeding three 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) Inter-Unit Transfers:**

Inter-unit transfer of goods, as independent marketable products produced by separate units for captive consumption, is transferred at approximate prevailing market price. The same is shown as a contra item to reflect the true working of the respective units in the Profit and Loss Account. Any unrealized profit on unsold stocks is eliminated while valuing the inventories. The value of such inter-unit transfer is netted off from sales and operational expenses under manufacturing and other expenses (packing materials).

**(h) Employee Benefits:**

- i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.

- ii) The eligible employees of the Company are entitled to receive benefits under the Provident fund, a defined contribution plan in which both the employee and the Company make monthly contributions at a specified percentage of the covered employee's salary (currently 12% of employee's salary). The contributions as specified under the law are paid to the Regional Provident Fund Commissioner and the Central Provident Fund under the Pension Scheme. The Company recognizes such contributions as expenses of the year in which the liability is incurred.
- iii) The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The plan is managed by a trust and the fund is invested with Life Insurance Corporation of India under its Group Gratuity Scheme. The Company makes annual contributions to gratuity fund and the Company recognizes the liability for gratuity benefits payable in future based on an independent actuarial valuation.
- iv) The Company provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate leave for availment as well as encashment subject to the rules. As per the regular past practice followed by the employees, it is not expected that the entire accumulated leave shall be encashed or availed by the employees during the next twelve months and accordingly the benefit is treated as long defined benefit. The liability is provided for based on the number of days of unutilized leave at the Balance Sheet date on the basis of an independent actuarial valuation.

**(i) 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.

**(j) 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.

**(k) Revenue Recognition:**

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

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

**(m) Cenvat Credit:**

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

**(n) Contingent Liabilities:**

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

**(o) Preliminary Expenses:**

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

**2. CONTINGENT LIABILITIES:**

- (a) Guarantees and counter guarantees given by the Company on behalf of group companies ₹ NIL lacs (Previous year ₹ NIL).
- (b) During the year commissioner of Central Excise raised demand of ₹ 1,643,254/- towards excise duty and interest thereon. The Company has paid the demand and preferred an appeal with CESTAT. (Previous Year ₹ 1,705,071).
- (c) Claims against the Company not acknowledged as debts – ₹ 359,512/- (Previous year – ₹ 333,807/-).
- (d) Letter of Credit outstanding ₹ 1,824.87 lacs (Previous year ₹ 2,962.11 lacs).
- (e) Customs penalties on Imports – ₹ NIL (Previous year ₹ NIL).



3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 4,794.77 lacs (Previous Year ₹ 4,767.96 lacs).
4. Defined benefits plans – As per actuarial valuation as on March 31, 2011.

Sr. No.	Particulars	Gratuity Benefits		Compensated absences	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
1	Components of employer expenses				
	Current service cost	2,184,043	2,043,855	756,003	639,767
	Interest cost	1,121,575	934,515	393,411	855,103
	Expected return on plan assets	(835,558)	(617,218)	NA	NA
	Actuarial losses / (gains)	(1,009,085)	(1,726,378)	1,428,811	(7,490,445)
	Total expenses / (income) recognized in the Profit and Loss Account	3,479,145	634,775	2,578,225	(5,995,575)
2	Actual contribution and benefits paid during the year				
	Actual benefits paid	770,347	712,624	464,944	299,106
	Actual contribution	3,549,738	677,109	NA	NA
3	Net asset / (liability) recognized in Balance Sheet as at March 31, 2011				
	Present Value of Defined Benefit Obligation	(15,802,788)	(12,220,812)	(6,507,385)	(4,394,104)
	Fair value of plan assets	10,932,477	7,279,908	Nil	Nil
	Net asset/(liability) recognized in Balance Sheet	(4,870,311)	(4,940,904)	(6,507,385)	(4,394,104)
4	Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2011				
	Present value of DBO at beginning of year	12,220,812	11,681,443	4,394,104	10,688,785
	Current Service cost	2,184,043	2,043,855	756,003	639,767
	Interest cost	1,121,575	934,515	393,411	855,103
	Actuarial (gain)/ losses	1,046,705	(1,726,378)	1,428,811	(7,490,445)
	Benefits paid	(770,347)	(712,624)	(464,945)	(299,106)
	Present Value of DBO at the end of year	15,802,788	12,220,812	6,507,385	4,394,104
5	Change in Fair Value of Assets during the year ended March 31, 2011				
	Plan Assets at beginning of year*	7,279,908	6,698,205	NA	NA
	Expected return on plan assets	835,558	617,218	NA	NA
	Actual Company contributions	3,549,438	677,109	NA	NA
	Benefits paid	(770,347)	(712,624)	NA	NA
	Plan assets at the end of year	10,932,477	7,279,908	NA	NA
6	Actuarial Assumptions				
	Discount Rate	8%	8%	8%	8%
	Expected Return on plan assets	8%	9%	NA	NA
	Salary escalation	7.25%	7.25%	7.25%	7.25%

\*The planned asset is represented by investment made under the Group Gratuity Scheme operated by Life Insurance Corporation of India.

**5. The deferred tax liability as at March 31, 2011 comprise of the following:**

	March 31, 2011 (₹)	March 31, 2010 (₹)
<b>Deferred Tax Liability</b>		
Fixed Assets excess net block over written down value as per the provisions of the Income Tax Act, 1961.	488,809,273	486,145,723
	488,809,273	486,145,723
<b>Deferred Tax Assets</b>		
Disallowance under Income Tax Act, 1961.	3,015,112	2,750,402
Difference of opening liability as per revised AS-15	-	-
	3,015,112	2,750,402
	485,794,161	483,395,321
Provision for deferred tax (net)	161,368,675	164,306,064

**6. Earnings Per Share:**

	March 31, 2011	March 31, 2010
(a) Weighted average number of equity shares of ₹ 10 each		
(i) Number of shares at the beginning of the year	17,019,100	17,019,100
(ii) Number of shares at the end of the year	17,331,600	17,019,100
(iii) Weighted average number of equity shares outstanding during the year	17,198,038	17,019,100
(b) Net Profit after tax and after prior year adjustments (₹)	278,963,587	215,880,877
(c) Profit attributable to equity share holders (₹)	278,963,587	215,880,877
Basic earnings per share (in ₹)	16.39	12.68
Diluted earnings per share (in ₹)	16.22	12.68

7. There are no Micro, Small and Medium Enterprises, to whom the Companies owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. Further, the Company has neither paid nor payable any interest to any Micro, Small and Medium Enterprises on the Balance Sheet date. The above information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.
8. The names of the Small Scale Undertakings to whom the Company owes a sum exceeding ₹ 1.00 lac outstanding for more than 30 days as on March 31, 2011 are; Vertex Chem Pvt. Ltd, Polysol Industries, Synergy Multichem Pvt. Ltd, Vipul Chemicals (India) Pvt. Ltd, Alok Trade & Investment Pvt. Ltd, Bhavik Enterprises, Good Cast Industries and A B Engineering Industries. 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. Advances recoverable in cash or kind or value to be received includes an amount ₹ NIL of short term advance bearing no interest (Previous Year ₹ 55.00 lacs). However it includes amount of ₹ 230 lacs bearing interest (Previous Year ₹ NIL).
10. The Company's Income Tax assessment has been completed up to A.Y. 2006-07. Tax Liabilities and interest in respect thereof demanded by the Income Tax Department has been paid. However in terms of search and seizure operations u/s 132 of Income Tax Act, 1961, conducted during July, 2009, revised returns have been filed in response to notices received u/s 153A of the Income Tax Act, 1961 in respect of six Assessment years from 2004-05 to 2009-10. Assessments are yet to commence.
11. Sundry Debtors, Sundry Creditors, Unsecured Loans and Loans and Advances balances are subject to confirmation and reconciliation.
12. Sundry Creditors includes a sum of ₹ 132,007,238 (including advances received against sale of staff quarters ₹ 714,000/-) payable for Capital Goods (Previous Year ₹ 53,492,952).

**13. 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 requirement of Accounting Standard AS-17 issued by the Institute of Chartered Accountants of India is not applicable to the Company.

- 14.** The Company has imported Capital Goods under 'Export Promotion Capital Goods' Scheme for which the Company has an export obligation of ₹ 864,583,512 (previous year ₹ 460,225,488).
- 15.** Bank of Baroda has issued a counter guarantee (DPG) to Deutsche Bank AG, amounting to ₹ 28,062,326.00 to fulfill certain contractual payment obligations for the import of certain capital goods. However, the Company has provided the full liability of the said contract and same is included under Sundry Creditors.

**16. Disclosure in respect of related parties pursuant to Accounting Standard AS-18:****Key Management Personnel & Relatives:**

Shri R. N. Agarwal  
Shri Raunak Agarwal

**Relatives of Directors**

Smt. R. R. Agarwal  
Smt. Padma Chhabra

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

	March 31, 2011 (₹ In lacs)	March 31, 2010 (₹ In lacs)
(i) Purchase of Fixed Assets		
Associates	0.00	0.00
(ii) Unsecured Advances given		
Associates	0.00	0.00
(iii) Unsecured Deposits received from		
Key Management Personnel	436.83	346.00
(iv) Unsecured Deposits received from		
Relative	5.00	0.00
(v) Remuneration paid		
Key Management Personnel	207.90	85.09
(vi) Sitting Fees Paid		
Key Management Personnel	0.00	0.10
(vii) Car Lease Rent	25.21	18.00
(viii) Unsecured Deposits Outstanding Credit Balance		
Key Management Personnel & Relatives Deposits	580.60	338.35

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

Loans and Advances in the nature of Loans	Nil	Nil
Maximum balance	N.A.	N.A.

**Notes:**

- Loans to Employees as per Company's policy are not considered.
- Related party relationship is as identified by the Company and relied upon by the auditors.

**17. Auditor's Remuneration**

	March 31, 2011 (₹)	March 31, 2010 (₹)
Audit Fees	600,000	500,000
Tax Audit	100,000	100,000
Other matters	250,000	50,000
Service Tax*	87,550	66,950
<b>Total</b>	<b>1,037,550</b>	<b>716,950</b>

\*Eligible for CENVAT Credit

**18. (i) Management Remuneration under Section 198 of the Companies Act 1956:**

	March 31, 2011 (₹)	March 31, 2010 (₹)
To The Chairman, Managing Director and Whole time Director		
(a) Remuneration and contribution to funds	19,468,720	7,122,620
(b) Perquisites	779,200	829,200
<b>Total</b>	<b>20,247,920</b>	<b>7,951,820</b>

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

	March 31, 2011 (₹)	March 31, 2010 (₹)
Profit Before Tax and after prior period adjustment as per Profit and Loss Account	362,042,298	287,380,877
<i>Add:</i> Depreciation Charged in the Accounts	84,816,724	80,853,356
Loss on sale of assets as per Section 349 of the Companies Act, 1956	224,715	543,701
Directors' Remuneration (including Sitting Fees)	6,639,720	8,144,820
Commission payable to Directors	13,000,000	3,000,000
	466,723,457	379,922,754
<i>Less:</i> Depreciation under Section 350	84,816,724	80,853,356
Profit on Sale of Assets	1,861,526	5,165
	86,678,250	80,853,356
<b>Net Profit</b>	<b>380,045,207</b>	<b>299,064,233</b>
<b>Overall ceiling on Managerial Remuneration under section 198 of the Companies Act, 1956</b>	<b>38,004,521</b>	<b>29,906,423</b>

**19. Capital Work in Progress including advances paid:**

	March 31, 2011 (₹)	March 31, 2010 (₹)
Building	248,584,391	195,200,221
Office	101,965,095	-
Plant & Machinery	1,155,557,806	327,386,581
Land	3,682,202	11,507,440
Pre-operative Expenses	77,775,357	-
Interest During Construction Period	72,085,899	-
Others	1,890,273	654,602
<b>Total</b>	<b>1,661,541,022</b>	<b>534,748,844</b>

**20. Details of capacity:**

Product	Duplex Board		Newsprint	
	Capacity (Annual in M.T.)		Capacity (Annual in M.T.)	
	Licensed	Installed	Licensed	Installed
This Year	N.A.	112800 TPA (3 shifts)	N.A.	36000 TPA (3 shifts)
Previous year	N.A.	112800 TPA (3 shifts)	N.A.	36000 TPA (3 shifts)

**Notes:**

- Licensed capacity is not applicable in view of the Company's products having been de-licensed as per the licensing policy of the Government of India.
- Installed capacity is as certified by the management and accepted by auditors, being technical matter.

**21. 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 (₹)	Qty. MT.	Value (₹)
Indian	131,384.332	1,606,170,263	(-)	486,656,423
	(113,032.016)	(1,119,109,866)	(-)	(401,064,885)
Imported (including High Seas)	46,394.017	662,400,757	(-)	58,243,437
	(61,017.205)	(632,857,789)	(-)	(55,584,583)
<b>Total</b>	<b>177,778.349</b>	<b>2,268,571,020</b>	<b>(-)</b>	<b>544,899,860</b>
	<b>(174,049.221)</b>	<b>(1,751,967,655)</b>	<b>(-)</b>	<b>(456,649,468)</b>

**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	2009-2010	2008-2009
Number of non resident shareholders	24	56
Number of shares held by them	41,389	24,960
Amount of dividend (₹ )	74,500	24,960
	March 31, 2011 (₹ )	March 31, 2010 (₹ )
<b>2. Earnings in Foreign Exchange</b>		
F.O.B. Value of Goods Exported	152,922,432	43,885,202
<b>3. C.I.F. Value of Imports</b>		
Raw Materials	578,726,779	695,636,712
Stores, Components & parts	8,825,576	12,508,105
Capital Goods	130,698,419	117,291,566
<b>4. Expenditure in Foreign Currency</b>		
Travelling	1,760,844	1,553,752
<b>5. Value of Imported and Indigenous Raw Materials, Stores and Spares consumed:</b>		
Raw Materials:		
Imported	720,644,194	688,442,371
Indigenously obtained	2,092,826,686	1,520,174,751
	2,813,470,880	2,208,617,122
Stores and Spares:		
Imported	13,795,298	14,243,464
Indigenously obtained	105,224,806	125,967,672
	119,020,104	140,211,136
<b>6. Percentage of Total Consumption</b>		
Raw Materials:		
Imported	26%	31%
Indigenously obtained	74%	69%
Stores and Spares:		
Imported	12%	10 %
Indigenously obtained	88%	90%

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

	DUPLEX BOARD				NEWSPRINT				KRAFT PAPER			
	2010-2011		2009-2010		2010-2011		2009-2010		2010-2011		2009-2010	
	Qty (M.T)	Value (₹)	Qty (M.T)	Value (₹)	Qty (M.T)	Value (₹)	Qty (M.T)	Value (₹)	Qty (M.T)	Value (₹)	Qty (M.T)	Value (₹)
Opening Stock	1,274.484	33,640,765	1,206.020	26,418,087	570.274	11,308,050	927.770	18,506,700	-	-	-	-
Production	131,105.627	-	126,059.132	-	28,476.464	-	31,972.307	-	3,402.127	-	-	-
*Sales	131,066.841	4,037,676,835	125,990.668	3,171,134,965	29,039.281	739,090,584	32,329.803	714,387,222	2,392.648	56,083,044	-	-
Inter Unit transfer	-	-	-	-	-	-	-	-	117.943	2,596,986	-	-
Closing Stock	1,313.269	37,917,520	1,274.484	33,640,765	7.457	169,564	570.274	11,308,050	891.536	17,966,830	-	-

\*excludes sales of traded goods

**TRADED GOODS**

	2010-2011		2009-2010	
	Qty. MT.	Value (₹)	Qty. MT.	Value (₹)
Opening Stock	0.00	0.00	0.00	0.00
Purchase	0.00	0.00	0.00	0.00
Sales	0.00	0.00	11,77.65	8,619,041
Closing Stock	0.00	0.00	0.00	0.00

22. 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.
23. Previous year's figures have been regrouped, reworked and reclassified wherever necessary.

**Signatures to Schedules 'A' to 'Q'**

As per our attached report of even date

For **CHATURVEDI & PARTNERS**

Chartered Accountants

Firm's Registration No. 307068E

**G. VENKATAKRISHNAN**

Partner

Membership No. 11255

Mumbai, May 30, 2011

For and on behalf of the Board of Directors

**R N AGARWAL**

Chairman Managing Director & CEO

**RAUNAK AGARWAL**

Whole Time Director

**HEMALI SHETH**

Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(In terms of Amendment to Schedule VI - Part IV)

<b>I Registration Details</b>			
Registration No.	:	11-133365	State Code : 11
Balance Sheet Date	:	March 31, 2011	
<b>II Capital Raised during the year</b>			
Public Issue	:	Nil	Rights Issue : Nil
Bonus Issue	:	Nil	Private Placement : Nil (Equity Shares)
<b>III Position of Mobilisation and Deployment of funds (Amount in ₹ )</b>			
Total Liabilities	:	2912951402	Total Assets : 2912951402
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up capital	:	184816000	Net Fixed Assets : 2801615303
Reserves and Surplus	:	753402235	Investment : 1872860
Secured loans	:	1743860997	Net Current Assets : 109463239
Unsecured Loans	:	69503494	Misc. Expenditure : 0
Deferred Tax Liabilities	:	161368675	Accumulated Losses : 0
<b>IV Performance of Company</b>			
Turnover	:	4832850464	Total Expenditure : 4514924591
Profit Before Tax	:	360566474	Profit after Tax : 278963587
Earnings per share in ₹	:	16.39	Dividend Rate % : 18%
<b>V Generic Names of Three Principle Products/ Services of Company (as per monetary terms)</b>			
Item Code no (ITC Code)	:	480523	Item Code no ( ITC Code) : 480439
Product Description	:	Duplex Board 480449	
Item Code no (ITC Code)	:	480100	Product Description : Kraft Paper
Product Description	:	News Print	
Item Code no (ITC Code)	:	480200	
Product Description	:	Writing and Printing	

As per our attached report of even date

For **CHATURVEDI & PARTNERS**

Chartered Accountants

Firm's Registration No. 307068E

**G. VENKATAKRISHNAN**

Partner

Membership No. 11255

Mumbai, May 30, 2011

For and on behalf of the Board of Directors

**R N AGARWAL**

Chairman Managing Director &amp; CEO

**RAUNAK AGARWAL**

Whole Time Director

**HEMALI SHETH**

Company Secretary



**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  
EIGHTEENTH 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, at 11.30 a.m. on Saturday, August 27, 2011.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

DP Id*	
Client Id*	
Reg. Folio No.	

Signature .....

Affix Re. 1/- 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
--

Name of the Member \_\_\_\_\_ Signature \_\_\_\_\_

Name of the Proxy Holder \_\_\_\_\_ Signature \_\_\_\_\_

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

- Notes:**
1. Please fill this attendance slip and hand it over at the entrance of the hall.
  2. Member/Proxy Holder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.

TEAR HERE



SUCCESSFUL  
PROJECTS...





*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.  
Tel.: (+91 22) 6731 7500