

N R AGARWAL INDUSTRIES LIMITED

19th Annual Report 2011-12



Waste.Redefined.

“

OPPORTUNITY EXIST... ALWAYS

Changes in the market conditions across the world have forced a change in outlook. But opportunities still exist and we are confident of capitalizing on them.

”

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Shri R N Agarwal (left)
Managing Director & CEO

Shri Raunak Agarwal (right)
Whole-Time Director

“

*Following
the
Footprints*

”



Founder Chairman
Late Shri N R Agarwal





“

CHALLENGES, CHANCES, CHANGES

“Driven by challenges, nurtured by chances, transformed by changes”

”

MESSAGE FROM CHAIRMAN

Dear Shareholders,

Challenges are the lifeblood of business. They inspire you to think smarter, work more effectively, perform better and strive for more. And the more compelling the challenges, the greater opportunities they open up for you. We can safely say that the last year was a cataclysmic year with unparalleled wealth destruction throughout the world. We are humbled by the knowledge that while we did not or could not anticipate the world changing events of the past year, we were able to respond swiftly to ensure the organisation and all that are associated with it were sheltered from the worst of it.

*“Bad times
do not last.
Good
strategies do.”*

The Current environment presents a host of challenges. At a time when input costs remain high and price vitality brings added challenges, we will continue to focus on the best value for our consumers and customers through innovations and strong cost efficiency programs.

While most of this is explained in depth in the preceding pages of MDA Report, I thought it is important to pen some words on what we believe will allow us to respond both to a downturn as well as the expected return to growth. In last two years, several new Duplex Boards manufacturing units have been set up all over the country. Competitive pressure will be on the rise as newer entrants seek a slice of India's long term growth potential. None of these challenges are new; they have stayed with us in some form through the last year.

At some level, NRAIL is stronger for having experienced the uncertainty and tumult of that period. These events ensured we continue to focus on the fundamentals and understand and swiftly act upon the velocity of the problems as they arise. As it is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.

There is a rising customer expectation. Those Mills who can offer quality product at competitive price combined with faster delivery and better service to clients, will overcome the problem of excess capacity. Now looking at the opportunities, India is a growing market, industry is likely to double its capacity by the end of this decade. We are a country of 1.2 billion people so every increase of 1kg in per capita consumption would mean a demand of 1.2 million tons per year coming up. We think we have the only way to go and that is upwards.

I immensely value the faith that you have reposed in NRAIL and would like to thank you for your continued support.

R N Agarwal

Chairman, Managing Director & CEO

“
Commitment
Continuous...
”



NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of the members of N R AGARWAL INDUSTRIES LIMITED, will be held at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D N Road, Opp. Indian Oil Nagar on Link Road, Andheri West, Mumbai – 400 053 on Thursday, August 23, 2012 at 11.30 a.m. to transact the following businesses;

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Shri. S N Chaturvedi, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. Appointment of Shri Mangilal Suthar as a Director:

To appoint Director in place of Shri Mangilal Suthar, who was appointed as an Additional Director by the Board of Directors with effect from November 11, 2011 and who holds office upto the date of the ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director.

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

“RESOLVED THAT pursuant to the provisions of Sections 269, 198, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, including statutory modification or re-enactment thereof, for the time being in force and as approved by the Remuneration Committee, the Company in General Meeting hereby approves the appointment of Shri Mangilal Suthar, as an Executive Director of the Company for a period of five years with effect from November 11, 2011 upon the terms and conditions including the terms as to remuneration set out in the Agreement dated November 30, 2011 (the “Agreement”), and approved by the remuneration committee which Agreement placed before this Meeting be and is hereby specifically sanctioned with liberty to the Board of Directors of the Company (the “Board”) to alter, vary and modify the terms and conditions of the said appointment and the Agreement in such manner as may be agreed to between the Board and Shri Mangilal Suthar.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during Shri Mangilal Suthar’s term of office as an Executive Director the remuneration payable to him shall be as per the minimum remuneration prescribed in Schedule XIII of the Act and that he shall be entitled to all other benefits and perquisites as set out in the Explanatory Statement as the minimum remuneration.

“RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the ‘Board’ which term shall include any Committee of the Board) be and is hereby authorised to vary any of the terms of remuneration in consultation with Executive Director provided such variation is in accordance with the provisions in part II of Schedule XIII of the Companies Act, 1956 and/or the provisions of law as may be applicable thereto from time to time.”

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

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

“RESOLVED THAT in supersession of the earlier resolution passed in this regard the consent of the Company be and is hereby accorded under Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time all such sums of money as they may deem requisite for the purpose of the business of the Company notwithstanding that moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount upto which moneys may be borrowed by the Board of Directors shall not, at any time, exceed the sum of ₹ 1000 Crores (Rupees One Thousand Crores Only) at any point of time exclusive of interest.”

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

“RESOLVED THAT in supersession of the earlier resolution passed in this regard and pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) consent of the

Company, be and is hereby accorded to the Board of Directors of the Company to sale, lease, hypothecate, mortgage and/or charge, in addition to the mortgages and/or charges created/ to be created by the Company, in such form and manner from time to time; and within such ranking as to the priority and for such time and on such terms as the Board may determine, all or any of the movable and/or immovable, tangible and/or intangible properties of the Company both present and future and/or whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of the default, in favour of the lender(s), for securing the borrowing of the Company availed/to be availed by way of loans and securities (comprising fully/partly convertible debentures and/ or non convertible debentures with and/or without detachable warrants and/or secured premium notes and/or floating rates notes/bonds or other debt instruments issued or to be issued by the Company, external commercial borrowing etc. availed/ to be availed by the Company from time to time, subject to the limit of ₹ 1000 Crores (Rupees One Thousand Crores Only) as approved under Section 293(1)(d) of the Companies Act, 1956 (including any revisions made by the Members from time to time), together with the interest at the agreed respective rated, additional interest, compound interest in case of default, accumulated interest, liquidate damages, commitment charges, premium on pre-payment, remuneration of agent(s)/ trustee(s), premium (if any) on redemption and all other costs, charges and expenses, including any increase as a result of devaluation/revaluation/fluctuation in the rate of exchange and all other monies payable by the Company in terms of loan agreement(s), heads of agreement(s), debenture trust deed or any other document entered into/to be entered into between the Company and the lenders/agent(s)/trustee(s), in respect of the said loans/borrowings/debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the lender(s).

RESOLVED FURTHER THAT for giving effect to this resolution, the Board or any Committee thereof be and is authorized to negotiate, deal with, finalize terms and conditions, settle with banks, lenders and to execute and to enter into all such documents, deeds, writings, papers, guarantees, bonds, agreements and such other deeds and documents as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deemed necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgage/charges as aforesaid.”

NOTES:

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business at Item No.5, 6, 7 and 8 above is annexed hereto. The relevant details of directors seeking appointment/re-appointment under Item No.3 & 5 above as required by Clause 49 of Listing Agreements entered into with the Stock Exchanges are also annexed.
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 less than 48 hours before the meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from Friday, August 17, 2012 to Thursday, August 23, 2012 (both days inclusive).
4. Dividend if declared, will be paid on or after August 23, 2012 to those members, whose names are on the Company's Register of Members on August 23, 2012. 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 Thursday, August 16, 2012, 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.

ANNEXURE TO NOTICE

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

Item no.5

Shri Mangilal Suthar was appointed as an Additional Director of the Company by the Board of Directors effective from November 11, 2011. By virtue of Section 260 of the Companies Act, 1956, Shri Mangilal Suthar will hold office upto the date of this Annual General Meeting and is eligible for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956, alongwith requisite deposit from a member of the Company proposing his candidature for the office of Director.

The Board commends your approval to the said appointment.

Shri Mangilal Suthar is concerned or interested in the said resolution at item no.5 of the accompanying notice as it relates to him.

Item No.6

The Board of Directors of the Company at its meeting held on November 11, 2011 had appointed Shri Mangilal Suthar as an Executive Director of the Company for a period of five years with effect from November 11, 2011 on the terms and conditions including the terms as to remuneration approved by the remuneration committee.

The terms of his appointment as an Executive Director are as under:

- a) **Salary:** ₹ 80,000 per month with the power to the Board of Directors to increase from time to time upto ₹ 130,000.
- b) **Perquisites:** In addition to the aforesaid salary the Executive Director shall be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified herein above:
 - i) Contribution to Provident Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
 - ii) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
 - iii) Earned privilege leave at the rate of one month's leave for every eleven months of service. The Executive Director shall be entitled to encash leave at the end of every year during his tenure as an Executive Director.

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

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) from the financial year ended March 31, 2005, onwards are requested to make their claims to the Company accordingly, without any delay.
11. To support the 'Green Initiative' in the Corporate Governance taken by the Ministry of Corporate Affairs, to contribute towards greener environment and to receive all documents, notices, including Annual Reports and other communications of the Company, investors should register their e-mail addresses with Company's Share Registrar and Transfer Agents, if shares are held in physical mode or with their DP, if the holding is in electronic mode.
12. 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, 4th Floor,
29, Shah Industrial Estate,
Off Veera Desai Road,
Andheri (West),
Mumbai – 400 053.

Dated: May 25, 2012

The Board commends the approval by the members for the appointment of Executive Director and payment of remuneration to him.

Shri Mangilal Suthar is concerned or interested in the said resolution at item no.6 of the accompanying notice as it relates to him.

A copy of the Agreement dated November 30, 2011 for the appointment of Shri Mangilal Suthar as an Executive Director of the Company is open for inspection by the members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m.

Item No.7

The members of the Company at the Annual General Meeting held on December 26, 2006, had authorised the Board of Directors of the Company to borrow monies upto ₹ 500 crores. To meet its financial requirements, the Board may be required to borrow monies which may exceed the limit of ₹ 500 crores as approved by the members. Under Section 293(1)(d) of the Companies Act, 1956, approval of the members is required for the monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) if such borrowing exceed the aggregate of the paid up share capital of the Company and its free reserves. Approval of the members is therefore sought for borrowing monies in excess of the paid up share capital and free reserves, upto ₹ 1000 crores (Rupees One Thousand Crores Only).

An ordinary resolution under Section 293(1)(d) of the Companies Act, 1956, is therefore proposed for approval by the members.

The Board commends your approval of the said resolution as set out in item no.7 of the Notice.

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

Item No.8

The Borrowings by a Company, in general, is required to be secured by mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and ranking as

may be determined by the Board of Directors of the Company from time to time, in consultation with the lender.

The mortgage and/or charge on any of the movable/immovable properties and/or the whole or any part of the undertaking of the Company, to secure borrowing of the Company or any of its holding, subsidiary, affiliated or associate Company, with a power to the charge holders to take over the management of the Business and concern of the Company in certain events of default, may be regarded as disposal of the Company's undertaking within the meaning of section 293(1)(a) of the Companies Act, 1956. Hence it is necessary for the Members to pass resolution under the said section.

The Members of the Company at the Annual General Meeting held on December 26, 2006 approved increase of the Borrowing limit under section 293(1)(d) of the Companies Act, 1956, upto ₹ 500 crores.

For increase of the limit for creation of charge of securities u/s 293(1)(a) of the Companies Act, 1956, in line with the limit u/s 293(1)(d) i.e. upto ₹ 1000 crores, the Company is required to pass the necessary resolution as set out in item no.8 of the Notice.

The Board commends your approval of the said resolution as set out in item no.8 of the Notice.

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

By order of the Board of Directors

HEMALI SHETH
Company Secretary

Registered Office:

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

Dated: May 25, 2012

DIRECTORS' REPORT

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

Report on the business and operation of the Company along with the Annual Accounts for the year ended on March 31, 2012.

FINANCIAL RESULTS

(₹ in Lacs)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Net Sales/Income from Operations and Other Income	49,694.17	46,999.62
Interest	1,027.74	766.04
Gross Profit after Interest but before Depreciation and Taxation	2,662.85	4,468.59
Depreciation	903.35	848.17
Profit before Tax and Exceptional Items	1,759.50	3,620.42
Exceptional Item	-	-
Profit before Tax and after Exceptional Items	1,759.50	3,620.42
Provisions for Taxation	356.70	860.16
Deferred Tax	(6.70)	(29.37)
Net Profit for the year	1,409.50	2,789.64
Balance in Statement of Profit and Loss	6775.49	4501.08
Amount available for Appropriation	8184.99	7290.71
Appropriation:		
Transfer to General Reserve	44.00	158.00
Proposed Dividend on Equity Shares	204.23	306.34
Corporate Dividend Tax	33.13	50.88
Balance carried to Balance Sheet	7903.63	6775.49

DIVIDEND

The Directors are pleased to recommend a dividend of ₹ 1.20 Per Equity Share [Previous year ₹ 1.80 per equity share]. If the dividend, as recommended above, is declared by the Members at the Annual General Meeting, the total outflow towards dividend on equity shares for the year would be ₹ 23,736,028 (including dividend tax).

COMPANY PERFORMANCE

During the financial year ended March 31, 2012 the Company recorded production of 131426 MT of Duplex Board, 7680 MT of Newsprint and 31031 MT of Kraft Paper as against 131106 MT

of Duplex Board, 28476 MT of Newsprint and 3402 MT of Kraft Paper in previous financial year. During the year under review, the Company has manufactured Kraft Paper till December, 2011 in its Unit No.II and effective January 1, 2012 the Company has started manufacturing Newsprint.

The Turnover for the financial year under review was ₹ 49,260 Lacs as against ₹ 46,690 Lacs for the previous financial year. The profit before tax has been reduced to ₹ 1,760 Lacs as compared to ₹ 3,606 Lacs of the previous year.

During the year, the Company exported Duplex Board and realized ₹ 2,405 Lacs, as compared to ₹ 1,529 Lacs, during the previous year.

FIXED DEPOSITS

As on March 31, 2012 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, 2012 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 2010-11 was September 30, 2011. The Company has filed the Reports with Ministry of Corporate Affairs on September 29, 2011.

FINANCE

The Financial Statements have been prepared as per the revised Schedule VI of the Companies Act, 1956, as notified by the Ministry of Corporate Affairs. Accordingly, previous year's figures have also been regrouped/restated wherever necessary to conform to the classification of the current year.

DIRECTORS

Shri Mangilal Suthar holds office till the date of the forthcoming Annual General Meeting and a notice has been received from a Member proposing the candidature of Shri Mangilal Suthar for being appointed as Director of the Company.

Shri Mangilal Suthar has rich and varied experience of almost 38 years in the field of Accounts, Finance, and Budgeting & Taxation. Shri Mangilal Suthar has been working with N R Agarwal Group

Companies since its inception and his valuable expertise will contribute substantially to the overall growth of the organization. Considering his vast experience of 38 years in paper industry, the Board thought prudent to appoint Shri Mangilal Suthar as an Additional Executive Director, Non-Independent of the Company with effect from November 11, 2011.

Shri S N Chaturvedi would retire by rotation at the ensuing Annual General Meeting of the Company and is eligible for reappointment.

Brief resume of the above Directors, nature of their experience in specific functional areas and names of the Companies in which they hold Directorship and Membership/Chairmanship of Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange are given in the section on Corporate Governance in the Annual Report.

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 A 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 (in years)	Date of Commencement of Employment	Last Employment
1.	Shri R N Agarwal	52	Chairman MD & CEO	13,748,960	7,417,900	BE-Electrical, MBA	22	Since Incorporation (08.12.1993)	-

- 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:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b) 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;
- c) 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;
- d) 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, Reports 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 25, 2012

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, 2012.

I) CONSERVATION OF ENERGY

ENERGY CONSERVATION MEASURE TAKEN IN NEWSPRINT/KRAFT UNIT AND DUPLEX COATED PAPER BOARD UNITS DURING THE YEAR 2011-12.

A) Newsprint/Kraft manufacturing unit

1. Installation of new VFD (Variable Frequency Drives) for Pressure Screen and Primary Centri-Cleaner (PCC) pump for Electrical Power saving at Kraft/News Print Paper machine at Unit - II
2. With a view towards phase wise upgradation and for electrical power saving, another ten energy efficient motors were installed at Kraft/New Print Machine at Unit -II, at Machine dryers, Calendar & Pope Reel.

B) Duplex coated paperboard units

1. Installation of a Single New Centralised Screw Compressor for the complete Plant at Duplex Coated Board Machine at Unit - I and running of three old, inefficient, reciprocating compressors was stopped resulting in saving of electrical power.
2. Replacement of old Vacuum Pump at Duplex Coated Board Machine at Unit - I by Energy Efficient New vacuum Pump resulting in saving of electrical power.
3. New Energy Efficient Pump at Effluent Treatment Plant was installed and running of four old inefficient pumps was stopped resulting in saving of electrical power at Duplex Coated Board Machine at Unit - I.
4. Replacement of old P.V.C. (Poly Vinyl Chloride) fills of 2 cells of Cooling tower of 5.0 MW Turbine at Duplex Coated Board Machine at Unit - I by virgin Energy Efficient Honey comb design fills to improve the air flow & for better heat exchange.
5. Replacement of Fan Blades & Hub of one Cooling Tower fan of Turbine of Duplex Coated Board Machine at Unit - I and performance assessment of Cooling tower fans was carried out resulting in reduction in Power consumption by fine tuning of the fan blade angles.
6. Improvement in Paper machine condensate returned to Boiler by modification & commissioning of new condensate tank at Duplex Coated Board Paper Machine at Unit-I thus saving in heat energy.

7. Improvement in condensate return from Paper Machines at Duplex Coated Board Units III & IV by better monitoring, Installation of separate flow meters and installation of improved piston valves & air vents at Paper Machine condensate collection system.
8. Use of vented steam from Back Pressure Turbine, of Duplex Coated Board Machine at Unit III & IV, for heating of Boiler Feed water in De-aerator.
9. Installation of two improved Designed Heat Exchangers and two Energy Efficient Blowers Supplied By M/s Sonar Air Tech at Duplex Coated Board Paper Machine at Unit- IV.
10. At Duplex Board Mills at Unit-I, during monsoon season rainwater harvesting was done, resulting in reduction in raw water consumption. With various other steps taken for recycling of Maximum Back water, fresh water consumption was reduced resulting in lower consumption of Pumping Power.
11. For reduction in consumption of lighting power, transparent roof sheets were installed at a number of locations for utilization of Sun light during day time and installation of Power saving 36 watt slim tube lights in place of 40 watt tube lights in Duplex coated Board machine at Unit -I.

i) Power & fuel consumption:

a) Electricity:	Unit	Current Year	Previous Year
i) Purchased Units	Lakh/KWH	19,359,415	21,692,470
Total amount	₹ in lakhs	1,296.17	1,312.31
Rate/Unit	₹	6.70	6.05
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	57,151,765	60,381,160
Units per tonne of coal	KWH	1,280	970
Average Cost/Unit	₹/KWH	3.12	2.64
b) Coal and Lignite			
Quantity	Tonnes	133,987	137,719
Total amount	₹ in lakhs	5,407.45	4,696.32
Average Rate/Ton	₹	4,036	3,410

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

ii) Consumption per tonne of production:

Electricity	KWH	114	133
Coal	Kgs.	788	845
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	:	₹ 9,310 Lacs
Foreign Exchange Earnings	:	₹ 2,405 Lacs

For and on behalf of the Board of Directors

R N AGARWAL

Chairman Managing Director & CEO

Mumbai, May 25, 2012

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance involves a code of behavior 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 6 (Six) Directors, of whom 3 (Three) 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.

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 2011-12	Attendance at the last AGM held on August 27, 2011	No of Directorship* (As on 31.03.2012)		No. of Committee positions in Mandatory Committees (As on 31.03.2012)	
				Chairman	Member	Chairman	Member
Shri R N Agarwal	Chairman, Managing Director & CEO	4	Yes	-	-	-	-
Shri Raunak Agarwal	Whole-Time Director	4	Yes	-	-	-	-
Shri S N Chaturvedi	Non-Executive Independent	4	No	-	4	-	2
Shri P Kumar	Non-Executive Independent	4	Yes	1	-	2	-
Shri C R Radhakrishnan	Non-Executive Independent	4	Yes	-	-	-	-
Shri Mangilal Suthar \$(w.e.f 11.11.11)	Executive Independent	1	No	-	-	-	-

*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 Mangilal Suthar appointed as Additional Executive Director on Board with effect from November 11, 2011.

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.

Four Board Meetings were held during the year 2011-12 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows:

May 30, 2011, August 11, 2011, November 11, 2011 and February 10, 2012.

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 S N Chaturvedi	Shri Mangilal Suthar
Qualification	Chartered Accountant	B.Com, LLB Taxation
Expertise	Finance & Accounts	Finance & Taxation
Name of other Companies in which holds directorship	1. Jai Corp Limited 2. Balkrishna Industries Limited 3. Balkrishna Paper Mills Limited 4. Jai Reality Ventures Limited	Nil
Name of other Companies in which holds membership of the Committees of the Board	1. Jai Corp Limited 2. Balkrishna Industries Limited	N.A.
No of shares held in the Company	Nil	3,403

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 on a quarterly basis, the declaration made by the Managing Director regarding compliance with all applicable laws.

All the directors have made necessary disclosures about the committee positions, they occupy in other companies, if any. None of the Directors on the Company's Board is a Member of more than ten Committees and Chairman of more than five Committees across all Companies in which he is a director.

The Company has not entered into any materially significant transactions during the year under report 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. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct. The Managing Director and 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 49(II)(D) of the Listing Agreement.

Composition and Attendance during the year:

The Audit Committee is constituted in accordance with Clause 49(II)(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 P Kumar, Chairman	Non-Executive Independent	4
Shri S N Chaturvedi, 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 are as follows:

May 30, 2011, August 11, 2011, November 11, 2011 and February 10, 2012. 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 P. Kumar, 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 P Kumar was present at the Annual General Meeting of the Company held on August 27, 2011.

Remuneration to Directors:

The details of remuneration paid to all the Directors for the year ended March 31, 2012 are as under:

Name of Director	Salary (₹)	Benefits (₹)	Commission* (₹)	Sitting fees (₹)	Total (₹)
Shri R N Agarwal	8,000,000	9,360	12,000,000	-	20,009,360
Shri Raunak Agarwal	1,550,000	9,360	1,000,000	-	2,559,360
Shri S N Chaturvedi	-	-	-	95,000	95,000
Shri P Kumar	-	-	-	95,000	95,000
Shri C R Radhakrishnan	-	-	-	70,000	70,000
Shri Mangilal Suthar \$	374,000	3,640	-	-	377,640

*Commission relates to financial year ended March 31, 2011 which was paid during the financial year under review. Commission of ₹ 55,000 Lacs has been provided as payable to Managing Director and Whole Time Director in the accounts for the year ended March 31, 2012.

\$ Shri Mangilal Suthar appointed as Additional Executive Director for the period of 5 year on Board with effect from November 11, 2011 and either party shall be entitled to terminate this Agreement at any time by giving not less than 90 days prior notice. Remuneration paid to Shri Mangilal Suthar is for the period from November 11, 2011 to March 31, 2012.

SUBSIDIARY COMPANY:

The Company has no Subsidiary Company.

REMUNERATION-CUM-SELECTION COMMITTEE

Terms of Reference:

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.

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

Name of Director	Category	No. of Meetings attended during 2011-12
Shri P Kumar, Chairman	Non-Executive Independent	2
Shri S N Chaturvedi, Member	Non-Executive Independent	2
Shri C R Radhakrishnan, Member	Non-Executive Independent	2

The Remuneration-Cum-Selection Committee met twice during the year on May 30, 2011 and November 11, 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 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.

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 May 30, 2011 and November 11, 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 2011-12.

Based on the report received from the Company's Registrar and Share Transfer Agent, the Company had received 48 requests/complaints which were satisfactorily resolved/replied to. There were no investors' complaints pending as on March 31, 2012.

Financial Year	Day, Date & Time	Location	Special Resolution, if any
2008-09	Saturday, September 26, 2009 at 11.00 a.m.	GMS Community Centre Hall, Sitladevi 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, Sitladevi Complex, D.N. Nagar, Andheri (w), Mumbai-400053	1. Appointment of Shri. R N Agarwal as Managing Director
2010-11	Thursday, August 27, 2011 at 11.30 a.m	GMS Community Centre Hall, Sitladevi Complex, D.N. Nagar, Andheri (w), Mumbai-400053	1. Revision of Remuneration of Smt. Reena R Agarwal.

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.

Name, designation and address of Compliance Officer:

Ms. Hemali Sheth, Company Secretary & Compliance Officer
415-418, Janki Centre, 4th 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

Shareholders may also correspond with the Company on the email address: 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	No. of Meetings attended
Shri P Kumar, Chairman	Non-Executive Independent	3
Shri R N Agarwal, Member	Executive Non-Independent	3
Shri S N Chaturvedi, Member	Non-Executive Independent	3

The Executive Committee of Board met 3 times during the year. The dates on which the Executive Committees of Board were held are as follows:

July 16, 2011, September 28, 2011, and December 26, 2012. Necessary quorum was present at the above Meetings.

GENERAL BODY MEETINGS

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

- (b) Details of Extra-ordinary General Meeting:
No Extra-ordinary General meeting of the shareholders was held during the year.
- (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.

- i) The Company has set up the Remuneration-Cum-Selection Committee as per the provisions of Clause 49.
- ii) The financial statements of the Company are unqualified.
- iii) 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.

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 and 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, 2012.
- 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:

CEO/CFO CERTIFICATION

A certificate 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 25, 2012 to approve the audited annual accounts for the year ended March 31, 2012.

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) Ltd, (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

- (a) 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 and on the SEBI's Corpfilings website, www.corpfilings.co.in
- (b) 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.
- (c) 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 Corpfilings Website.
- (d) No presentations were made to the Institutional Investors or Analysts.

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

Thursday, August 23, 2012 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 : Friday, August 17, 2012 to Thursday, August 23, 2012 (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 : Sharex Dynamic (India) Private Limited
Transfer Agent Unit I Luthra Industrial Premises, 1st Floor, 44-E, M Vasanti Marg, Andheri Kurla Road, Safed Pool, Andheri (E), Mumbai - 400072

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, 2012 are as under:

Months	High		Low	
	NRAIL	BSE SENSEX	NRAIL	BSE SENSEX
April 2011	72.00	19811.14	57.75	18976.19
May 2011	65.40	19253.87	53.65	17786.13
June 2011	64.35	18873.39	54.10	17314.38
July 2011	62.60	19131.70	56.20	18131.86
August 2011	63.50	18440.07	43.05	15765.53
September 2011	50.05	17211.80	40.35	15801.01
October 2011	52.90	17908.13	40.50	15745.43
November 2011	49.00	17702.26	35.60	15478.69
December 2011	39.00	17003.71	25.80	15135.86
January 2012	40.95	17258.97	27.15	15358.02
February 2012	40.00	18523.78	32.00	17061.55
March 2012	37.85	18040.69	29.00	16920.61

Distribution of shareholding as on March 31, 2012

Sr. No.	Range	No. of shareholders	% to total holders	No. of Shares held	% of Capital
1	1 to 500	6014	88.17	891574	5.24
2	501 to 1,000	373	5.47	308001	1.81
3	1,001 to 2,000	189	2.77	291740	1.71
4	2,001 to 3,000	57	0.84	153146	0.90
5	3,001 to 4,000	26	0.38	95483	0.56
6	4,001 to 5,000	55	0.81	261671	1.54
7	5,001 to 10,000	50	0.73	347834	2.04
8	10,001 & above	57	0.84	14669651	86.20
Total		6821	100.00	17019100	100.00

Categories of Shareholders as on March 31, 2012:

Category	No. of shares held	% to total share capital
Foreign holding (FIIs, OCBs and NRIs)	146605	0.861
Financial Institutions/Banks/ Insurance Companies	2500	0.015
Mutual Funds and UTI	0	0.00
Corporate Bodies	1382172	8.121
Directors and their relatives	12460923	73.217
Public	3026900	17.786
Total	17,019,100	100.00

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.

Address for Correspondence:**N R Agarwal industries Limited**

415-418, Janki Centre, 4th 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, 1st 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

Percentage of shares held in physical and dematerialized form as on March 31, 2012:

Mode	No of Shares	% of Share Capital
Physical Form	6,62,724	3.89
Electronic form with NSDL	1,50,76,901	88.59
Electronic form with CDSL	12,79,475	7.52
Total	1,70,19,100	100

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

Company do not have any outstanding Warrants or Convertible Securities. Company has issued and allotted on September 8, 2010, 12,50,000 zero percent convertible warrants on preferential basis with a right exercisable by the Warrant holder to subscribe for equal number of Equity Shares at a premium of ₹ 36.80 within eighteen months of its allotment. Since the Warrant holders have not exercised the option to convert the aforesaid 12,50,000 warrants on or before March 7, 2012 the amount of ₹ 1,46,25,000 being initial 25% of the total consideration of ₹ 5,85,00,000 received by the Company has been forfeited.

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, 2012.

For **N R AGARWAL INDUSTRIES LIMITED**

R N AGARWAL

Chairman Managing Director & CEO

Mumbai, May 25, 2012

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 on March 31, 2012 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 & 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, 2012 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 25, 2012

Membership no.: 11255

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS

The future of Paper Industry is linked to the future of Indian Economy. Although at present we are all passing through a turbulent period, we can foresee a better and brighter prospect in 2012. The inflation is coming under control and after a gap of two years, for the first time Reserve Bank of India has loosened its tight monetary regulation. A favorable GDP growth will result in higher demand for Paper and Paper Boards. No doubt like most of the industries, Paper Industry are also facing pressure on selling price coupled with increase in Input prices of all raw materials it consumes. However with a population of 1.2 Billion with higher young population having large disposable income there is bound to be increased demand for consumer products. Packaging industry is growing at 14 % CAGR. The high growth industries, viz; Pharma, Food & FMCG will sustain growth of Packaging Boards. In last two years several new Duplex Boards manufacturing units have been set up all over the country. As a result an additional capacity of over 200,000 MT has been created and there is at present an oversupply of Duplex Boards. There is a rising customer expectation. Those Mills who can offer quality product at competitive price combined with faster delivery and better service to clients will overcome the problem of excess capacity.

The growth in newsprint volumes is likely to be met from importers as domestic production has almost been static for the past four years. The operating profitability of Indian Paper Companies will remain under pressure due to high input cost such as power, chemicals and manual labor. Though raw material costs could moderate to some extent, the depreciation of the rupee is likely to keep even raw material costs high in sub-segments dependent upon imports such as newsprint and coated paper. Higher interest expenses coupled with weaker profitability will significantly affect cash flow. Many large domestic paper companies outlined capex to enhance capacity and to increase control over raw material suppliers, while some other have highly leveraged balance sheets because of recently concluded capex plans. The weakening of profitability would lead to stretched credit metrics for domestic paper manufacturers as growth in sales volume can provide little respite from profitability fall.

The newsprint segment grew faster compared with WPP in terms of volumes during 2011, although on a lower base of 2010, most of this demand was met from imports that overlook the domestic newsprint production. The significant debt-funded capacity additions in 2011 along with the decline in operating profitability increased the financial leverage of Indian Paper manufactures.

As far as industry is concerned the drops are sharp with profits going down. But, at the same time investments are happening. The per capita consumption of paper in India as compared to the other countries presents a huge potential. And, going forward the growth rate of India would probably be the highest in the world. Now, given everything else depends upon what we do as an industry to keep ourselves growing. The ball is entirely in our court, if there is the market which is growing fast then it is for us to control cost and make good quality of paper at affordable price.

OPPORTUNITIES AND OUTLOOK

Now looking at the opportunities, India is a growing market; Industry is likely to double its capacity by the end of this decade. We are a country of 1.2 billion people so every increase of 1kg in per capita consumption would mean a demand of 1.2 million tons per year coming up. We think we have the only way to go and that is upwards.

Indian Paper Industry being fragmented presents both challenge and opportunity to service this market. Having varied needs this become the deterrent for the import to come in and at the same time it is an opportunity for us to serve and en-cash these markets by providing good quality, better sizes and serving the remote printing presses and get premium as compared to imports. Another opportunity which is coming towards us is the substitution of paper in place of plastics. For instance, the Supreme Court ruling on Gutkha packaging has opened up the big space for us. Industry need to extend this to take the lead in developing new and innovative products to replace the plastics and at the same time giving good margins.

The Depreciation of the rupee against the dollar has presented a mixed bag of opportunities for the paper industry. For the importers of raw material, the drop in international prices has helped some of the large importers. Certainly paper industry will have reasonably bright prospect in India during next 5 to 10 years. It is known that the demand of paper and paper products grow and match with GDP growth. The rapid change in the lifestyle of both rural and urban Indian, specifically in the strong middle class segment, having high disposal amount, will fuel higher growth in certain product segments. The next generation paper industry will see large new investments in the contemporary technology.

Raw material is the most important and crucial issue of the Industry. Whenever we talk of the demand growth and create matching supply end deliberations invariably end up with focus on raw material availability. Lots of stress is now being given on an organized system of collection of waste paper too. This is an

area which a concerted move from the government, particularly the civic bodies, with involvement of local civil societies supported by an initiative and drive from the Industry will get some results.

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 Newsprint/Writing/Printing/Kraft paper project at Sarigam, Gujarat. The Company has received the recommendation from expert committee of Ministry of Environment and Forests for Environment Clearance. Company is confident of commencing the production in the year 2012-13.

RISK, CONCERNS AND THREATS

The rise in input costs along with the paper industry's inability to pass the costs in backdrop of declining demand rather than the slowdown in the global markets is creating problems for the paper industry. It is maintaining the market intact after witnessing competition from imports. It is needless to say that “Import” either of raw material/spares/plant & machinery/technical know how, will play a great role in the Indian paper industry. As we all know that due to US crises our INR is getting weaker and weaker every day and we all has to digest this bitter truth that our currency has weaken by 20-25% in a short span. So we all have to be ready for the challenges and fight with the current economic scenario.

The paper industry is capital intensive and handicapped due to its outdated technology. Lack of funds is major hindrance for such a technology up-gradation. The industry requires large scale investments to match up with the global standards of quality and scale. Another major challenge in India is the cost of funds, and that is the reason we are not able to invest in technology and compete with china. Today our cost of funds is high, so how do you justify an investment where cost of capital is high and return of low. This is where our suppliers have to play a pivotal role and understand how the cost of equipment's can be brought down.

Another weakness in the paper industry today is the economies of scale. You can count the number of paper machines in India which are of a medium size of 150,000 tonnes or more. In fact in global context, whatever largest machines we have in the country is of medium size as compared to them. In India we are still bogged down by small scale equipments and the biggest problem with the small equipment is that you use the same number of manpower in 500 ton mill as you use in a million ton mill.

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 so as to ensure smoothness of operations and compliance with applicable legislation. The Company has a well-defined system of management reporting and periodic review of business to ensure timely decision-making. Internal audit is conducted by professionally qualified financial personnel, which conducts periodic audits/review to maintain a proper system of checks and control. The observations of the auditors are reviewed periodically by the audit committee and the appropriate actions are taken by the management.

The Management Information System (MIS) forms as integral part of the Company's control mechanism. All operating parameters are monitored and controlled. Any material change in business outlook is reported to Board.

PERFORMANCE HIGHLIGHTS

During the financial year ended March 31, 2012 the Company recorded production of 131426 MT of Duplex Board, 7680 MT of Newsprint and 31031 MT of Kraft Paper as against 131106 MT of Duplex Board, 28476 MT of Newsprint and 3402 MT of Kraft Paper in previous financial year. During the year under review, the Company has manufactured Kraft Paper till December, 2011 in its Unit No. II and effective January 1, 2012 the Company has started manufacturing Newsprint.

The Turnover for the financial year under review was ₹ 49,260 Lacs as against ₹ 46,690 Lacs for the previous financial year. The profit before tax has been reduced to ₹ 1,760 Lacs as compared to ₹ 3,606 Lacs of the previous year.

During the year, the Company exported Duplex Board and realized ₹ 2,405 Lacs, as compared to ₹ 1,529 Lacs, during the previous year.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Industrial Relations were cordial at all locations. In changing environment and business conditions, the support from the workforce was positive throughout.

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, 2012, the Statement of Profit and Loss 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:
- 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;
 - 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;
 - The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - Attention is invited to note no.32(g) under contingent liabilities regarding Income Tax demand of ₹ 119,756,754 which has been disputed by the Company. The Company has filed an appeal before the appropriate authorities. The ultimate outcome of the matter cannot be determined and no provision for liability that may result has been made in the financial statement. Accordingly we are unable to comment on the impact of the same.
- Attention is invited to note no.32(h) under contingent liabilities regarding the forfeiture of deposit given to one of the party against which the Company has initiated legal action. Had the said amount been provided in the accounts, the profit would have been lower by ₹ 12,000,000.
 - In our opinion, the Balance Sheet, Statement of Profit and Loss 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.
 - On the basis of written representations received from the directors as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - 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 read together with the notes thereon 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;
 - In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012.
 - In the case of the Statement of Profit and Loss, of the "Profit" for the year ended on that date; and
 - 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, May 25, 2012

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, there are no dues of Income Tax, Wealth Tax, Customs Duty and Cess except Excise Duty which have not been deposited on account of any dispute. The particulars of dues of Income Tax as at March 31, 2012 which have not been deposited on account of dispute is as follows:

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	1,705,071*	Appellate Authority up to Commissioner level	2003-04 to 2009-10
Income Tax Act, 1961	Income Tax	119,756,754	CIT Appeal	2004-05 to 2010-11

* Paid under protest

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|--|---|---|
| <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>17) In our opinion and according to the information and explanations given to us and on an overall examination</p> | <p>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 Act.</p> <p>19) According to the information and explanations given to us, during the year the Company has not issued any debentures.</p> <p>20) The Company has not raised any money through a public issue during the year.</p> <p>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 informations and 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.</p> | <p>of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.</p> |
|--|---|---|

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

G. VENKATAKRISHNAN
(Partner)
Membership No.11255

Mumbai, May 25, 2012

BALANCE SHEET AS AT MARCH 31, 2012

	Note No.	As at March 31, 2012 ₹	As at March 31, 2011 ₹
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	1	170,191,000	170,191,000
Reserves and Surplus	2	885,241,154	753,402,236
Money received against Share Warrants	3	-	14,625,000
		1,055,432,154	938,218,236
Non-Current Liabilities			
Long-Term Borrowings	4	1,470,494,999	1,318,593,406
Deferred Tax Liabilities (Net)	5	160,698,564	161,368,674
		1,631,193,563	1,479,962,080
Current Liabilities			
Short-Term Borrowings	6	518,286,297	381,758,417
Trade Payables	7	804,632,208	687,947,390
Other Current Liabilities	8	330,151,501	347,133,327
Short-Term Provisions	9	42,608,921	51,084,185
		1,695,678,927	1,467,923,318
	TOTAL	4,382,304,643	3,886,103,636
ASSETS			
Non-Current Assets			
Fixed Assets			
Tangible Assets	10	1,167,923,163	1,140,026,778
Intangible Assets	10	2,075,484	47,506
Capital Work-in-Progress	10	1,984,223,901	1,332,492,547
		3,154,222,549	2,472,566,831
Non-Current Investments	11	1,869,360	1,872,860
Long-Term Loans and Advances	12	141,297,920	372,475,582
		3,297,389,829	2,846,915,273
Current Assets			
Inventories	13	328,093,123	312,584,329
Trade Receivables	14	553,546,841	464,230,351
Cash and Cash Equivalents	15	77,581,472	115,602,813
Short-Term Loans and Advances	16	125,693,378	146,770,870
		1,084,914,815	1,039,188,363
	TOTAL	4,382,304,643	3,886,103,636
Significant Accounting Policies			
The accompanying notes are an integral part of the Financial Statements			
	1 to 37		

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 25, 2012

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

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2012

	Note No.	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
Income			
Revenue from Operations (Gross)		5,165,904,958	4,832,850,464
Less: Excise Duty		239,934,329	163,842,327
Revenue from Operations (Net)	17	4,925,970,630	4,669,008,137
Other Income	18	43,446,795	30,953,812
Total Revenue		4,969,417,425	4,699,961,949
Expenses			
Cost of Materials Consumed	19	3,118,585,088	2,813,470,880
Purchases of Stock-in-Trade		-	-
Changes in Inventories of Finished Goods and Work-in-Progress	20	(14,916,615)	(11,686,790)
Employee Benefits Expense	21	190,554,390	167,080,092
Finance Costs	22	102,773,800	76,603,651
Depreciation	23	90,334,575	84,816,724
Other Expenses	24	1,306,136,242	1,209,110,916
Total Expenses		4,793,467,479	4,339,395,474
Profit Before Tax and before prior year adjustments		175,949,945	360,566,474
Prior year adjustments +/-		-	1,475,824
Profit Before Tax and after prior year adjustments		175,949,945	362,042,298
Tax Expenses			
Current Tax		35,670,111	86,016,100
Deferred Tax		(670,111)	(2,937,389)
Profit for the year		140,949,945	278,963,587
Earnings Per Equity Share of face value of ₹ 10 each			
Basic		8.28	16.39
Diluted		8.28	16.22
Significant Accounting Policies			
The accompanying notes are an integral part of the Financial Statements.		1 to 37	

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 25, 2012

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, 2012

	Year ended March 31, 2012		Year ended March 31, 2011	
	₹	₹	₹	₹
A CASH FLOW FROM OPERATING ACTIVITIES				
Profit Before Tax		175,949,945		360,566,474
Adjustments for:				
Depreciation	90,334,575		84,816,724	
Finance Cost	102,773,800		73,243,269	
Loss/(Profit) on Sale of Assets/Investment	486,940		(1,636,811)	
Dividend Received	(130,650)		(136,804)	
Interest Received	(23,879,010)		(16,030,885)	
Bad Debts Written off	251,257	169,836,912	1,078,374	141,333,867
		345,786,857		501,900,341
Operating Profit Before Working Capital Changes				
Adjustments for:				
Trade and Other Receivables	(89,567,747)		(55,094,467)	
Inventories	(15,508,794)		(50,113,372)	
Current Liabilities	189,757,451		141,914,778	
Loans and Advances (Long Term and Short Term)	252,255,155	336,936,065	(24,773,902)	11,933,038
Cash Generated from Operations		682,722,922		513,833,379
Direct Taxes Paid	(25,000,000)	(25,000,000)	(85,000,000)	(85,000,000)
Cash Flow Before Extra Ordinary Items		657,722,922		428,833,379
Previous year adjustments	0	0	1,475,824	1,475,824
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>657,722,922</u>		<u>430,309,203</u>
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(773,309,573)		(1,226,061,412)	
Sale of Fixed Assets	835,840		2,608,116	
Purchase of Investments	0		(25,000)	
Dividend Received	130,650		136,804	
Interest Received	23,879,010	(748,464,073)	16,030,885	(1,207,310,607)
NET CASH USED IN INVESTING ACTIVITIES		<u>(748,464,073)</u>		<u>(1,207,310,607)</u>

CASH FLOW STATEMENT (CONT.) FOR THE YEAR ENDED MARCH 31, 2012

	Year ended March 31, 2012		Year ended March 31, 2011	
	₹	₹	₹	₹
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of Share Capital	0		14,625,000	
Finance Cost	(99,464,909)		(61,474,993)	
Proceeds from Long Term Borrowings	222,242,973		1,064,164,650	
Repayment of Long Term Borrowings	(116,217,966)		(202,587,720)	
Unsecured Loans	69,895,740		23,725,340	
Equity Share Dividend including Tax thereon	(23,736,028)	52,719,810	(35,722,368)	802,729,909
NET CASH USED IN FINANCING ACTIVITIES		52,719,810		802,729,909
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(38,021,341)		25,728,505
CASH AND CASH EQUIVALENTS - OPENING BALANCE		115,602,813		89,874,308
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		77,581,472		115,602,813
		(38,021,341)		25,728,505

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 25, 2012

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

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 Statement of Profit and Loss 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 Statement of Profit and Loss. 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 Statement of Profit and Loss 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.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
NOTE 1 SHARE CAPITAL		
Share Capital		
Authorised		
225,00,000 Equity Shares ₹ 10 each	225,00,000	225,00,000
25,00,000 Preference Shares of ₹ 10 each	25,00,000	25,00,000
	<u>250,00,000</u>	<u>250,00,000</u>
Issued, Subscribed and Paid Up		
1,70,19,100 Equity Shares of ₹ 10 each fully paid up	170,191,000	170,191,000
Reconciliation of the shares outstanding at the beginning and at the end of the reporting period		
Equity Shares at the beginning of the year	17,019,100	17,019,100
Add: Shares issued	-	-
Less: Shares bought back	-	-
TOTAL	<u>17,019,100</u>	<u>17,019,100</u>
Terms/rights attached to equity shares		
The Company has only one class of equity shares having a par value of ₹ 10 per share. Each equity shareholder is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.		
During the year ended March 31, 2012, the amount of dividend, per share, recognized as distributions to equity shareholders is ₹ 1.20 (year ended March 31, 2011, ₹ 1.80)		

Details of shareholders holding more than 5% shares in the Company Equity shares of ₹ 10 each fully paid

Name	March 31, 2012		March 31, 2011	
	Nos	% holding	Nos	% holding
Shri. R N Agarwal	7922030	46.548	7922030	46.548
Smt. Reena R. Agarwal	4538861	26.669	4538861	26.669

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
NOTE 2 RESERVES AND SURPLUS		
Share Warrants Forfeiture Account		
As per last Balance Sheet	-	-
Add: Transferred from Money Received against Share Warrants	14,625,000	-
	14,625,000	-
Capital Redemption Reserve		
As per last Balance Sheet	8,500,000	8,500,000
Add: Transferred from Statements of Profit and Loss	-	-
	8,500,000	8,500,000
General Reserve		
As per last Balance Sheet	67,352,943	51,552,943
Add: Transferred from surplus in Statement of Profit and Loss	4,400,000	15,800,000
	71,752,943	67,352,943
Surplus in Statement of Profit and Loss		
Balance as per last Balance Sheet	677,549,293	450,108,073
Add: Profit for the year	140,949,945	278,963,587
	818,499,239	729,071,660
Less: Appropriations		
Proposed Dividend (₹ 1.20 per share, previous year ₹ 1.80 per share)	20,422,920	30,634,380
Corporate Tax on Dividend	3,313,108	5,087,988
Transferred to General Reserve	4,400,000	15,800,000
Total Appropriations	790,363,211	677,549,293
TOTAL	885,241,154	753,402,236
NOTE 3 MONEY RECEIVED AGAINST SHARE WARRANTS		
As per last Balance Sheet	14,625,000	-
Add: Addition during the year	-	14,625,000
Less: Amount Forfeited and Transferred to Share Warrants Forfeiture Account	14,625,000	-
(1,250,000 Share Warrants Allotted in the year 2010-11 have been forfeited upon non exercise of option of conversion by the allottees)		
TOTAL	-	14,625,000

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Borrowings		
Non Current Liabilities		
NOTE 4 LONG-TERM BORROWINGS		
Secured		
Term and Corporate Loans from Banks	1,153,032,672	1,111,232,622
Buyers Credit from Banks	182,563,093	138,307,290
	1,335,595,765	1,249,539,912
Unsecured		
Deposits from Others	8,142,808	12,492,808
Deposits from Directors	126,756,426	56,560,686
	134,899,234	69,053,494
TOTAL	1,470,494,999	1,318,593,406

Notes:

Corporate Loan from IDBI Bank is secured by hypothecation of plant and machinery and extension of existing security on immovable properties situated at Vapi and at Sarigam on pari passu basis with other term lenders.

The Corporate Loan of Saraswat Co-operative Bank Ltd. is secured by a first pari passu charge on the plant and machinery situated at Unit I at Vapi and further secured by extension of existing security on immovable properties at Unit I, Vapi. It is also further secured by exclusive charge by way of equitable mortgage of Directors residential bungalow at Lokhandwala, Andheri (W), Mumbai 400053 and also an exclusive charge by way of legal mortgage on non agricultural land admeasuring 37.61 acres at Sarigam, Gujarat. The loan is further secured by personal guarantee of Shri R N Agarwal.

The Term loan from Kotak Mahindra Bank Ltd., is secured by exclusive charge on Unit 415-418, situated at Janki Centre, 4th Floor, 29 Shah Industrial Estate, Off. Veera Desai Road, Andheri (W), Mumbai 400053. The loan is further secured by personal guarantee of Shri R N Agarwal

The Project Loan from Bank of Baroda is secured by first pari passu charge by hypothecation of plant and machinery situated at Vapi and at Sarigam and first pari passu charge on immovable properties (Unit I, II, III, IV and V) situated at Vapi and Sarigam, together with buildings and other structures thereon excluding vacant land of 37.61 acres at Sarigam and second pari passu charge on current assets of the Company and further secured by the personal guarantee of Shri R N Agarwal.

The New office Loan of Bank of India is exclusively secured by equitable mortgage on the said property and further secured by the personal guarantee of Shri R N Agarwal.

NOTE 5 DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liability		
Difference between book and tax written down values of fixed assets	161,873,897	162,370,218
Gross Deferred Tax Liability	161,873,897	162,370,218
Deferred Tax Asset		
Disallowances under the Income Tax Act, 1961	1,175,333	1,001,545
Gross Deferred Tax Asset	1,175,333	1,001,545
Net Deferred Tax Liability	TOTAL	160,698,564
		161,368,674

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
NOTE 6 SHORT-TERM LIABILITIES		
Secured		
Cash Credit from Bank	518,286,297	381,758,417
TOTAL	518,286,297	381,758,417
<p>The Cash credit from Banks are secured by hypothecation of present and future stock of raw materials, steam coal, goods in process, finished goods and books debts etc. ranking pari passu inter-se and second charge on Company's movable and immovable fixed assets and further secured by personal guarantee of Shri R N Agarwal.</p>		
NOTE 7 TRADE PAYABLES		
Trade Payables	804,632,208	687,947,390
TOTAL	804,632,208	687,947,390
<p>Out of the said amount, ₹ 4,228,228 (March 31, 2011: ₹ 1,775,517) pertains to micro, small and medium enterprises as defined under Micro, Small, and Medium Enterprises Development Act, 2006 based on the information available with the Company. There is no interest payable to such parties as at March 31, 2012 (March 31, 2011: ₹ Nil).</p>		
NOTE 8 OTHER CURRENT LIABILITIES		
Current Maturities of Long Term Debts	132,531,824	112,562,668
Current Liabilities of Deposits from others	4,500,000	450,000
Interest Accrued but not due on Borrowings	15,077,167	11,768,276
Unclaimed Dividend	2,374,001	2,122,801
Other Payables for Expenses (including New Project Unit 5 Liabilities ₹ 3,796,485)	103,557,456	88,222,344
Creditors for Capital Expenditure	72,111,054	132,007,238
TOTAL	330,151,501	347,133,327
NOTE 9 SHORT TERM PROVISIONS		
Provisions for Gratuity/Leave Encashment	7,137,199	11,377,696
Proposed Dividend	20,422,920	30,634,380
Tax on Dividend	3,313,108	5,087,988
Provision for Wealth Tax	405,030	331,030
Provision for Income Tax (Net of Advance Tax)	9,781,049	2,103,476
Provision for Fringe Benefit Tax	1,549,615	1,549,615
TOTAL	42,608,921	51,084,185

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**NOTE 10 FIXED ASSETS**

Description	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 01.04.2011	Additions/ Adjustments	Deductions/ Adjustments	As at 31.03.2012	As at 01.04.2011	For the year	Deductions/ Adjustments	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
A. TANGIBLE ASSETS										
Land	42,728,426	-	-	42,728,426	-	-	-	-	42,728,426	42,728,426
Leasehold Land	47,488,963	-	-	47,488,963	820,727	-	-	820,727	46,668,236	46,668,236
Factory Building	207,710,881	16,080,872	-	223,791,753	62,436,491	6,939,011	-	69,375,502	154,416,251	145,274,390
Plant & Machinery	1,442,967,373	100,502,330	87,218	1,543,382,485	581,117,381	77,952,955	-	659,070,335	884,312,151	861,849,994
Furniture & Fixtures	19,023,622	78,900	106,510	18,996,012	9,952,262	908,166	11,706	10,848,722	8,147,290	9,071,360
Vehicles	26,680,408	2,328,141	-	29,008,549	7,889,490	2,613,289	-	10,502,779	18,505,770	18,790,918
Other - building	16,597,935	-	1,472,520	15,125,415	3,805,268	258,217	335,261	3,728,224	11,397,191	12,792,667
Computers	12,330,740	342,226	-	12,672,966	9,479,953	1,445,165	-	10,925,118	1,747,848	2,850,787
Total (A)	1,815,528,349	119,332,468	1,666,248	1,933,194,570	675,501,573	90,116,803	346,968	765,271,406	1,167,923,163	1,140,026,778
B. INTANGIBLE ASSETS										
Software - SAP	5,678,210	-	-	5,678,211	5,678,187	-	-	5,678,186	23	23
Others	95,000	2,245,750	-	2,340,750	47,518	217,772	-	265,290	2,075,461	47,483
Total (B)	5,773,210	2,245,750	-	8,018,961	5,725,705	217,772	-	5,943,476	2,075,484	47,506
TOTAL - A + B	1,821,301,559	121,578,218	1,666,248	1,941,213,531	681,227,278	90,334,575	346,968	771,214,882	1,169,998,648	1,140,074,284
Previous Year	1,723,635,743	99,269,234	1,603,419	1,821,301,559	597,042,670	84,816,724	632,114	681,227,278		
Capital work in Progress									1,984,223,901	1,332,492,547

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
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NOTE 10.1 CAPITAL WORK IN PROGRESS

Land	3,682,202	3,682,202
Building and Office	493,452,130	350,549,486
Plant & Machinery	1,116,269,972	826,509,333
Pre operative expenses	370,819,597	151,751,526
TOTAL	1,984,223,901	1,332,492,547

NOTE 10.2

Capital Work in Progress includes ₹ 1,729,032,658 pertaining to Sarigam Project (Unit V). The commencement of Unit –V has been delayed due to pending approval of the Ministry of Environment and Forest which resulted in the rescheduling of the Term Loan exposure by Bank of Baroda

Capital Work in Progress includes ₹ 110,204,851 under construction of new office premises at Fortune Terraces. According to the sale agreement dated January 20, 2010 the possession of the said premises were agreed to be given on March 31, 2011. However, due to delay in obtaining of the Occupation Certificate by the developer possession of the said premises further delayed. As per the Sale Agreement, Company has to pay 18 months outgoing charges of ₹ 1,730,600 alongwith other charges on taking the possession for which Company has not made provision in the accounts.

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	As at March 31, 2012 ₹	As at March 31, 2011 ₹
NOTE 11 NON CURRENT INVESTMENTS		
In Equity Shares - Un-quoted, fully paid up		
Shares of Sagar Sarita Co-operative Housing Society Ltd.	-	3,500
Shares of Laxmi Co. operative Society Ltd.	2,750	2,750
Shares of Mahalaxmi Co-operative Housing Society Ltd.	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 Kherana Paper Mills Pvt. Ltd. (95 Equity Shares of ₹ 100 each fully paid up)	9,500	9,500
Shares of Bombay Mercantile Co-operative Bank Ltd. (33912 Equity Shares of ₹ 30 each fully paid up)	1,017,360	1,017,360
Shares of Mogaveera Co-op. Bank Ltd. (10 Equity Shares of ₹ 100 each fully paid up)	1,000	1,000
Shares - Saraswat Co-operative Bank Ltd. (2500 Equity Shares of @ ₹ 10 each fully paid up)	25,000	25,000
In Equity Shares - Quoted, fully paid up		
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:		
Quoted Investment : ₹ 609,000 (Previous year ₹ 609,000)		
Unquoted Investment : ₹ 1,260,360 (Previous year ₹ 1,263,860)		
Aggregate market value of quoted investment ₹ 5,508,294 (Previous Year ₹ 6,830,720)		
TOTAL	1,869,360	1,872,860
NOTE 12 LONG TERM LOAN AND ADVANCES		
(Unsecured and Considered Good)		
Capital Advances	96,098,961	329,048,473
Deposits	45,198,959	43,427,109
TOTAL	141,297,920	372,475,582

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
NOTE 13 INVENTORIES		
Raw Materials	108,069,612	128,697,321
Raw Materials in Transit	13,921,921	-
Stock in Process	15,072,580	8,260,055
Packing Materials	7,628,152	6,706,305
Finished Goods	64,158,004	56,053,914
Stores, Chemicals and Packing Materials	119,242,854	112,866,734
TOTAL	328,093,123	312,584,329
NOTE 14 TRADE RECEIVABLES		
(Unsecured and Considered Good)		
Over six months	7,042,310	2,136,327
Others	546,504,531	462,094,024
TOTAL	553,546,841	464,230,351
NOTE 15 CASH AND BANK BALANCES		
Balance with Banks	18,442,336	54,566,728
Cash on hand	1,240,063	153,328
Fixed Deposits with Banks	57,899,073	60,882,757
TOTAL	77,581,472	115,602,813
NOTE 16 SHORT TERM LOANS AND ADVANCES		
(Unsecured and Considered good)		
Balance with Customs, Central Excise Authorities	379,720	379,720
Deposits	4,681,269	396,047
Others	120,632,389	145,995,103
TOTAL	125,693,378	146,770,870

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
NOTE 17 REVENUE FROM OPERATIONS		
Sale of Products	5,193,859,658	4,835,447,449
Less: Inter unit Sales	27,954,699	2,596,985
	5,165,904,958	4,832,850,464
Less; Excise Duty	239,934,329	163,842,327
	4,925,970,630	4,669,008,137
Add: Sale Traded goods	-	-
TOTAL	4,925,970,630	4,669,008,137
Excise duty deducted from turnover represents excise duty collected on sale of goods.		
PARTICULARS OF SALE OF PRODUCTS		
Duplex Board	4,224,240,608	4,037,676,836
Kraft Paper	739,685,969	739,090,584
News Print, Writing and Printing	201,978,382	56,083,044
TOTAL	5,165,904,958	4,832,850,464
NOTE 18 OTHER INCOME		
Interest on Fixed Deposit and Margin Money	4,330,380	3,779,494
Interest Others	19,548,630	16,030,885
Dividend Income	130,650	136,804
Net Gain/Loss on Foreign Currency Translation and Transaction	11,298,224	173,939
Other Income	8,138,911	10,832,690
TOTAL	43,446,795	30,953,812
NOTE 19 COST OF MATERIALS CONSUMED		
Waste Papers	2,526,105,886	2,268,571,020
Chemicals	592,479,202	544,899,860
Add: Purchase of Raw Materials	26,324,097	-
Less: Sale of Raw Materials	(26,324,097)	-
TOTAL	3,118,585,088	2,813,470,880
NOTE 20 CHANGES IN INVENTORIES OF FINISHED GOODS		
STOCK IN PROCESS AND STOCK IN TRADE		
Inventories (at Close)		
Finished Goods/Stock in Trade	64,158,004	56,053,914
Stock in Process	15,072,580	8,260,055
	79,230,584	64,313,969
Inventories (at Commencement)		
Finished Goods/Stock in Trade	56,053,914	44,948,815
Stock in Process	8,260,055	7,678,364
	64,313,969	52,627,179
TOTAL	(14,916,615)	(11,686,790)

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
NOTE 21 EMPLOYEE BENEFITS EXPENSE		
Salaries and Wages	170,936,269	148,801,293
Contribution to Provident and Other Funds	11,644,666	10,361,881
Staff Welfare Expenses	7,973,455	7,916,919
TOTAL	190,554,390	167,080,092
As per Accounting Standard 15 (Employee benefits), the disclosure as defined in the accounting standing standards are as below;		
Components of Employer Expenses		
	Gratuity Benefits	
Current Service Cost	2,535,408	2,184,043
Interest Cost	1,303,730	1,121,575
Expected Return on Plan Assets	(874,601)	(835,558)
Actuarial Losses/(Gains)	1,852,633	(1,009,085)
Total Expenses/(Income) Recognized in the Statement of Profit and Loss	1,111,904	3,479,145
Actual Contribution and Benefits paid during the year		
Actual Benefits Paid	1,269,215	770,347
Actual Contribution	7,777,337	3,549,738
Net Asset/(Liability) Recognized in Balance Sheet as at March 31, 2012		
Present Value of Defined Benefit Obligation	(16,890,760)	(15,802,788)
Fair Value of Plan Assets	18,685,922	10,932,477
Net Asset/(Liability) Recognised in Balance Sheet	1,795,162	(4,870,311)
Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2012		
Present Value of DBO at beginning of year	15,802,788	12,220,812
Current Service Cost	2,535,408	2,184,043
Interest Cost	1,303,730	1,121,575
Actuarial (Gain)/Losses	(1,481,951)	1,046,705
Benefits Paid	(1,269,215)	(770,347)
Present Value of DBO at the end of year	16,890,760	15,802,788
Change in Fair Value of assets during the year ended March 31, 2012		
Plan Assets at beginning of year	10,932,477	7,279,908
Expected Return on Plan Assets	874,601	835,558
Actual Company Contributions	7,777,337	3,549,438
Benefits Paid	(1,269,215)	(770,347)
Plan Assets at the end of year	18,685,922	10,932,477
Actuarial Assumptions		
Discount Rate	8.70%	8.25%
Expected Return on Plan Assets	9.00%	8.00%
Salary Escalation	7.25%	7.25%

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
Components of Employer Expenses		
Current Service Cost	2,141,020	756,003
Interest Cost	536,859	393,411
Expected Return on Plan Assets	NA	NA
Actuarial Losses/(Gains)	1,090,761	1,428,811
Total Expenses/(Income) recognized in the Statement of Profit and Loss	3,768,640	2,578,225
Actual Contribution and Benefits paid during the year		
Actual Benefits Paid	1,343,664	464,944
Actual Contribution	NA	NA
Net Asset/(Liability) Recognized in Balance Sheet as at March 31, 2012		
Present Value of Defined Benefit Obligation	(8,932,361)	(6,507,385)
Fair Value of Plan Assets	NIL	Nil
Net Asset/(Liability) Recognized in Balance Sheet	(8,932,361)	(6,507,385)
Change in Defined Benefit Obligations (DBO) during the year ended March 31, 2012		
Present Value of DBO at beginning of year	(6,507,385)	4,394,104
Current Service Cost	2,141,020	756,003
Interest Cost	536,859	393,411
Actuarial (Gain)/Losses	1,090,761	1,428,811
Benefits Paid	(1,343,664)	(464,945)
Present Value of DBO at the end of year	8,932,361	6,507,385
Change in Fair Value of assets during the year ended March 31, 2012		
Plan Assets at beginning of year	NA	NA
Expected Return on Plan Assets	NA	NA
Actual Company Contributions	NA	NA
Benefits Paid	NA	NA
Plan Assets at the end of year	NA	NA
Actuarial Assumptions		
Discount Rate	8.70%	8%
Expected Return on Plan Assets	NA	NA
Salary Escalation	7.25%	7.25%
The planned asset is represented by investment made under the Group Gratuity Scheme operated by Life Insurance Corporation of India		
NOTE 22 FINANCE COST		
Interest Expenses	99,079,707	73,243,269
Other Borrowing Cost	3,694,093	3,360,382
TOTAL	102,773,800	76,603,651
NOTE 23 DEPRECIATION		
Depreciation	90,334,575	84,816,724
TOTAL	90,334,575	84,816,724

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
NOTE 24 OTHER EXPENSES		
Manufacturing expenses		
Consumption of Stores, Spares and Tools	99,916,472	119,020,104
Excise Duty Paid	833,614	3,153,260
Power, Fuel and Water	744,014,962	687,258,498
Material Handling Charges	23,746,283	20,121,143
Repairs to Building	3,716,312	5,392,675
Repairs to Machinery	22,865,276	35,869,838
	895,092,919	870,815,518
Selling and Distribution Expenses		
Selling and Distribution Expenses	358,724,131	269,182,810
Less: Inter Unit Sales	(27,954,699)	(2,596,985)
	330,769,432	266,585,825
Establishment Expenses		
General Expenses	50,346,957	48,739,107
Rent	13,775,267	9,471,489
Insurance	3,348,472	2,553,683
Rates & Taxes	3,201,336	1,414,555
Other Repairs	6,243,443	6,069,316
Payment to Auditors	900,000	950,000
Loss on Sale/Discard of Assets	486,940	224,715
Other Expenditures	1,552,372	1,734,362
Charity and Donations	419,105	552,346
	80,273,891	71,709,573
TOTAL	1,306,136,242	1,209,110,916
Excise duty shown above represents the aggregate of excise duty borne by the Company and difference between excise duty on opening and closing stock.		
NOTE 25 EARNING PER SHARE (EPS)		
The Computation of EPS is set out below:		
Net Profit after Tax (as per Statement of Profit and Loss)	140,949,945	278,963,587
Weighted Average number of Equity Shares used	17,019,100	17,019,100
Basic Earnings per Share	8.28	16.39
Diluted Earnings per Share	8.28	16.22
Face Value per Equity Share (₹)	10	10

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	March 31, 2012		March 31, 2011	
	₹	% of total consumption	₹	% of total consumption
NOTE 26 DETAILS OF IMPORTED AND INDIGENEOUS RAW MATERIALS, STORES AND SPARES CONSUMED:				
Raw Materials				
Imported	940,437,688	30%	720,644,194	26%
Idigeneous	2,178,147,400	70%	2,092,826,686	74%
	<u>3,118,585,088</u>	<u>100%</u>	<u>2,813,470,880</u>	<u>100%</u>
Stores and Spares Consumed				
Imported	10,968,216	11%	13,795,298	12%
Idigeneous	88,948,256	89%	105,224,806	88%
	<u>99,916,472</u>	<u>100%</u>	<u>119,020,104</u>	<u>100%</u>

	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
NOTE 27 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. Total amount remittable in this respect is given below:		
Year to which the dividend relates	2010-11	2009-10
Number of Non Resident Shareholders	39	24
Number of Shares held by them	123,184	41,389
Amount of Dividend (₹)	221,731	74,500
NOTE 28 CIF VALUE OF IMPORTS		
Raw Materials	788,676,554	578,726,779
Stores, Components and Parts	18,516,057	8,825,576
Capital Goods	123,762,149	130,698,419
	TOTAL	TOTAL
	<u>930,954,760</u>	<u>718,250,774</u>
NOTE 29 EARNINGS IN FOREIGN EXCHANGE		
FOB Value of Goods Exported	240,546,170	152,922,432
NOTE 30 PAYMENTS TO AUDITORS		
(a) Auditors		
Statutory Audit Fees	650,000	600,000
Tax Audit Fees	100,000	100,000
(b) Certification	150,000	250,000
Service Tax	109,592	87,550
	TOTAL	TOTAL
	<u>1,009,592</u>	<u>1,037,550</u>

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012

	Year ended March 31, 2012 ₹	Year ended March 31, 2011 ₹
NOTE 31 DISCLOSURE IN RESPECT OF RELATED PARTIES PURSUANT TO ACCOUNTING STANDARD AS-18		
Key Management Personnel & Relatives		
1 Shri R N Agarwal		
2 Shri Raunak Agarwal		
3 Shri Mangilal Suthar		
Name of the Related Party		
1 Smt Reena R Agarwal		
2 Smt Padma Chhabra		
a) During the year the following transactions were carried out with the related parties in the ordinary course of business		
i Purchase of Fixed Assets		
Associates	-	-
ii Unsecured Advances Given		
Associates	-	-
iii Unsecured Deposits Received from		
Key Management Personnel	70,727,000	43,683,000
iv Unsecured Deposits Received from		
Relatives	-	500,000
v Remuneration Paid		
Key Management Personnel	16,225,560	20,790,000
vi Sitting Fees Paid		
Key Management Personnel	-	-
vii Car Lease Rent	3,431,392	2,521,392
viii Unsecured Deposits Outstanding Credit Balance		
Key Management Personnel & Relatives Deposits	128,506,426	58,060,686
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:		
1. Loans to Employees as per Company's policy are not considered		
2. Related party relationship is as identified by the Company and relied upon by the auditors.		

NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2012**NOTE 32 CONTINGENT LIABILITIES AND PROVISIONS**

- (a) Guarantees and counter guarantees given by the Company on behalf of the Group Companies ₹ NIL (Previous Year ₹ NIL)
- (b) Excise duty demands and penalties ₹ 1,705,071 (Previous Year ₹ 1,705,071)
- (c) Claims against the Company not acknowledged as debts - ₹ 538,758 (Previous year ₹ 359,512)
- (d) Letter of Credit outstanding ₹ 139,665,667 (Previous Year ₹ 182,487,068)
- (e) Custom penalties on imports - ₹ NIL (Previous year ₹ NIL)
- (f) The Company has imported capital goods under "Export Promotion Capital Goods" scheme for which the Company has an given export obligation of ₹ 698,177,456 (Previous Year ₹ 864,583,512)
- (g) Income tax matters disputed in appeal amount ₹ 119,756,754 (previous year ₹ NIL)

The Company has received demand from Income Tax Department for ₹ 189,448,031 reduced subsequently by rectification order to ₹ 119,756,754 in respect of Assessment Years 2004-05 to 2010-11 mainly on account of 80-IA(4)(iv) of Income Tax Act, 1961. The Company has disputed the above demands and the matter is pending at appellate stage with appropriate authorities. The Management is of the opinion that the Company is entitled to deduction under section 80-IA(4)(iv) of the Income Tax Act, 1961 and hence, no provision for the aforesaid demand/notices has been made in the books of accounts.

In the meantime, the Income Tax Department has frozen some of the Bank Accounts of the Company. The Company has filed a Writ Petition in the Hon'ble High Court of Gujarat for releasing the Bank Accounts of the Company. While disposing the Writ Petition the Hon'ble Court has directed the Company to pay ₹ 3.00 Cr and furnish security for the balance amount of ₹ 9.00 Cr to release the Bank Accounts, which is pending to be fulfilled. The Hon'ble High Court has also directed the Commissioner of Income Tax (Appeals) to dispose of the appeal as expeditiously as possible but not beyond two months from April 2, 2012.

NOTE 33

Estimated amount of Contract remaining to be executed on capital account and not provided for (net of advances) ₹ 395,907,291 (Previous year ₹ 479,477,224).

NOTE 34

The Company had entered into an MOU dated February 3, 2011 with Damanganga Recycling Resources LLP (DRR) for availing the services of conversion of waste to energy. In terms of the MOU, the Company has paid ₹ 12,000,000 as interest free deposit adjustable against the tipping bills. However, the said project has not materialized and the amount of ₹ 12,000,000 paid by the Company as Deposit has been forfeited by DRR. Consequently the Company has initiated legal proceedings.

NOTE 35

Sundry Debtors, Sundry Creditors, Unsecured Loans and Loans and Advance Balances are subject to confirmation and reconciliation.

NOTE 36 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 appealable to the Company.

NOTE 37

Bank of Baroda has issued a counter guarantee (DPG) to Deutsche Bank AG, amounting to ₹ 32,304,759 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 (Previous Year ₹ 28,062,326).

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 25, 2012

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)

I Registration Details			
Registration No.	:	11-133365	State Code : 11
Balance Sheet Date	:	March 31, 2012	
II Capital Raised during the year			
Public Issue	:	Nil	Rights Issue : Nil
Bonus Issue	:	Nil	Private Placement : Nil (Equity Shares)
III Position of Mobilisation and Deployment of funds (Amount in ₹)			
Total Liabilities	:	4382304643	Total Assets : 4382304643
Sources of Funds		Application of Funds	
Paid-up capital	:	170191000	Net Fixed Assets : 3154222549
Reserves and Surplus	:	885241154	Investment : 1869360
Secured loans	:	1853882062	Net Current Assets : 48820104
Unsecured Loans	:	134899234	Misc. Expenditure : 0
Deferred Tax Liabilities	:	160698564	Accumulated Losses : 0
IV Performance of Company			
Turnover	:	4925970630	Total Expenditure : 4793467479
Profit Before Tax	:	175949945	Profit after Tax : 140949945
Earnings per share in ₹	:	8.28	Dividend Rate % : 12%
V Generic Names of Three Principle Products/ Services of Company (as per monetary terms)			
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 25, 2012

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

N R AGARWAL INDUSTRIES LIMITED

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

FORM OF PROXY

I/We _____
of _____
being members) of the above named Company, hereby appoint _____
of _____ or failing him _____ of _____
_____ as my/our proxy to vote for me/us on my/our behalf at the
NINETEENTH ANNUAL GENERAL MEETING of the Company to be held at GMS Community Centre Hall, Sitladevi Complex, 1st Floor,
D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai - 400 053, at 11.30 a.m. on Thursday, August 23, 2012.

Signed this _____ day of _____, 2012.

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

ATTENDANCE SLIP

DP Id*	
Client Id*	
Reg.Folio No.	

Name & Address of the Registered Shareholder
--

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

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

Shri Mangilal Suthar (Additional Executive Director)
(w.e.f. November 11, 2011)

Chief Financial Officer

Shri Gopal Uchil

Company Secretary & Compliance Officer

Ms Hemali Sheth

Auditors

Chaturvedi & Partners

Chartered Accountants, Mumbai

Bankers

Bank of Baroda

Bank of India

Standard Chartered Bank

IDBI Bank Limited

The Saraswat Co-operative Bank Limited

Registered Office

415-418, Janki Centre, 4th Floor,

29, Shah Industrial Estate,

Off Veera Desai Road,

Andheri (West), Mumbai - 400 053

Registrar & Share Transfer Agents

Sharex Dynamic (India) Private Limited

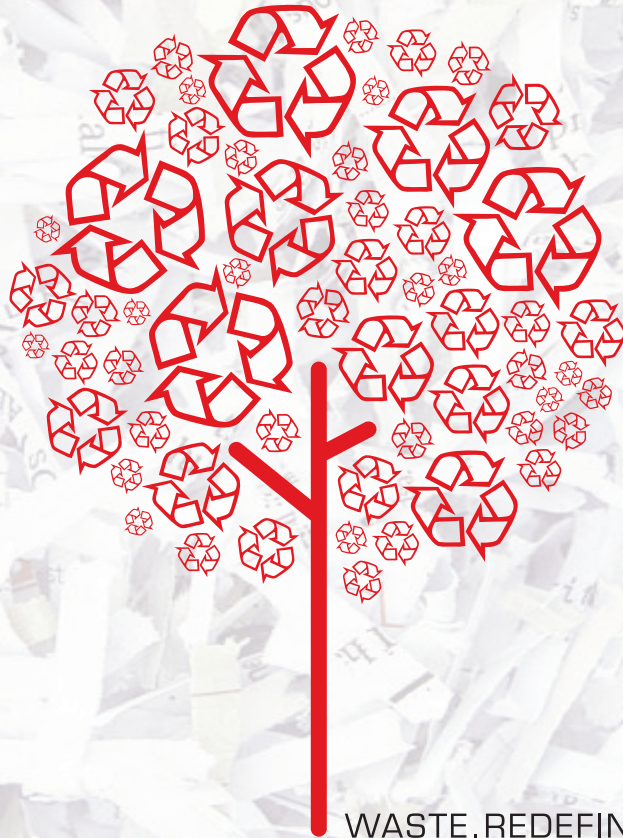
Unit No.1, Luthra Industrial Premises,

Safed Pool, Andheri Kurla Road,

Andheri (East), Mumbai - 400 072



BOOK-POST



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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