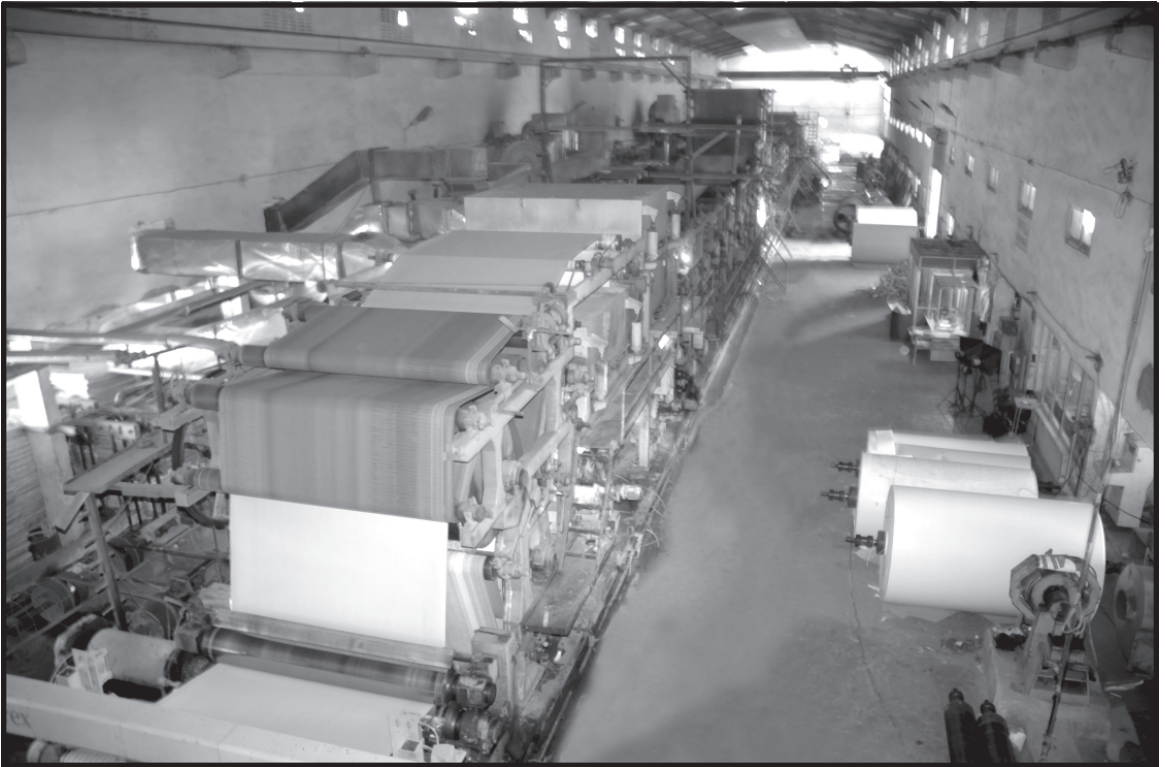


13th Annual Report

2005 - 2006



N. R. Agarwal

Industries Limited

Board of Directors

Shri. R. N. Agarwal
Shri. N. R. Agarwal
Shri S. N. Chaturvedi
Shri. Chittaranjan Musib
Shri. P. Kumar
Shri. C. R. Radhakrishnan (w.e.f. 27.02.2007)

Managing Director
Director
Director
Director
Director
Director

REGISTERED OFFICE:

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

FACTORIES:

Unit – I

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

Unit - II

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

Unit – III

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

Unit - IV

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

Auditors:

CHATURVEDI & PARTNERS

Bankers:

BANK OF BARODA
ORIENTAL BANK OF COMMERCE
BANK OF INDIA

Company Secretary

Shri.Vinod Bapna

REGISTRAR & TRANSFER AGENTS

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

Annual General Meeting will be held on Monday, 30th April, 2007 at GMS Community Centre Hall, Sittladevi Complex, 1st Floor, D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053

NOTICE

Notice is hereby given that the Adjourned Thirteenth 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. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053 on Monday, April 30, 2007 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To declare dividend on Preference Shares.
3. To declare dividend on Equity Shares.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty eight hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the business at items 1, 2 and 3 is annexed hereto.
4. **The Register of Members and Share Transfer Books of the Company will remain closed from Friday, 27th April, 2007 to Monday, 30th April, 2007 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend.**
5. Members are requested to immediately notify the Company in case of any change in address and should specify their full address in capital letters clearly indicating the pin code of the post office.
6. Members are requested to bring their copy of Annual Report as extra copies will not be supplied at the Annual General Meeting.

By order of the Board of Directors

Vinod Bapna
Company Secretary

Registered Office:

415-418, Janki Centre, 4th Floor
29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053
Mumbai, 20th March, 2007.

N. R. AGARWAL INDUSTRIES LIMITED

ANNEXURE TO NOTICE:

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

Item Nos. 1, 2 and 3:

The Company's petition for approval of the Scheme of Amalgamation of N. R. Paper and Boards Limited and Suman Paper and Boards Limited with the Company has been approved by the Hon'ble High Court of Mumbai by their order dated 2nd February, 2007.

At the Thirteenth Annual General Meeting of the Company held on December 29, 2006, the consideration of item nos. 1, 2 and 3 of the notice dated December 1, 2006 relating to adoption of accounts and declaration of dividend on Preference Shares and Equity Shares was deferred and the said Annual General Meeting of the Company was adjourned sine die for consideration of the said items of the agenda at the reconvened adjourned meeting which was to be fixed after the Amalgamation Scheme was finally approved and became effective.

Accordingly, the Balance sheet of the Company as at 31st March 2006, the Profit and Loss account and the Cash flow statement for the year ended on that date, the Directors' Report, Management Discussions and Analysis Report and Corporate Governance Report have now been finalized by incorporating the effect of the amalgamation of N. R. Paper and Boards Limited and Suman Paper and Boards Limited with the Company with effect from April 1, 2005, being the appointed date as per the approved Scheme of Amalgamation.

The accounts for the year ended 31st March 2006 alongwith the Directors' Report, Corporate Governance Report and the Auditors' Report are therefore now circulated for consideration and approval at the ensuing adjourned Annual General Meeting and for declaration of dividend on Preference shares and Equity shares.

The Directors of the Company may be deemed to be interested in the resolutions to the extent of the dividend they may get on the shares held by them.

By order of the Board of Directors

Vinod Bapna
Company Secretary

Registered Office:

415-418, Janki Centre, 4th Floor
29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053
Mumbai, 20th March, 2007.

N. R. Agarwal Industries Limited

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Thirteenth Annual Report alongwith the Audited Annual Accounts for the year ended on 31st March, 2006.

FINANCIAL RESULTS:

Particulars	Year ended 31.03.2006**	(Rs. in lakhs)
		Year ended 31.03.2005
Net Sales / Income from Operations and other income	21858.74	11321.27
Interest	568.56	215.97
Gross Profit after Interest but Before Depreciation and Taxation	1435.50	812.94
Depreciation	527.49	239.17
Profit Before Tax	908.01	573.77
Provisions for Taxation	76.81	45.00
Deferred Tax	250.16	224.45
Fringe Benefit Tax	4.97	—
Prior year Adjustments	(9.03)	(12.73)
Net Profit for the year	567.03	291.59
Balance in Profit & Loss Account	776.64	612.86
Amount Transferred on Amalgamation	651.76	—
Surplus available for appropriation	1995.43	904.45
Transferred to General Reserve	17.00	15.00
Capital Redemption Reserve	85.00	—
Interim Dividend	—	36.90
Proposed final Dividend	204.23	61.50
Proposed Dividend on Preference Shares	2.75	0.85
Tax on Dividend	35.09	13.56
Balance carried to Balance Sheet	1651.36	776.64

** The Financial Results for the year ended 31st March, 2006 include the operating results of the Amalgamated Companies - N. R. Paper and Boards Limited and Suman Paper and Boards Limited and are therefore, not comparable with the results of the previous year.

SCHEME OF AMALGAMATION:

The Scheme of Amalgamation of N. R. Paper and Boards Limited and Suman Paper and Boards Limited (Transferor Companies) with

N. R. Agarwal Industries Limited as approved by the shareholders in their meeting held on 16th August, 2006 has been approved by the Hon'ble High Court of Judicature at Mumbai and the Scheme has become effective on 6th March, 2007. Your directors expect that integrated operations of three Companies would yield better results in the coming year.

The accounts for the year ended March 31, 2006 have been prepared by consolidating the accounts of the Transferor and the Transferee Companies with effect from April 1, 2005 being the appointed date as per the Scheme of Amalgamation.

SHARE CAPITAL:

At the original Annual General Meeting of the Company held on December 29, 2006, the authorized share capital of the Company was increased from Rs.15.00 crores to Rs.25.00 crores. The shareholders of the transferor companies were allotted 1,05,00,000 equity shares of Rs.10/- each in the Company against the shares held by them in the respective transferor Companies as per the Scheme of Amalgamation. With the result, the paid up share capital of the company has increased from Rs.10,25,00,000/- to Rs.17,01,91,000/-. As per the said Scheme 37,30,900 Nos. of Equity Shares held by the Transferor Companies in the Company have been extinguished.

DIVIDEND:

The Board of Directors of the Company recommend for consideration of Shareholders at the Adjourned Annual General Meeting payment of a dividend of 12% (Rs.1.20 per equity share) on 1,70,19,100 equity shares of the face value of Rs.10/- each include Equity Shares allotted pursuant to the Scheme of Amalgamation.

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

PERFORMANCE:

The performance of the Company during the year under review has been satisfactory compared to previous year due to increase in the production, sales, profitability mainly as a result of increase in capacity, higher sales realization, and performance efficiency which not only contributed in absorbing the increase in the input costs, but also added to the bottom line of the Company. But for the hike in the rates of raw materials, chemicals and adverse exchange rate fluctuation during the year, the working results would have looked still higher.

During the year exports have increased to Rs.1.59 crores from Rs.0.78 crores last year.

The current year's figures are not strictly comparable with those of the previous year as two Companies – N. R. Paper and Boards Limited and Suman Paper and Boards Limited were amalgamated with N. R. Agarwal Industries Limited.

CURRENT YEAR'S PROSPECTS

Production of duplex board in the eleven months of current year viz. April 2006 – February 2007 is 89785 MT as against 78978 MT in the previous year and newsprint 27672 MT as against 25519 MT in the previous year. Therefore, barring unforeseen circumstances, the bottom line of the Company during the current year is likely to improve further due to the following factors:

- The Government of India has reduced excise duty from 16% to 12% ad valorem on paper and paperboard, with effect from 1st March, 2006 in order to encourage capacity addition.
- The commissioning of 5 MW Co-generation Plant is giving the desired benefits and same will be reflected for the six months in 2006-07.

- (c) Sale prices of duplex board have been increased during the current year which has been absorbed by the market.

ISO 9001 CERTIFICATION

The Newsprint Unit of the Company has been certified ISO 9001 – 2000 Quality Management System international certificate by Det Norske Veritas, the Netherlands, effective from 21/04/2006. This certificate is valid upto 21/04/2009.

FIXED DEPOSITS:

As on 31st March, 2006 no fixed deposit was due and unpaid

COST AUDIT:

As per the Government's directive, the Company's cost records in respect of Paper products of the Company for the year ended 31st March, 2006 are being audited by the Cost Auditor M/s. V. J. Talati & Company, who were appointed by the Board with the approval of the Central Government.

DIRECTORS:

Shri. S. N. Chaturvedi retired by rotation at the original Annual General Meeting of the Company held on December 29, 2006 and was reappointed as director.

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

IDBI Limited has withdrawn the nomination of Mr. R. K. Sinha as Director of the Company and accordingly, Mr. Sinha has ceased to be a Director of the Company with effect from 31.01.2007.

Mr. C. R. Radhakrishnan has been appointed as an Additional Director by the Board on 27.02.2007 who is an Independent Director of the Company.

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

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

PARTICULARS OF EMPLOYEES:

The information as required under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, is annexed hereto as Annexure 'II' and form part of this Report.

DIRECTORS RESPONSIBILITY STATEMENT:

The Directors confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that the accounting policies selected and applied are consistent and judgements and estimates made are reasonable and

prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

- c) that proper and sufficient care has been taken for the maintenance of adequate accounting record in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual accounts have been prepared on a going concern basis;

AUDITORS AND AUDIT REPORT:

M/s. Chaturvedi & Partners, Chartered Accountants, the Auditors of the company retired at the Annual General Meeting held on December 29, 2006 and were reappointed as auditors to hold office until the conclusion of the next annual general meeting of the company.

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

LISTING:

The Equity shares of the Company are listed at the Stock Exchanges at Mumbai and Delhi. The Company's application to the Bombay Stock Exchange Limited for listing of equity shares allotted to the shareholders of the Transferor Companies is under process. The Company has paid Annual Listing Fee to the Bombay Stock Exchange Limited for the year 2006-2007.

DELISTING OF SHARES:

The shares of the company were got delisted from the Ahmedabad Stock Exchange Limited with effect from July 31, 2006.

The Company's application for Delisting of Shares from Delhi Stock Exchange Limited is pending for approval.

CORPORATE GOVERNANCE/ MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

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

INDUSTRIAL RELATIONS:

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

ACKNOWLEDGEMENT:

The Board wishes to record its appreciation of the efforts put in by the employees of the company. The Board also acknowledges the continued support received from Financial Institutions, Banks and various Central and State Government Agencies, shareholders, suppliers, dealers and valued customers.

For and on behalf of the Board of Directors

R. N. Agarwal
Managing Director

N. R. Agarwal
Director

Mumbai, 20th March, 2007

N. R. Agarwal Industries Limited

ANNEXURE - I

INFORMATION REQUIRED UNDER SECTION 217(1)(e) READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2006.

I) CONSERVATION OF ENERGY:

A) Energy Conservation measures taken:

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

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

Installation of energy saving vacuum pump in paper machines.

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

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

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

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

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

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

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

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

1) POWER & FUEL CONSUMPTION:

a) Electricity:

	Unit	Current Year	Previous Year
i) Purchased units	Lakh/KWH	27629647	10250250
Total amount	Rs.in lakhs	1469.83	569.88
Rate / Unit	Rs.	5.32	5.56

ii) Own Generation

(i) Through Diesel Generator

Units	KWH	1063628	14955751
Qty.	Kilo Ltrs.	313.629	4392.120
Total Cost	Rs.in lacs	81.80	717.09
Units per Ltr. of Furnace Oil & LDO		0.29	6.93
Average Cost/Unit	Rs./KWH	7.69	4.79

(ii) Through Steam Turbine

Units	KWH	23944834	6695750
Units per tonne of coal	KWH	624.48	592.65
Average Cost/Unit	Rs./KWH	3.25	3.41

b) COAL AND LIGNITE:

Quantity	Tonnes	75122	32981
Total amount	Rs.in lakhs	1546.61	696.20
Average Rate/Ton	Rs.	2059	2111

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

2) CONSUMPTION PER TONNE OF PRODUCTION

Electricity	KWH	504	548
Coal	Kgs.	719	567
Furnace Oil	Ltr.	6	110
L.D.O.	Ltr.	4	35

II) TECHNOLOGY ABSORPTION:

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

III) FOREIGN EXCHANGE EARNINGS & OUTGO:

Foreign Exchange Outgo	:	Rs.158.74 Lacs
Foreign Exchange Earnings	:	Rs. 176.55 Lacs

For and on behalf of the Board of Directors

R. N. Agarwal
Managing Director

N. R. Agarwal
Director

Mumbai, 20th March, 2007

ANNEXURE – II

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31st March, 2006.

Name, Age and Qualification	Designation and Nature of Duties	Date of commencement of employment	Experience in years	Remuneration	Last Employment
R. N. Agarwal 46 years B.E. Electrical, MBA (USA)	Managing Director	5/8/2005	20 Years	Rs.25,93,019/-	—

- 1 Remuneration includes Salary and allowances, Company's contribution to Provident Fund.
- 2 The nature of employment of the above employee is contractual.

For and on behalf of the Board of Directors

R. N. Agarwal
Managing Director

N. R. Agarwal
Director

Mumbai, 20th March, 2007

N. R. Agarwal Industries Limited

CORPORATE GOVERNANCE REPORT:

1. COMPANY PHILOSOPHY:

N. R. Agarwal Industries Limited (NRAIL) continues to uphold its commitment to high standards of corporate governance. In all its operations and processes, the company adheres to stringent governance norms so that its stakeholders are ensured of superior financial performance.

Through its corporate governance measures, the Company aims to maintain transparency in its financial reporting and keep all its stakeholders informed about its policies, performance and developments. NRAIL will contribute to sustain and strengthen stakeholders confidence by adopting and continuously improving good corporate practices.

Your Company's Board has laid down identifiable policies and guidelines related to the key elements of corporate governance – transparency, disclosure, supervision and internal control, risk management, internal and external communications, high standard of safety, accounting fidelity, product and service quality. It has also introduced adequate review processes.

2. BOARD OF DIRECTORS:

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

The strength of Board of Directors of the Company is Six Directors comprising three independent directors and three non-independent directors.

Composition and category of Directors is as follows:

Name of Director	Category	No. of Board Meetings attended	Attendance at the last AGM	Directorship in other Companies including private companies in India	No. of Committees in which Chairman/ Member (other than N R Agarwal Industries Ltd)	
					Member	Chairman
Shri. N. R. Agarwal	Executive Chairman Non-Independent	2	Attended	6	—	—
Shri. R. N. Agarwal	Managing Director Non-Independent	7	Attended	2	—	—
Shri. S. N. Chaturvedi	Non-Executive Non-Independent	7	Attended	3	1	—
*Shri. R. K. Sinha (upto 31/01/2007)	Nominee Director Independent	5	Not Attended	—	—	—
Shri. Chittaranjan Musib	Non-Executive Independent	2	Attended	—	—	—
Shri P. Kumar (from 05.08.2005)	Non-Executive Independent	6	Not Attended	1	3	—
**Shri. C. R. Radhakrishnan (from 27/02/2007)	Non-Executive Independent	—	—	—	—	—

*Ceased to be a nominee director on 31/01/2007.

**Appointed as Additional director on 27/02/2007.

None of the Non-Executive Directors hold any equity shares in the Company.

No. of Board Meetings held and the dates on which held:

Seven Board Meetings were held during the year 2005-2006. The dates on which the said meetings were held are as follows:

29/04/2005, 05/08/2005, 13/09/2005, 31/10/2005, 17/11/2005, 25/01/2006 and 31/01/2006.

The Company has a well-established system to provide the information to the Board as required under Annexure IA to clause 49, which was duly followed.

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

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.

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

The particulars of the Director who was re-appointed at the original Annual General Meeting held on 29th December, 2006 are given below, as required pursuant to clause 49 of the Listing Agreement:

Name : Shri. S. N. Chaturvedi
 Qualifications : Chartered Accountant
 Expertise : Finance & Accounts
 Other Directorships : 1) Balkrishna Industries Limited
 2) Tufropes Private Limited
 3) Jai Corp Limited

Other Memberships of Committees : Jai Corp Limited

Shri. S. N. Chaturvedi does not hold any equity shares in the Company.

3. CODE OF CONDUCT:

The Board has adopted a Code of Conduct for its Members and Senior Management Personnel of the Company. The said code of conduct is posted on the Company's website. The Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct.

4. AUDIT COMMITTEE:

Consequent to the cessation of Shri R. K. Sinha, a member of the Audit Committee, as Director, the audit committee has been reconstituted.

The Audit Committee comprises of Qualified, Independent & Non-Executive Directors. The terms of reference to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as in Section 292 A of the Companies Act, 1956 such as oversight of the company's financial reporting process; recommending the appointment / reappointment of statutory auditors; reviewing with the management annual financial statements; quarterly financial statements and other matters as covered under role of Audit Committee in clause 49. The audit committee has powers, inter alia, to investigate any activity within its terms of reference and to seek information from any employee of the company as well as seek outside legal and professional advice.

The members of Audit Committee have knowledge on financial matters and majority of them have accounting or related financial management expertise. The Chairman of the Audit Committee is an Independent Director.

The statutory auditors and finance personnel are invitees to the meetings of the audit committee.

The Audit Committee reviews all the information that is required to be mandatorily reviewed by it under Corporate Governance.

Five meetings of the Committee were held during the year 2005-2006. The dates on which the meetings were held are as follows:

29/04/2005, 05/08/2005, 13/09/2005, 31/10/2005 and 31/01/2006.

Composition and category of Members is as follows:

Name of Director	Category	No. of Meetings Attended
Shri.R. N. Agarwal (upto 05/08/2005)	Non-Independent	2
Shri. S. N. Chaturvedi	Non- Independent	5
Shri. R. K. Sinha (upto 31/01/2007)	Independent	4
Shri. P. Kumar (w.e.f. 05/08/2005)	Chairman, Independent	3
Shri. C. Musib (w.e.f. 31/01/2007)	Independent	—

5. SUBSIDIARY COMPANY:

The Company has no subsidiary company.

6. REMUNERATION COMMITTEE:

In view of Shri R. K. Sinha, ceasing to be a director, the Remuneration Committee has been reconstituted and comprises of following Independent & Non-Executive Directors

Shri. P. Kumar (w.e.f. 25/01/2006)	Chairman - Independent, Non-Executive
Shri S. N. Chaturvedi	Member - Non-Independent, Non-Executive
Shri R. K. Sinha (upto 31/01/2007)	Member - Independent, Non-Executive
Shri Chittaranjan Musib (w.e.f. 05/08/2005)	Member - Independent, Non-Executive

The remuneration committee deals with the matters specified in clause 49 of the listing agreement and also reviews the overall compensation structure and policies of the company.

N. R. Agarwal Industries Limited

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

A meeting of the Committee was held on 05/08/2005.

The details of remuneration to all the Directors for the year ended March 31, 2006 are as under:

Name of Director	Salary (Rs.)	Benefits (Rs.)	Commission (Rs.)	Others (Rs.)	Sitting fees (Rs.)	Total (Rs.)
Shri N.R.Agarwal	12,50,000/-	57,800/-	—	—	19,000/-**	13,26,800/-
Shri R.N.Agarwal	25,77,419/-	15,600/-	—	—	12,000/-**	26,05,019/-
Shri S.N. Chaturvedi	—	—	—	—	32,000/-	32,000/-
Shri R.K.Sinha	—	—	—	—	23,000/-	23,000/-
Shri C. Musib	—	—	—	—	6,000/-	6,000/-
Shri P. Kumar	—	—	—	—	27,000/-	27,000/-
Shri C. R.Radhakrishnan (w.e.f.27/02/2007)	—	—	—	—	—	—

** Sitting fees include fees paid by erstwhile N. R. Paper and Boards Limited and Suman Paper and Boards Limited

7. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

The shareholders'/ Investors' Grievance Committee comprises of

Shri. P. Kumar - Chairman, Non- Executive Independent Director
(w.e.f. 25/01/2006)

Shri S. N. Chaturvedi - Member, Non- Executive Independent Director

Shri N. R. Agarwal - Member

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

The committee deals with matters relating to :

- Review of shares dematerialized and all other matters.
- Investors' grievances and redressal mechanism and measures to improve the level of investor services.
- Review of queries received from Investors.

Two Meetings of the Committee were held during the year 2005-2006. The dates on which the meetings were held are as follows:

1st October, 2005 and 25th January, 2006

Number of Meetings attended by each Members is as follows:

Name of Director	Category	No. of Meetings Attended
Shri S. N. Chaturvedi	Non - Independent	2
Shri N. R. Agarwal	Executive	1
Shri P. Kumar (w.e.f. 25.01.2006)	Independent	1

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, were three. Outstanding complaints as on 31st March, 2006 were Nil. No requests for transfers were pending for approval as on 31st March, 2006.

8. GENERAL BODY MEETINGS:

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

Year	Venue	Day, Date	Time	Special resolution, if any
2002 – 2003	Aishwarya Party Hall, Oshiwara, Jogeshwari (W), Mumbai-400 102	23-Sep-2003	11.00A.M.	No special resolution passed
2003 – 2004	Aishwarya Party Hall, Oshiwara, Jogeshwari (W), Mumbai-400 102	28-Oct-2004	11.00A.M.	Special resolutions for alteration of Articles of Association and for preferential issue of shares through postal ballot were passed
2004 - 2005	Aishwarya Party Hall, Oshiwara, Jogeshwari (W), Mumbai-400 102	29-Sep-2005	11.00 A.M.	Delisting of shares from Ahmedabad and Delhi Stock Exchange and approval to the appointment and payment of remuneration to Executive Chairman

Postal ballot:

The Board of Directors had, at its meeting held on 22nd September 2004, decided to issue 41,00,000 Equity shares of Rs.10/- each for cash at

par subject to the provisions of Section 81, 81(A) and SEBI Preferential Issue Guidelines.

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

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

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

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

No postal ballots were used for voting at the annual general meetings. At the original Annual General Meeting held on December 29, 2006, there was no item on the agenda that needed approval by postal ballot.

9. DISCLOSURES:

(A) Related Party Transactions:

There were no transactions of a material nature with related parties i.e. with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large. The transactions with related parties as per Accounting Standard AS-18, are set out in notes to accounts in the Annual Report.

(B) Risk Management:

The Board of Directors have been informed from time to time about 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.

The Company has complied with the requirements of regulatory authorities on matters related to capital markets and no penalties/strictures have been imposed against the Company during the last three years.

The company has not framed whistle blower policy, however, no personnel has been denied access to the audit committee.

The company has not adopted non-mandatory requirements of clause 49. However the particulars relating to remuneration committee are given in this report.

CEO/CFO Certification:

A certificate from the Managing Director and Chief Financial Officer of the company in terms of clause 49 (V) of the Listing agreement was placed before the Board at its meeting held on 20th March, 2007 to approve the audited annual accounts for the year ended 31st March 2006.

10. MEANS OF COMMUNICATION:

The half-yearly and quarterly results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are published in newspapers like Free Press Journal and Navshakti. These are not sent individually to the shareholders.

Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern etc. are hosted on the Electronic Data information Filing and Retrieval (EDIFAR) website www.sebidifar.nic.in maintained by SEBI in association with the National Informatics Centre, within the time frame prescribed in this regard.

The Company's financial results are displayed on the Company's Website www.nrail.com.

The Management Discussion and Analysis Report forms part of this Annual Report. There were no presentations made to the institutional investors or analysts.

11. GENERAL SHAREHOLDER INFORMATION:

11.1 [a] Original Annual General Meeting	Date and Time	Venue
	December 29, 2006 at 11.00 A.M.	GMS Community Centre Hall, Sitaladevi Complex, D. N. Nagar, Opp. Indian oil Nagar, On Link Road, Andheri (W), Mumbai 400053
11.1 [b] Adjourned Annual General Meeting	30-April-07 at 11.00 A.M.	GMS Community Centre Hall, Sitaladevi Complex, D. N. Nagar, Opp. Indian oil Nagar, On Link Road, Andheri (W), Mumbai 400053
11.2 Financial Year	:	April to March
Financial Calendar	:	First quarter results – last week of July* Second quarter results – last week of October * Third quarter results – last week of January * Fourth quarter results – last week of April * * Tentative

N. R. Agarwal Industries Limited

11.3 Date of Book Closure:

Original Annual General Meeting : Wednesday, December 27, 2006 to Friday, December 29, 2006 (both days inclusive)
 Adjourned Annual General Meeting : Friday, April 27, 2007 to Monday, April 30, 2007 (both days inclusive)

11.4 Dividend Payment Date : within 30 days from date of adjourned annual general meeting

11.5 Listing on Stock Exchange : At the Bombay Stock Exchange Limited
 Delhi Stock Exchange Association Ltd

(a) Stock Code – Physical : BSE, Mumbai – 16082
 Delhi Stock Exchange Association Ltd - 7521

(b) ISIN Number in NSDL and CDSL : ISIN No. INE740D01017

11.6 Market Price Data:

Table below gives the monthly highs and lows of the Company's shares on the Bombay Stock Exchange Limited (BSE).

High and Low prices of the Company's shares on BSE with corresponding BSE Sensex April 2005 to March 2006

Months	High		Low	
	NR Agarwal Industries Limited Price (Rs.)	BSE Sensex	NR Agarwal Industries Limited Price (Rs.)	BSE Sensex
April 2005	23.60	6649.42	19.00	6118.42
May 2005	27.00	6772.74	18.50	6140.97
June 2005	28.25	7228.21	20.70	6647.36
July 2005	28.10	7708.59	21.80	7123.11
August 2005	40.00	7921.39	22.25	7537.50
September 2005	41.60	8722.17	32.00	7818.90
October 2005	38.05	8821.84	29.55	7656.15
November 2005	35.00	9033.99	30.00	7891.23
December 2005	31.90	9442.98	26.00	8769.56
January 2006	35.85	9945.19	27.10	9158.44
February 2006	33.95	10422.65	27.00	9713.51
March 2006	32.70	11356.95	26.25	10344.26

Registrar and Share Transfer Agent:

Sharex Dynamic (India) Private Limited
 17/B, Dena Bank Building, 2nd Floor, Horniman Circle
 Fort, Mumbai – 400 001

11.7 Share Transfer System:

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

11.8 Distribution of shareholding as on 31st March, 2006:

Sr. No.	Range	No. of shareholders	% to total holders	No. of Shares held	% of Capital
1	1 to 100	5225	65.94	513361	5.01
2	101 to 200	877	11.07	173869	1.70
3	201 to 500	966	12.19	388929	3.79
4	501 to 1,000	398	5.02	336921	3.29
5	1,001 to 5,000	346	4.37	927426	9.05
6	5,001 to 10,000	53	0.67	408557	3.99
7	10,001 to 1,00,000	44	0.56	1103891	10.77
8	1,00,001 & above	15	0.19	6397046	62.41
	Total	7924	100.00	10250000	100.00

11.9 Categories of Shareholders as on 31st March, 2006:

Category	No. of shares held	Percentage to total share capital
Foreign holding (FIIs, OCBs and NRIs)	19044	0.186
Financial Institutions/ Banks/ Insurance Companies	2500	0.024
Mutual Funds and UTI	0	0
Corporate Bodies	5948791	58.037
Directors and their relatives	827945	8.078
Public	3451720	33.675
Total	10250000	100

11.10 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.

As on 31st March, 2006, 86.21% of the paid up share capital has been dematerialized.

Outstanding GDRs /ADRs/Warrants or any convertible instruments conversion date and likely impact on equity: Not Applicable

11.11 Plant Locations:

Unit – I

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

Unit - II

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

Unit – III

Plot No.901, Phase-3
GIDC, Vapi - 396 195
Dist. Valsad
Gujarat State
Tele - Fax:
0260 2400052
2401836

Unit - IV

Plot No.901/P, Phase-3
GIDC, Vapi - 396 195
Dist. Valsad
Gujarat State
Tele - Fax:
0260 2400052
2401836

11.12 Address for Correspondence

Registrar and Share Transfer Agents

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

Compliance Officer

Mr. Vinod Bapna
415-418, Janki Centre
4th Floor, 29, Shah Industrial Estate
Off:Veera Desai Road, Andheri (West), Mumbai – 400 053
Tel. No. 2673 0913

NON-MANDATORY REQUIREMENTS:

Remuneration Committee:

As stated earlier, the Board has already constituted a remuneration committee, the details of which are given in point 6 above.

Identified as having been approved by
the Board of Directors

Mumbai, 20th March, 2007

DECLARATION

This is to confirm that the Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of conduct has also been posted on the website of the Company. It is further confirmed that all the Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March, 2006 as envisaged in clause 49 of the Listing Agreement with Stock Exchanges.

R. N. AGARWAL
Managing Director

Mumbai, 20th March, 2007

N. R. Agarwal Industries Limited

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of N. R. Agarwal Industries Limited

We have examined the compliance of conditions of Corporate Governance by **N.R.Agarwal Industries Limited** for the year ended 31st March, 2006 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

On the basis of representation received from the Registrar and Share Transfer Agent and as per records maintained by the company which are presented to the Shareholders Grievances Committee, we state that during the year ended 31st March, 2006 no investor grievances were pending for a period exceeding one month.

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

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
Partner

Mumbai, 20th March, 2007

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

INDUSTRY STRUCTURE AND DEVELOPMENT:

OVERVIEW:

In 2005-06, raw material prices of paper products increased significantly. As a consequence, margins for paper products were adversely affected. However, the flexibility given by the Union Budget for 2005-06 to the paper industry on excise, provided a great fillip to the industry.

Most of the states have now implemented Value Added Tax, which has led to the smoothening of anomalies in the inter-state tax structure. This augurs well from a marketing perspective as the Company now has better tracking and control of the final sale of its products.

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

Amalgamation of two Paper and paper board Companies.

The following two paper and paper board companies have been amalgamated with NRAIL.

- N.R.Paper and Boards Limited
- Suman Paper and Boards Limited

The amalgamation was approved by the shareholders of all the two companies and NRAIL. The Appointed Date of amalgamation is 1st April, 2005.

The Scheme of Amalgamation was sanctioned by the Hon^{ble} High Court of Mumbai at Mumbai by its order dated 2nd February, 2007. The said Order was filed with the Registrar of Companies, Mumbai at Mumbai on 6th March, 2007 and has thus become effective.

The exchange ratio for the equity shares as set out in the Scheme was as under:

- N.R.Paper and Boards Limited
- 1 : 6
- Suman Paper and Boards Limited
- 1 : 5

The Company has issued 1,05,00,000 equity shares of Rs.10/- each to the shareholders of the transferor Companies in terms of and pursuant to the Scheme of Amalgamation. As per the said Scheme 37,30,900 Nos. of Equity Shares held by the Transferor Companies in the Company have been extinguished. Post-amalgamation NRAIL's Share Capital has increased from 102.50 lacs equity shares to 178.691 lacs equity shares.

Opportunities and Threats:

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

The Company has taken various steps like installation of 5MW Captive Power Plant at its Duplex Board division, manpower rightsizing, and tools to maintain cost competitiveness through operating efficiencies and productivity.

The Company will continue to strive on improving quality standards, reducing lead-time in supplying orders, competitive pricing of products and more stress on product innovation to meet the new set of challenges.

SEGMENT PERFORMANCE:

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

Industry Outlook:

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

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

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

RISK MANAGEMENT:

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

Foreign Exchange Risk:

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

Interest rate risk:

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

Commodity Price Risk:

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

Risk Element in Individual Business:

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

ENVIRONMENT AND SAFETY:

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

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY:

Internal Control Systems are implemented:

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

The system is improved and modified continuously to meet with

N. R. Agarwal Industries Limited

changes in business conditions, statutory and accounting requirements.

The key elements of internal control systems are as follows:

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

Performance Highlights:

Overcoming the increase in input costs, the Company has posted record results during the year with total sales revenues and other income of Rs.218.59 crores and profit before tax is up at Rs.8.93 crores – the highest ever earned by the Company. Profit after tax is higher at Rs.6.12 crores from Rs.292 crores in the previous year.

During the year exports have increased to Rs.1.59 crores from Rs.0.78 crores last year.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

The Company has taken concrete steps to control attrition and retain

critical talent through a judicious mix of career planning, skill development and empowerment. In order to create a conducive environment, wherein each individual performs to his maximum potential, the Company has undertaken grade restructuring and created need-based training programmes.

The relations with the workforce remain by and large cordial and productive.

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 31st March, 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, (including the accounts of erstwhile N.R. Paper & Boards Limited (NRPBL) and Suman Paper & Boards Limited (SPBL) for the year ended 31st March 2006 after making such adjustments as considered necessary consequent to its amalgamation with the Company with effect from 1st April 2005, which have been audited by their auditors, on which we have relied upon and whose audit report has been considered by us. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2) We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) As required by the Companies (Auditor's Report) Order 2003 and the Companies (Auditor's Report) Amendment Order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 & 5 of the said Order.

4) Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books;
- c) The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors other than Mr.R.K.Sinha, (Financial Institution's nominee), we report that none of the Director is disqualified as on 31st March 2006, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. IDBI has advised that the provision of section 274 relating to disqualification of directors are not attracted in the case of its nominee, in view of the provisions contained in section 30A of the IDBI Act.

f) In our opinion and to the best of our information and according to the explanations given and management representations made to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2006
- ii) In the case of the Profit and Loss account, of the "Profit" for the year ended on that date; and
- iii) In the case of the Cash Flow statement, of the Cash Flow for the year ended on that date.

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
(Partner)

Mumbai, 20th March, 2007

Membership No.: 40763

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our Report of even date

- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for the assets under installation.
- b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) The Company has not disposed off substantial part of its fixed assets, which affect the going concern status of the Company.
- 2) a) As explained to us, the management, at reasonable intervals during the year, has physically verified the inventories.
- b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventory. As explained to us, no material discrepancies have been noticed on physical verification of stocks as compared to book records.
- 3) The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4(iii) b to (g) of the Order are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets

N. R. Agarwal Industries Limited

- 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) According to the information and explanations given to us, there are no transactions that need to be entered into a register maintained under section 301 of the Companies Act, 1956. Accordingly the clause 4 (v)(b) of the Order is not applicable.
- 6) In our opinion and according to the information and explanation given to us, the Company has complied with the provision of section 58A & 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the deposits accepted from the public. We have been informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank Of India or any Court or any other Tribunal.
- 7) *The Company has appointed a firm of Chartered Accountants as internal auditors for the year under review. In our opinion, the company has an internal audit system that needs to be further strengthened.*
- 8) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the said records.
- 9) a) According to the information and explanations given to us and according to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Custom Duty, Service Tax, Excise duty, Cess with appropriate authorities.
- b) As at 31st March 2006, according to the records of the company and the information and explanation given to us, the following are the particulars of dues that have not been deposited on account of any dispute.

Name of the statute	Name of the dues	Amount (Rs)	Forum where dispute is pending	Financial year to which the amount relates
Central Excise Act, 1944	Excise duty	11,95,969	Appellate Authority Tribunal level	1993-1994
Central Excise Act, 1944	Excise duty	81,550	Appellate Authority Tribunal level	1994-1995
Central Excise Act, 1944	Excise duty	64641	Appellate Authority Tribunal level	1996-1997
Central Excise Act, 1944	Excise duty	2,07,88,774	Appellate Authority Tribunal level	1998-1999
Customs Act,1962	Penalty	5,00,000	Appellate Authority up to Commissioner level	2002-2003
Central Excise Act, 1944	Excise duty	6,34,020	Appellate Authority up to Commissioner level	1992 1993,1993-1994 and 1996-1997
Central Excise Act, 1944	Excise duty	2,42,037	Appellate Authority up to Commissioner level	1993-1994 and 1996-1997
Central Excise Act, 1944	Excise duty	4,82,252	Appellate Authority up to Commissioner level	2003-2004
Central Excise Act, 1944	Excise duty	5,76,094	Appellate Authority up to Commissioner level	2004-2005
Central Excise Act, 1944	Excise duty	4,55,411	Appellate Authority up to Commissioners' level	2005-2006
Income Tax Act,1961	Income Tax	Nil	Appellate Authority up to Commissioner level	2003-2004

- 10) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in immediately preceding financial year.
- 11) The Company has not defaulted in repayment of any dues to financial institutions or banks or debenture holders.
- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

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- 14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 15) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks & financial institutions are prima facie, not prejudicial to the interest of the Company.
- 16) In our opinion, on the basis of information and explanations given to us, the term loans were applied for the purpose for which they were raised.
- 17) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- 18) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 19) According to the information and explanations given to us, during the year the company has not issued any debentures.
- 20) The company has not raised any money through a public issue during the year.
- 21) In our opinion & according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For CHATURVEDI & PARTNERS
Chartered Accountants

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

Mumbai, 20th March, 2007

N. R. Agarwal Industries Limited

BALANCE SHEET AS AT 31st MARCH 2006

	Schedules	As at 31 st March, 2006 Rupees	As at 31 st March, 2005 Rupees
SOURCES OF FUNDS			
(1) SHARE HOLDERS' FUND			
(a) Share Capital	A	111,000,000	111,000,000
(b) Share Capital Suspense Account	B	67,691,000	0
		<u>178,691,000</u>	<u>111,000,000</u>
(2) RESERVES AND SURPLUS			
	C	115,534,876	80,587,728
		<u>294,225,876</u>	<u>191,587,728</u>
(3) LOAN FUNDS			
(a) Secured Loans	D	758,610,992	270,496,810
(b) Unsecured Loans	E	121,056,239	75,445,994
		<u>879,667,231</u>	<u>345,942,804</u>
(4) DEFERRED TAX LIABILITY			
		134,076,235	75,170,044
TOTAL		<u>1,307,969,342</u>	<u>612,700,576</u>
APPLICATION OF FUNDS			
(1) FIXED ASSETS			
(a) Gross Block		1,165,608,496	575,234,545
(b) Less : Depreciation	F	298,606,962	148,765,561
(c) Net Block		867,001,534	426,468,984
(d) Add : Capital Work in Progress		169,690,802	114,352,765
		<u>1,036,692,336</u>	<u>540,821,749</u>
(2) INVESTMENTS			
	G	829,500	620,000
(3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	H	256,833,355	77,944,897
(b) Sundry Debtors	I	312,999,921	105,568,346
(c) Cash and Bank Balances	J	32,902,396	11,992,830
(d) Loans and Advances	K	122,053,354	69,145,611
		<u>724,789,026</u>	<u>264,651,684</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	L	427,522,337	185,127,166
(b) Provisions		26,819,183	8,265,692
		<u>454,341,520</u>	<u>193,392,857</u>
NET CURRENT ASSETS		<u>270,447,505</u>	<u>71,258,827</u>
TOTAL		<u>1,307,969,342</u>	<u>612,700,576</u>
NOTES TO ACCOUNTS	R		

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

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

Mumbai, 20th March, 2007

For and on behalf of the Board of Directors

R. N. AGARWAL
Managing Director

N. R. AGARWAL
Director

S. N. CHATURVEDI
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

	Schedules	31 st March, 2006 Rupees	31 st March, 2005 Rupees
INCOME			
Sales		2,174,782,109	1,126,748,298
Other Income	M	11,091,961	5,378,910
Increase / Decrease in stock + / (-)	N	6,796,868	7,389,917
		2,192,670,938	1,139,517,125
EXPENDITURE			
Raw Materials Consumed	O	1,143,710,808	570,101,844
Purchases Of Traded Goods		2,579,609	925,344
Manufacturing and Other Expenses	P	845,974,475	465,432,098
Interest	Q	56,855,909	21,597,148
Depreciation	F	52,748,725	23,916,944
Preliminary expenses written off		0	166,963
		2,101,869,526	1,082,140,340
PROFIT BEFORE TAXATION			
Provision for Taxation		90,801,412	57,376,785
Provision for Deferred Tax		7,681,300	4,500,000
Fringe Benefit Tax		25,016,293	22,444,640
		497,133	0
PROFIT AFTER TAXATION			
		57,606,686	30,432,145
Prior year Adjustment + / (-)		(1,011,474)	(1,303,395)
Previous year taxation Adjustment + / (-)		108,296	30,119
Balance brought forward		77,664,017	61,286,849
Amount transferred on Amalgamation		65,175,517	0
PROFIT AVAILABLE FOR APPROPRIATION			
		199,543,042	90,445,718
APPROPRIATIONS			
Capital Redemption Reserve		8,500,000	0
Interim dividend paid on equity shares		0	3,690,005
Tax on interim equity dividend		0	482,237
Proposed final dividend - equity shares		20,422,920	6,150,000
Tax on proposed equity dividend		3,470,875	862,538
Proposed dividend on preference shares		275,000	85,000
Tax on proposed preference dividend		38,571	11,921
Transfer to General Reserve		1,700,000	1,500,000
BALANCE CARRIED TO BALANCE SHEET			
		165,135,676	77,664,017
Basic and diluted earning per share (in Rs.)			
		3.31	3.75
NOTES TO ACCOUNTS			
	R		

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

For CHATURVEDI & PARTNERS
Chartered Accountants

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

Mumbai, 20th March, 2007

For and on behalf of the Board of Directors

R. N. AGARWAL
Managing Director

N. R. AGARWAL
Director

S. N. CHATURVEDI
Director

N. R. Agarwal Industries Limited

CASH FLOW STATEMENT AS PER THE CLAUSE 32 OF THE LISTING AGREEMENT CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Year ended 31.03.2006		Year ended 31.03.2005	
	Rs.	Rs.	Rs.	Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax and Extraordinary Items		90,801,412		57,376,785
ADJUSTMENTS FOR				
Depreciation	52,748,725		23,916,944	
Interest	56,855,909		21,597,148	
Loss on Sale of Assets	1,031,298		225,729	
Profit on sale of Investments	(3,372,714)		0	
Bad Debts written off	2,094,214		0	
Misc. Expenses W/off	0	109,357,432	166,963	45,906,784
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		200,158,844		103,283,569
CHANGES IN				
Trade and Other Receivables	(134,488,147)		76,534,627	
Inventories	(81,930,834)		(6,485,644)	
Trade Payables	137,691,984		64,056,825	
Loans & Advances	(8,562,246)	(87,289,242)	(52,316,572)	81,789,236
CASH GENERATED FROM OPERATIONS		112,869,602		185,072,805
Direct Taxes Paid	(13,843,961)	(13,843,961)	(4,715,015)	(4,715,015)
Cash Flow Before Extra Ordinary Items		99,025,641		180,357,790
Extra Ordinary Items				
Miscellaneous Expenditure	0		0	
Previous Year Adjustments	(903,178)	(903,178)	(1,273,276)	(1,273,276)
Net Cash from Operating Activities		98,122,463		179,084,515
B CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets	(360,471,442)		(185,535,690)	
Sale of Fixed Assets	1,022,201		450,035	
Purchase of Investments	0		0	
Sale of Investments	0	(359,449,241)	0	(185,085,655)
Net Cash used in Investing Activities		(359,449,241)		(185,085,655)
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	0		41,000,000	
Interest Paid	(55,540,384)		(20,145,308)	
Proceeds from Long Term Borrowings	355,174,966		61,250,000	
Repayment of Long Term Borrowings	(10,000,000)		30,132,608	
Unsecured Loans	12,109,847		(88,182,654)	
Preference Dividend including tax thereon	(313,571)		(96,921)	
Equity share Dividend including tax thereon	(23,893,795)		(11,184,780)	
Net Cash used in Financing Activities		277,537,062		12,772,945
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		277,537,062		12,772,945
CASH AND CASH EQUIVALENTS - OPENING BALANCE		11,992,830		5,221,026
CASH & CASH EQUIVALENT AS AT 1ST APRIL 2005				
TAKEN OVER ON AMALGAMATION (NOTE 5)		4,699,281		0
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		32,902,396		11,992,830
		16,210,285		6,771,804

Note:

The above Cash Flow Statement excludes assets (other than Cash and Cash Equivalents) / liabilities acquired on amalgamation with N.R.Paper and Boards Limited and Suman Paper and Boards Limited.

As per our attached report of even date

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered Accountants

R. N. AGARWAL
Managing Director

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

N. R. AGARWAL
Director

Mumbai, 20th March, 2007

S. N. CHATURVEDI
Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees	As at 31 st March, 2006 Rupees	As at 31 st March, 2005 Rupees
SCHEDULE : A			
SHARE CAPITAL			
AUTHORISED			
125,00,000 Equity Shares of Rs.10/- each		125,000,000	125,000,000
25,00,000 Preference Shares of Rs.10/- each		<u>25,000,000</u>	<u>25,000,000</u>
		150,000,000	150,000,000
ISSUED, SUBSCRIBED AND PAID UP			
1,02,50,000 Equity Shares of Rs. 10 each fully paid up		102,500,000	102,500,000
850,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10 each fully paid up		<u>8,500,000</u>	<u>8,500,000</u>
TOTAL		111,000,000	111,000,000
850,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10 each are redeemable at par at the end of 7th year from the date of allotment. i.e 27.07.2000			
SCHEDULE : B			
SHARE CAPITAL SUSPENSE ACCOUNT			
In terms of the Scheme of Amalgamation of erstwhile N. R. Paper & Boards Limited and Suman Paper & Boards Limited with the Company:			
(i) An aggregate of 1,05,00,000 Equity Shares of Rs. 10 each of the Company to be issued as fully paid-up to the equity shareholders of N.R.Paper & Boards Limited and Suman Paper & Boards Limited whose names appear on the Record Date to be fixed for this purpose. (Refer Note 5 (e) in the Notes of the accounts - Schedule R)		105,000,000	0
(ii) Less:			
(a) 17,44,800 Equity Shares of Rs. 10 each of the Company held by NRPBL to be cancelled pursuant to Scheme of Amalgamation	17,448,000		
(b) 19,86,100 Equity Shares of Rs. 10 each of the Company held by SPBL to be cancelled pursuant to Scheme of Amalgamation	<u>19,861,000</u>	<u>37,309,000</u>	
TOTAL		67,691,000	0
SCHEDULE : C			
RESERVES AND SURPLUS			
GENERAL RESERVE			
Balance as per Last Account	2,923,711		1,423,711
Add : Transfer from N.R.Paper & Boards Limited *	20,053,858		
Transfer from Suman Paper & Boards Limited*	2,820,542		
Add : Transfer from profit and loss account	<u>1,700,000</u>		<u>1,500,000</u>
		27,498,111	2,923,711
CAPITAL REDEMPTION RESERVE			
Transferred from Profit and Loss Account	<u>8,500,000</u>	8,500,000	0
PROFIT AND LOSS ACCOUNT			
Balance as per profit and loss account	165,135,676		77,664,017
Less: Adjustment on account of amalgamation of N.R.Paper and Boards Limited and Suman Paper & Boards Limited *	<u>85,598,911</u>	<u>79,536,765</u>	<u>0</u>
		115,534,876	80,587,728

* Refer Note 5 in the Notes to the accounts - Schedule R regarding implementation of Scheme of Arrangement and Amalgamation.

N. R. Agarwal Industries Limited

	As at 31 st March, 2006 Rupees	As at 31 st March, 2005 Rupees
SCHEDULE : D		
SECURED LOANS		
i) Term/Corporate Loans		
I. D. B. I. - Corporate loan	100,000,000	0.00
I. D. B. I. - Term loan	3,900,000	9,100,000
The Greater Bombay Co-operative Bank Ltd.	2,400,000	7,200,000
Bank of India	178,095,469	74,153,070
Oriental Bank of Commerce	68,003,000	44,406,688
Bank of Baroda -Vapi	118,288,763	14,328,083
ii) Working Capital Loan from Banks	284,575,015	119,780,460
iii) Interest accrued and due	3,348,745	1,528,509
	<u>758,610,992</u>	<u>270,496,810</u>

NOTES :

- 1) The term loans from IDBI are secured by the first charge by way of joint mortgage by deposit of title deeds relating to the Company's immovable properties and further deeds of hypothecation in respect of the Company's plant and machinery including movable machinery, machinery spares, tools and accessories excluding those hypothecated in favour of banks for securing cash credits.
- 2) Terms loans from IDBI are further secured by pledge of 15,21,494 shares of the Company held by promoters, relatives and associate Companies.
- 3) All the above loans are further secured by the personal guarantees of Shri N.R.Agarwal, Shri R.N.Agarwal and Shri G.N.Agarwal.
- 4) The term loans from Bank of India are secured by hypothecation of plant and machinery for Co-Generation Plant and further secured by first pari passu charge with IDBI by way of joint mortgage by deposit of title deeds relating to Company's immovable properties situated at Vapi.
- 5) Corporate Loan from IDBI is secured by extension of first charge on the existing security pari passu with other lenders.
- 6) The term loan from The Greater Bombay Co-operative Bank Limited is secured by exclusive first charge by way of hypothecation of specific items of plant and machinery and secured by joint mortgage by deposit of title deeds relating to the Company's and group Companies immovable properties situated in Mumbai.
- 7) The term loan from Oriental Bank of Commerce (for Expansion-cum-Modernisation – 1st Phase) is secured by hypothecation of plant and machinery for Expansion-cum-Modernisation and further secured by first pari passu charge with term lending Financial Institutions/Banks by way of joint mortgage by deposit of title deeds relating to Company's immovable properties situated at Vapi.
- 8) The term loan from Bank of Baroda (for Co-Generation Plant at Unit I) is secured by hypothecation of plant and machinery for Co-Generation Plant and further secured by first pari passu charge with term lending Institutions/Banks by way of joint mortgage by deposit of title deeds relating to Company's immovable properties situated at Vapi.
- 9) The term loans at serial Nos. 4, 7, and 8 above are further secured by the personal guarantees of Shri N.R.Agarwal and Shri R.N.Agarwal.
- 10) The working capital loans from Banks are secured by hypothecation of present and future stock of raw materials, steam coal, goods-in-process, finished goods and book debts etc. ranking pari passu inter-se and second charge on Companies movable and immovable fixed assets and further guaranteed by personal guarantees of Shri N.R.Agarwal, Shri R.N.Agarwal and Shri G.N.Agarwal.

SCHEDULE : E

UNSECURED LOANS

Intercompany Deposits	19,790,240	21,512,994
Fixed Deposits	7,800,000	4,550,000
Trade Deposits	92,990,999	45,650,000
Other deposits	475,000	3,733,000
	<u>121,056,239</u>	<u>75,445,994</u>

SCHEDULE : F FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)					DEPRECIATION					NET BLOCK	
	As at 01.04.2005	Acquired Pursuant to Scheme of Amalgamation *	Additions during the year	Deductions	As at 31.03.2006	As at 01.04.2005	Acquired Pursuant to Scheme of Amalgamation**	For the year	On Deductions	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
1. Leasehold Land	17,433,186	4,962,471	27,418	0	22,423,075	0	769,412	51,315	0	820,727	21,602,348	17,433,186
2. Factory Building	88,805,488	39,126,270	21,338,415	0	149,270,173	17,878,975	9,154,242	4,895,919	0	31,929,136	117,341,037	70,926,513
3. Plant and Machinery	452,755,480	222,055,128	281,125,230	3,437,243	952,498,595	126,374,053	82,202,700	45,417,143	1,383,744	252,610,152	699,888,443	326,381,427
4. Furniture and Fixtures	1,700,583	10,578,496	254,681	0	12,533,760	813,590	3,868,110	808,702	0	5,490,402	7,043,358	886,993
5. Motor Cars	645,087	5,896,200	1,966,013	0	8,507,300	513,530	933,331	769,712	0	2,216,573	6,290,727	131,557
6. Others - Building	11,482,797	5,353,027	29,576	0	16,865,400	1,360,288	885,485	274,906	0	2,520,679	14,344,721	10,122,509
7. Computer	2,411,924	706,197	392,072	0	3,510,193	1,825,125	663,140	531,028	0	3,019,293	490,900	586,799
TOTAL	575,234,545	288,677,789	305,133,405	3,437,243	1,165,608,496	148,765,561	98,476,420	52,748,725	1,383,744	298,606,962	867,001,534	426,468,984
Previous Year	464,224,070	0	112,408,836	1,398,361	575,234,545	125,571,214	0	23,916,944	722,597	148,765,561		
Capital Work in Progress											169,690,802	114,352,765
											1,036,692,336	540,821,749

* Assets as at 1st April, 2005, taken over consequent to amalgamation of erstwhile N.R.Paper and Boards Limited and Suman Paper & Boards Limited (Refer to Note No. 5 of the Notes to accounts, Schedule R)

** Accumulated Depreciation as at 1st April, 2005, taken over consequent to amalgamation of erstwhile N.R.Paper and Boards Limited and Suman Paper & Boards Limited (Refer to Note No.5 of the Notes to accounts, Schedule R)

As at 31st March, 2006 Rupees	As at 31st March, 2005 Rupees
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SCHEDULE : G

INVESTMENTS (AT COST)

UNQUOTED

Shares of Sagar Sarita Co. Operative Housing Society Limited	3,500	3,500
Shares of Laxmi Co. Operative Housing Society Limited	2,750	2,750
Shares of MahaLaxmi Co. Operative Housing Society Limited	3,750	3,750
Shares of The Greater Bombay Co-operative Bank Limited (4000 Equity Shares of @ Rs. 25/- each fully paid up)	100,000	100,000
Shares of The Greater Bombay Co-operative Bank Limited # (4040 Equity Shares of @ Rs. 25/- each fully paid up)	101,000	0
Shares of Kherani Paper Mills Pvt. Ltd. (95 Equity Shares of Rs. 100/- each fully paid up) #	9,500	0

QUOTED

6000 fully paid up Equity Shares of Bank of Baroda of Rs. 10/- each	510,000	510,000
2200 fully paid up Equity Shares of Bank of India of Rs. 10/- each #	99,000	0

Aggregate book value of :

Quoted investment : Rs.609000

Unquoted investment : Rs.220500

Aggregate market value of Quoted Investment Rs.42,85,800
(Previous Year Rs.42,12,300)

Acquired pursuant to amalgamation of N. R. Paper and Boards Limited
and Suman Paper and Boards Limited

829,500

620,000

N. R. Agarwal Industries Limited

	As at 31 st March, 2006 Rupees	As at 31 st March, 2005 Rupees
SCHEDULE : H		
INVENTORIES		
(As taken, valued and certified by the Management)		
Stores, spares and tools	40,666,239	16,799,378
Packing Materials	2,490,882	626,623
Raw Materials	171,413,540	22,303,128
Work- in process	2,910,865	1,588,269
Finished Goods	39,351,830	20,109,410
Goods in Transit	0	16,518,089
	<u>256,833,355</u>	<u>77,944,897</u>
SCHEDULE : I		
SUNDRY DEBTORS		
Debts - exceeding 6 months		
- considered good	11,518,571	3,873,324
	<u>11,518,571</u>	<u>3,873,324</u>
Other Debts	301,481,350	101,695,023
	<u>312,999,921</u>	<u>105,568,346</u>
SCHEDULE : J		
CASH AND BANK BALANCES		
Cash on Hand	371,897	68,979
Balances with Scheduled Banks - In Current Accounts	3,106,685	1,632,141
- In Margin Money Accounts	29,423,814	10,291,710
	<u>32,902,396</u>	<u>11,992,830</u>
SCHEDULE : K		
LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advances Recoverable in cash or in kind or for value to be received	87,523,502	59,185,571
Deposits	23,698,740	9,653,211
Advance Payment of Income Tax (Net of Provisions)	10,831,112	306,829
(including MAT credit entitlement of Rs. 76,40,939/-) (Previous year Rs. Nil)	<u>122,053,354</u>	<u>69,145,611</u>
SCHEDULE : L		
CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities		
Sundry Creditors (due to small scale industrial undertaking)	7,738,155	2,432,562
Sundry Creditors (due to others)	363,423,125	153,117,982
Advances Received Against Order	2,210,000	1,200,000
Investor education and protection fund shall be credited by the following amounts when due:-		
a) Unpaid Dividends	462,772	245,161
Other Liabilities	51,648,077	25,586,543
Interest accrued and but not due	2,040,207	2,544,918
	<u>427,522,337</u>	<u>185,127,166</u>

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SCHEDULE : L (Contd.)

	As at 31 st March, 2006 Rupees	As at 31 st March, 2005 Rupees
(b) Provisions		
For Leave Encashment	2,225,057	1,156,233
For Proposed Dividend on Equity Shares	20,422,920	6,150,000
For Provision for Fringe Benefit Tax	43,172	0
For Provision for Wealth Tax	31,300	0
For Gratuity	312,288	0
For Proposed Dividend on Preference Shares	275,000	85,000
For Tax on Dividend	3,509,446	874,459
	26,819,183	8,265,692
	454,341,520	193,392,858

SCHEDULE : M

OTHER INCOME

Interest on Fixed Deposits (TDS Rs.78695/-) (Previous Year 48841/-)	578,517	376,899
Miscellaneous Income	10,513,444	5,002,011
	11,091,961	5,378,910

SCHEDULE : N

INCREASE (+) / DECREASE (-) IN STOCK

OPENING STOCK

Finished Goods	20,109,410	12,720,575
Work-in-Process	1,588,269	1,587,187
(A)	21,697,679	14,307,762

Add : Stocks taken over on amalgamation of N.R.Paper & Boards Limited and Suman Paper & Boards Limited
(Refer Note 5 in the Notes to the accounts - Schedule R)

Finished Goods	12,648,147	0
Work-In-Process	1,120,000	0
(B)	13,768,147	0
(A)+(B) = (C)	35,465,826	14,307,762

CLOSING STOCK

Finished goods	39,351,830	20,109,410
Work-in-Process	2,910,865	1,588,269
(D)	42,262,694	21,697,679
(D-C)	6,796,868	7,389,917

SCHEDULE : O

RAW MATERIALS CONSUMED

Opening Stock	22,303,128	38,780,221
Add: Stocks taken over on amalgamation of N.R.Paper & Boards Limited and Suman Paper & Boards Limited	58,603,734	0
(Refer Note 5 in the Notes to the accounts - Schedule R)		
Add : Purchases	1,234,217,486	553,624,751
	1,315,124,348	592,404,972
Less : Closing Stock	171,413,540	22,303,128
	1,143,710,808	570,101,844

N. R. Agarwal Industries Limited

	31 st March, 2006 Rupees	31 st March, 2005 Rupees
SCHEDULE : P		
MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Consumption of Store, Spares and Tools	77,576,066	34,534,005
Power, Fuel and Water Charges	350,101,462	222,283,980
Material Handling Charges	11,148,382	7,127,242
Excise Duty	<u>176,862,227</u>	<u>75,862,227</u>
	538,112,071	305,273,449
Employees Remuneration and Benefits		
Salaries, Wages, Bonus etc.	60,921,311	29,466,754
Contribution to ESIC and Other Funds	6,194,284	3,202,452
Staff Welfare Expenses	<u>743,213</u>	<u>404,952</u>
	67,858,808	33,074,158
Administrative Expenses		
Insurance	2,409,966	1,297,366
Rates and Taxes	878,296	293,226
General Expenses	<u>27,693,131</u>	<u>13,894,294</u>
	30,981,393	15,484,886
Selling and Distribution Expenses		
	113,803,492	67,821,833
Repairs and Maintenance		
Machinery	9,428,490	4,993,327
Building	3,156,323	2,209,812
Others	<u>822,856</u>	<u>1,277,686</u>
	13,407,669	8,480,825
Other Expenses		
Directors Sitting Fees	141,000	37,000
Remuneration to Auditors	471,610	130,147
Miscellaneous Expenses	73,083	75,574
Advertisement	237,058	66,490
Donation	186,711	228,003
Loss on Sales of Assets	1,031,298	225,729
Bad debts written off	2,094,214	0
	<u>4,234,974</u>	<u>762,943</u>
	<u>845,974,475</u>	<u>465,432,098</u>
SCHEDULE : Q		
INTEREST		
Interest on		
(a) Term Loans	25,081,924	5,434,106
(b) Bank	24,117,136	11,891,093
(c) Others	<u>7,656,849</u>	<u>4,271,949</u>
	<u>56,855,909</u>	<u>21,597,148</u>

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

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

(b) Fixed Assets:

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

(c) Depreciation:

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

(d) Investments:

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

(e) Foreign Currency Transactions:

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

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

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

(f) Inventories:

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

Goods in Transit are stated at cost.

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

(g) Retirement Benefits:

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

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

(h) Borrowing Cost:

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

(i) Treatment of expenditure during construction period:

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

(j) Revenue Recognition:

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

(k) Taxes on Income.

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

In accordance with the Accounting Standard AS-22 issued by the Institute of Chartered Accountants of India, the provision for Deferred Tax are made in the account. Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method at the current rate of tax, to the extent that the timing differences are expected to crystallize. The deferred

N. R. Agarwal Industries Limited

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.

(l) Cenvat Credit:

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

(m) Contingent Liabilities:

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

(n) Preliminary Expenses:

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

2. Contingent Liabilities:

- (a) Guarantees and counter guarantees given by the Company on behalf of group companies Rs.1900 Lacs (Previous year Rs.2725 lacs).
 - (b) Corporate Guarantee given by the Company – Nil. (Previous year Rs.300 Lacs).
 - (c) Excise duty demands and penalties – Rs.2,50,20,748/-(Previous Year Rs.2,81,90,099/-)
 - (d) Claims against the Company not acknowledged as debts in respect of labour disputes – Amount Unascertainable.
 - (e) Letter of Credit outstanding Rs.1246.49 lacs (Previous year Rs.282.20 lacs).
 - (f) Customs penalties on Imports – Rs. 5,00,000 (Previous year Rs. 5,00,000).
 - (g) Tax Liabilities and interest in respect thereof demanded by the Income Tax Department has been paid but the company has preferred an appeal against the said demand.
3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs.136.28 lacs (Previous Year Rs.792.55 lacs).
4. The Accounts of the Company for the year ended 31st March, 2006 were earlier approved by the Board of Directors at its meeting held on 1st December, 2006 and reported upon by the statutory auditors vide their report dated 1st December, 2006 but were not placed before the general body of members for their approval. The said accounts did not incorporate the effect of the Scheme of Amalgamation (hereinafter referred to as “the Scheme”) of M/s N.R.Paper & Boards Limited (hereinafter referred to as “NRPBL”) and M/s Suman Paper & Boards Limited (hereinafter referred to as “SPBL”) with the Company pending necessary approvals.

The Company has since received the requisite approvals for merger of NRPBL and SPBL with the Company. Consequently, the Scheme has become effective on 6th March, 2007 with retrospective effect from the Appointed date (1st April, 2005). The Board of Directors have decided to revise the accounts of the Company for the year ended 31st March, 2006 so as to include the effect of the merger and accordingly these accounts have been prepared in supersession of the accounts previously adopted as referred above, for giving appropriate effect to the Scheme.

5. Amalgamation of N. R. Paper And Boards Limited and Suman Paper And Boards Limited with the Company:

- (a) In accordance with the Scheme of the erstwhile NRPBL and SPBL with the Company as approved by the members at a Court-convened meeting held on 16th August, 2006 and subsequently sanctioned by the Honourable High Court of Judicature at Mumbai vide its order dated 2nd February, 2007 and pursuant to the filing of a Certified Copy of the said Order with the Registrar of Companies, Maharashtra, Mumbai on 6th March, 2007, the Undertaking of NRPBL and SPBL being all its assets and properties, both movable and immovable, industrial and other licences, trademarks, all other interests, rights and powers of every kind, etc., and all its debts, liabilities including contingent liabilities, duties and obligations, has been transferred to and vested in the Company retrospectively with effect from 1st April, 2005. The Scheme has accordingly been given effect to in these accounts.
- (b) NRPBL and SPBL were engaged in manufacturing and distribution of Paper and Paper Boards.
- (c) The amalgamation has been accounted for under the “Pooling of interests” method as prescribed by Accounting Standard (AS – 14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of NRPBL and SPBL as at 1st April, 2005 have been taken over at their book values.
- (d) Pursuant to the Scheme, 1,05,00,000 Equity Shares of Rs. 10/- each of the Company have been allotted to the shareholders of NRPBL and SPBL in the ratio of 6(six) fully paid-up Equity Shares of the Company for every 1(one) fully paid-up Equity Shares of Rs.10/- each in NRPBL and in the ratio of 5(five) fully paid-up Equity Shares of the Company for every 1(one) fully paid-up Equity Shares of Rs.10/- each in SPBL. As provided in the Scheme, the difference between the amount of fresh share capital to be allotted by the Company on amalgamation and the amount of share capital of NRPBL and SPBL is adjusted in the Reserves and Surplus. Pending allotment, an amount of Rs.1050.00 lacs has been shown under the Share Capital Suspense Account as at 31st March, 2006 (Schedule B).
- (e) In terms of the Scheme, the Equity Shares held by NRPBL (1744800 nos. of Equity Shares) and SPBL (1986100 nos. of Equity Shares) in the Company (both in electronic form and in the physical form) stand automatically cancelled. Pending adjustment, an amount of Rs.676.91 lacs has been shown under Share Capital Suspense Account as at 31st March, 2006 (Schedule B).
- (f) In terms of the Scheme, the Equity Shares allotted on 9th March, 2007 by the Company shall rank for dividend, voting rights and in all other respects pari-passu with the existing equity shares of the Company. Accordingly, the appropriation for the proposed dividend includes dividend on 1,05,00,000 Equity Shares, which would be allotted to the shareholders of NRPBL and SPBL (referred to in note (d) above).

- (g) The income accruing and expenses incurred by NRPBL and SPBL during the period 1st April, 2005 to 31st March, 2006 have also been incorporated in these accounts. During this period, as NRPBL and SPBL carried on the existing business in "trust" on behalf of the Company, all vouchers, documents etc. for the period are in the name of NRPBL and SPBL. The title deeds for leasehold land, building, residential flats, licenses, agreements, loan documents etc., are being transferred in the name of the Company.
- (h) In terms of the Scheme, all employees in service of NRPBL and SPBL have become employees of the Company without any break or interruption in service. All rights, duties, powers and obligations of NRPBL and SPBL in relation to Provident Fund, Gratuity Fund etc., have been transferred to the Company.
- (i) In view of the aforesaid amalgamation with effect from 1st April, 2005, the figures for the current year are not directly comparable to those of the previous year.
- (j) In terms of the Scheme, the Company has acquired assets having Net Book Value of Rs.109,249,917 as detailed hereunder:

	NRPBL	SPBL	TOTAL
	(Rupees)	(Rupees)	(Rupees)
Fixed Assets (net including CWIP)	104,282,633	85,918,736	190,201,368
Investments	20,212,155	21,190,002	41,402,157
Current Assets	132,044,056	76,059,949	208,104,005
Total Assets	256,538,843	183,168,687	439,707,531
Less:			
Loans	110,925,510	63,693,868	174,619,377
Deferred Tax Liability	20,492,070	13,397,828	33,889,898
Current Liabilities and Provisions	67,776,066	54,172,273	121,948,338
Total Liabilities	199,193,645	131,263,968	330,457,614
Net Book Value	57,345,198	51,904,719	109,249,917

- (k) The difference between the consideration of Rs.105,000,000 (being the face value of Equity Shares of the Company issued) for amalgamation and the Net Book Value, after adjusting reserves of NRPBL and SPBL and expenses incidental to the Scheme or its implementation is transferred to General Reserve, in accordance with the Scheme, as detailed hereunder:

Net Book Value	57,345,198	51,904,719	109,249,917
Less: Preference Shares considered as Current Liability of the Company	0	2000000	2,000,000
Less: General Reserve considered as General Reserve of the Company	20,053,858	2,820,542	22,874,400
Less: Profit and Loss account considered as Profit and Loss account of the Company	28,291,340	36,884,177	65,175,517
Total	48,345,198	41,704,719	90,049,917
Balance	9,000,000	10,200,000	19,200,000
Add: Adjustment of cost of investment on account of amalgamation	101089	100000	201089
Balance	9101089	10300000	19401089
Less: Issue of Equity Shares	54000000	51000000	105,000,000
The balance transferred to Profit and Loss Account of the Company	(44898911)	(52000000)	(85598911)

- (l) The amount of stamp duty payable on amalgamation has been apportioned on assets transferred to the Company.

N. R. Agarwal Industries Limited

6. The deferred tax liability as at 31st March 2006 comprise of the following:

	As at 31 st March, 2006 (Rupees)	As at 31 st March, 2005 (Rupees)
Deferred Tax Liability		
Fixed Assets excess net block over written down value as per the provisions of the Income Tax Act 1961	45,96,11,746	24,67,14,211
Miscellaneous Expenditure w/o	0	1,66,963
	<u>45,96,11,746</u>	<u>24,68,81,174</u>
Deferred Tax Assets		
Disallowance under Income Tax Act 1961	1,43,132	7,66,708
Unabsorbed Depreciation	6,11,43,496	4,06,89,734
	<u>6,12,86,628</u>	<u>4,14,56,442</u>
	<u>39,83,25,119</u>	<u>20,54,24,732</u>
Provision for deferred tax (net)	<u>13,40,76,235</u>	<u>7,51,70,044</u>
	<i>(Rupees)</i>	
Balance as on 1 st April, 2005	7,51,70,044	
Add: Deferred Tax Liability recognized on Amalgamation	3,38,85,698	
Add: Provision for Deferred Tax during the year	2,50,20,493	
Balance as on 31 st March, 2006	<u>13,40,76,235</u>	

7. **Earnings Per Share:**

	31 st March, 2006	31 st March, 2005
(a) Weighted average number of equity shares of Rs. 10 each		
(i) Number of shares at the beginning of the year	1,02,50,000	61,50,000
(ii) Add: Number of shares to be issued to the shareholders of NRPBL and SPBL pursuant to the Scheme of Amalgamation*	1,05,00,000	0
(iii) Less: Shares of the Company held by the erstwhile NRPBL and SPBL cancelled pursuant to the Scheme of Amalgamation*	(37,30,900)	0
(iv) Number of shares at the end of the year	1,70,19,100	1,02,50,000
(iii) Weighted average number of equity shares outstanding during the year	1,70,19,100	77,33,836
(b) Net Profit after tax and after prior year adjustments (Rs.)	56,595,212	2,91,28,750
(c) Less: Preference Dividend Including tax thereon (Rs.)	3,13,571	96,921
(d) Profit attributable to equity share holders (Rs.)	<u>56,281,641</u>	<u>2,90,31,829</u>
(e) Basic and diluted earnings per share (in Rupees)	<u>3.31</u>	<u>3.75</u>

* Shares are considered as cancelled/issued with the effect from the Appointed date i.e. 1st April, 2005 (Refer Note No 5 in the Notes to the Accounts)

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

9. Sundry Creditors include a sum of Rs.1,70,29,664 (Previous Year Rs.5,81,47,492) payable for Capital Goods.

10. Segment Reporting:

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

11. The names of the Small Scale Undertakings to whom the Company owes a sum exceeding Rs. 1.00 Lac outstanding for more than 30 days as on 31st March, 2006 are: Bhavik Enterprises, Dhiren Engineering Works, Good Cast Industries, Siddhartha Chemicals, Allwyn Engineers, Laxmi Projects and Alok Trade & Investments Pvt. Ltd. The information regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company.

12. The Company has imported Capital Goods under 'Export Promotion Capital Goods' Scheme for which the Company has an export obligation of Rs.43,86,65,570 (previous year 33,37,47,627) to be fulfilled within a period of eight years i.e. upto 2013 (previous year 2012). On failure to fulfill the obligation, the Company would be liable to pay the customs duty saved amounting to Rs.5,16,42,778 (previous year Rs.4,14,48,116) with interest as applicable. The Company is confident of achieving the export obligation and accordingly no provision has been made in the accounts.

13. Disclosure in respect of related parties pursuant to Accounting Standard AS-18 :

(a) Related parties with whom transactions have been taken place during the year:

Associates:

Gayatrishakti Paper & Boards Limited

Kherani Paper Mills Private Limited

Agarwal Paper Mills Private Limited

Agrashakti Paper Mills Private Limited

Key Management Personnel & Relatives:

Shri N.R. Agarwal

Shri R.N. Agarwal

Relatives of Directors

Shri G.N. Agarwal

Smt. S.N. Agarwal

Smt. R.R. Agarwal

Smt. M.G. agarwal

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

	31 st March, 2006 (Rs. In lacs)	31 st March, 2005 (Rs. In lacs)
(i) Purchase of Goods/Payment for other services Associates	0	0.97
(ii) Sales & Services Associates	0	0.58
(iii) Unsecured Advances given Associates	0	892.76
(iv) Unsecured Advances received Associates	0	892.37
(v) Unsecured Deposits received Key Management Personnel & Relatives	81.23	18.08
(vi) Remuneration paid Key Management Personnel	39.01	15.86
(vii) Sitting Fees Paid Key Management Personnel	0.31	0.12
(viii) Outstanding Credit Balance Unsecured Deposits Key Management Personnel & Relatives	4.75	37.33
(ix) Guarantees provided for Associates	1900	2725

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

Loans and Advances in the nature of Loans

Maximum balance

Nil

Nil

Notes:

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

N. R. Agarwal Industries Limited

14. Auditor's Remuneration

	31 st March, 2006 (Rupees)	31 st March, 2005 (Rupees)
Audit Fees	2,95,000	99,180
Tax Audit	55,000	11,020
Reimbursement of Expenses	73,110	19,947
Other matters	48,500	
Total	4,71,610	1,30,147

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

To The Executive Chairman and The Managing Director		
(a) Remuneration and contribution to funds	38,50,819	15,09,360
(b) Perquisites	50,000	76,400
Total	39,00,819	15,85,760

16. Capital Work in Progress includes advance:

Paid towards		
Building	3,30,00,023	38,48,376
Expenses	84,95,532	44,64,731
Plant & Machinery	12,76,28,022	10,60,39,658
Advance for Land	5,67,225	—
Total	16,96,90,802	11,43,52,765

17. Details of capacity and production:

PRODUCT	DUPLEX BOARD		NEWSPRINT	
	CAPACITY (ANNUAL IN M.T.)		CAPACITY (ANNUAL IN M.T.)	
	Licensed	Installed	Licensed	Installed
This Year	N.A.	72400 TPA(3 shifts)	30000	30000TPA (3 shifts)
Previous year	N.A.	32400 TPA(3 shifts)	30000	30000TPA (3 shifts)

Note:

- Licensed capacity is not applicable in view of the Company's products having been delicensed as per the licensing policy of the Government of India.
- Installed capacity is as certified by the management and accepted by auditors, being technical matter.
- The installed capacity for the current year includes those of NRPBL and SPBL pursuant to the Scheme of Amalgamation.

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

A. Information regarding Raw Materials Consumed:

	Waste Paper		Chemicals, Dyes	
	Qty.	Value	Qty.	Value
	MT.	Rs.	MT.	Rs.
Indian	78,244.057 (23,635.028)	54,65,29,871 (15,96,90,014)	(—) (—)	17,09,12,221 (6,64,51,774)
Imported (including High Seas)	35,471.918 (45,765.627)	38,00,33,290 (31,72,07,647)	(—) (—)	4,62,35,426 (2,67,52,409)
Total	113,715.975 (69,400.655)	92,65,63,161 (47,68,97,661)	(—) (—)	21,71,47,647 (9,32,04,183)

B. Information regarding Exports, imports and other Matters:

	31 st March, 2006 (Rupees)	31 st March, 2005 (Rupees)
1 Earnings in Foreign Exchange		
F.O.B. Value of Goods Exported	1,58,73,908	77,80,638
2 C.I.F. Value of imports		
(i) Raw Materials	99,17,022	5,70,72,262
(ii) Stores, Components & parts	7,92,034	32,75,413
(iii) Capital Goods	1,72,79,079	5,83,24,253
3 Expenditure in Foreign Currency		
Travelling	3,75,752	6,56,284

Annual Report 2005 - 2006

	31 st March, 2006 (Rupees)	31 st March, 2005 (Rupees)
4 Value of Imported and Indigenous Raw Materials, Stores and Spares consumed:		
Raw Materials:		
Imported (including High Seas)	42,62,68,716	34,39,60,056
Indigenously obtained	71,74,42,092	22,61,41,788
	114,37,10,808	57,01,01,844
Stores and Spares:		
Imported	51,80,243	53,47,097
Indigenously obtained	7,23,95,823	2,91,86,908
	7,75,76,066	3,45,34,005
5 Percentage of Total Consumption		
Raw Materials:		
Imported (including High Seas)	37.27%	60.33%
Indigenously obtained	62.73%	39.67%
Stores and Spares:		
Imported	6.68%	15.48%
Indigenously obtained	93.32%	84.52%

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

	DUPLEX BOARD				NEWSPRINT			
	2005-2006		2004-2005		2005-2006		2004-2005	
	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)	Qty. (M.T.)	Value (Rs.)
Opening Stock	568.382	9866441	409.377	7050152	623.752	10242969	361.968	5670423
Stock transferred								
On amalgamation (Refer Note 2)	641.058	12648147	—	—	—	—	—	—
Production	78977.565	—	31239.292	—	25518.492	—	26953.36	—
Sales	78472.305	1649660283	31080.285	623796123	25771.92	522565352	26691.576	502000175
Closing Stock	1714.699	32651537	568.382	9866441	370.324	6700292	623.752	10242969

TRADED GOODS

	2005-2006		2004-2005	
	Qty. MT.	Value Rs.	Qty. MT.	Value Rs.
Op. Stock	—	—	—	—
Purchase	67.200	25,79,609	33.600	9,52,000
Sales	67.200	25,56,473	33.600	9,52,000
Closing Stock	—	—	—	—

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

Signatures to Schedule 'A' to 'R'

As per our attached report of even date

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered Accountants

R. N. AGARWAL
Managing Director

A. K. CHATURVEDI
Partner

VINOD BAPNA
Company secretary

N. R. AGARWAL
Director

Mumbai, 20th March, 2007

S. N. CHATURVEDI
Director

N. R. Agarwal Industries Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

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

I. Registration Details

Registration No.	:	11-133365	State Code	:	11
Balance Sheet Date	:	31 st March, 2006			

II. Capital Raised during the year

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

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

Total Liabilities	:	1,307,969,342	Total Assets	:	1,307,969,342
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Sources of Funds

Paid-up capital	:	178,691,000
Reserves and Surplus	:	115,534,876
Secured Loans	:	758,610,992
Unsecured Loans	:	121,056,239
Deferred Tax Liabilities	:	134,076,235

Application of Funds

Net Fixed Assets	:	1,036,692,336
Investment	:	829,500
Net Current Assets	:	270,447,505
Misc. Expenditure	:	0
Accumulated Losses	:	—

IV. Performance of Company

Turnover	:	2,174,782,109	Total expenditure	:	2,101,869,526
Profit/Loss Before Tax	:	90,801,412	Profit/Loss After Tax	:	57,606,686
Earnings per Share in Rs.	:	3.31	Dividend Rate %	:	12%

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

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

For and on behalf of the Board of Directors

R. N. AGARWAL
Managing Director

N. R. AGARWAL
Director

S. N. CHATURVEDI
Director

VINOD BAPNA
Company secretary

Mumbai, 20th March, 2007

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 Adjourned
Thirteenth Annual General Meeting of the Company to be held at GMS Community Centre Hall, Sittladevi Complex, 1st Floor,
D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053, on Monday, 30th April, 2007.

Signed this _____ day of _____, 2007.

DP Id*	
Client Id*	
Reg.Folio No.	

Signature.....

Affix Revenue Stamp

*Applicable if shares are held in Electronic Form.

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

N. R. AGARWAL INDUSTRIES LIMITED

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

ATTENDANCE SLIP

DP Id*	
Client Id*	
Reg.Folio No.	

Name & Address of the Registered Shareholder

*Applicable if shares are held in Electronic Form.

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

I hereby record my presence at the Thirteenth Annual General Meeting of the Company at Mumbai, on 30th April, 2007.

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

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



3MW Co-Generation Power Plant - Unit II



Effluent Treatment Plant



Laboratory Testing Equipment

Book - Post

If undelivered, please return to :

N. R. AGARWAL INDUSTRIES LIMITED

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