



N R AGARWAL INDUSTRIES LIMITED

A New Horizon

15th Annual Report
2007-2008



**Your Founder Chairman Shri N R AGARWAL(seated)
Along with Managing Director Shri R N AGARWAL**

Board of Directors

Shri N R Agarwal	<i>Executive Chairman</i>
Shri R N Agarwal	<i>Managing Director</i>
Shri S N Chaturvedi	<i>Director</i>
Shri P Kumar	<i>Director</i>
Shri C Musib (Upto 10.07.2008)	<i>Director</i>
Shri C R Radhakrishnan	<i>Director</i>
Shri Raunak Agarwal (W.e.f. 01.05.2008)	<i>Director</i>

REGISTERED OFFICE:

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

Auditors:

CHATURVEDI & PARTNERS

Bankers:

BANK OF INDIA
BANK OF BARODA
ORIENTAL BANK OF COMMERCE
STANDARD CHARTERED BANK
IDBI BANK LIMITED
ING VYSYA BANK LIMITED

Company Secretary & Compliance Officer

Ms. Priyanka Agrawal
(w.e.f. 11.02.2008)

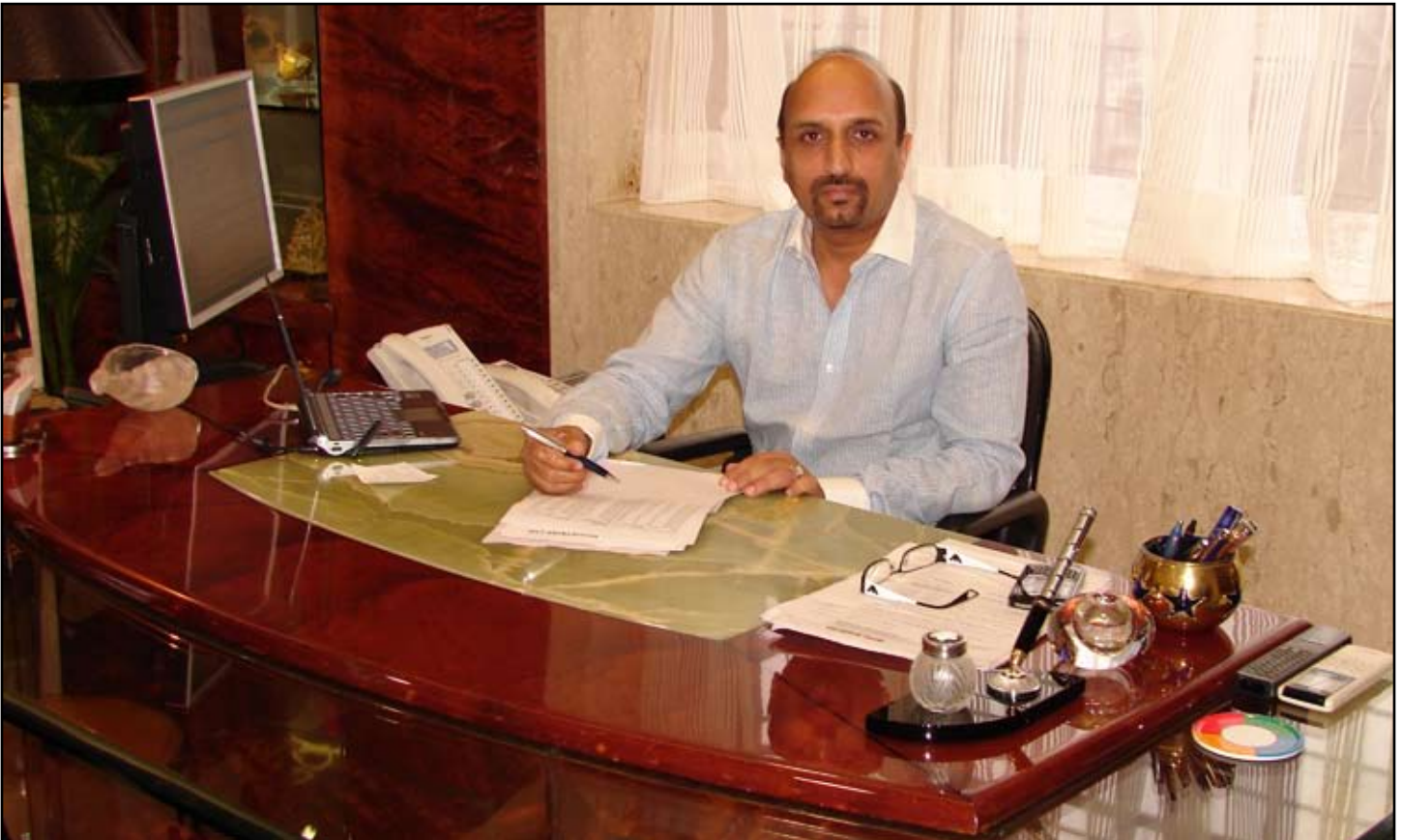
REGISTRAR & TRANSFER AGENTS

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

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*“Aspiration is the main fuel for progress.
Aspirations transform a set of ordinary people into extra ordinary achievers.”*



FROM THE DESK OF THE MANAGING DIRECTOR

Dear Shareholders,

I am pleased to put before you, the latest result of our business activities for the year 2007-08.

The Company has posted reasonable growth in Sales/ Revenue with total turnover and other income of Rs.31341 lacs as against Rs.29138 lacs for the previous financial year, thereby registering an increase of 7%. Our goals for the current financial year are even higher. Consequently, we foresee an exciting path of steady success ahead for the company by accepting the challenges, which we may face on the road towards success.

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

Paper Industry is cyclical in nature and is sensitive to changes. The principal threat faced by a large number of Indian Paper Manufacturers is the dearth of good quality raw material at globally competitive rates. High power tariffs and widespread power shortages are other impediments to the growth of this energy-sensitive industry. The continuous increase in input costs is also a cause for concern, which has resulted in marginally lower profits registered by the company, irrespective of the increase in the turnover.

While we are continuously striving to adapt the changing business environment to keep our company at the forefront, our uncompromising focus on quality, will continue to give us a competitive advantage.

I'd like to extend my gratitude towards all our shareholders, customers and the staff for their support at all levels.

R N Agarwal
Managing Director

NOTICE

NOTICE is hereby given that the Fifteenth 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 Thursday, September 11, 2008 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 2008 and the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri. N R Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

RESOLVED THAT Shri Raunak Agarwal, who was appointed as an Additional Director of the Company by the Board of Directors with effect from May 1, 2008 and who holds office upto the date of this Annual General Meeting in accordance with Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument of proxy for use at the meeting must be lodged at the Registered Office of the Company, not less than forty eight hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business at item no 5 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, September 5, 2008 to Thursday, September 11, 2008 (both days inclusive).
5. The dividend on equity shares, if declared at the meeting, will be paid on or after September 11, 2008 to those members whose names appear on Register of Members on September 11, 2008. In respect of equity shares held in electronic form, the dividend will be payable to the Beneficial Owners of shares as at the end of business hours on September 4, 2008 as per the details furnished by the Depositories for this purpose.
6. Members are requested to immediately notify the Company in case of any change in address and should specify their full address in capital letters clearly indicating the pincode of the post office.
7. **Shareholders holding shares in physical form are requested to get their shares dematerialised.**

By order of the Board of Directors

Priyanka Agrawal
Company Secretary

Mumbai,
Dated : 31st July, 2008

ANNEXURE TO NOTICE:

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

Item No. 5

Shri Raunak Agarwal was appointed as Additional Director of the Company by the Board of Directors with effect from May 1, 2008. By virtue of Section 260 of the Companies Act, 1956 he holds office up to the date of the forthcoming Annual General Meeting and is eligible for appointment. The Company has received notice under Section 257 of the Companies Act, 1956 along with deposit of Rs. 500/- from a member of the Company proposing the name of Shri Raunak Agarwal as candidate for the office of Director.

Shri Raunak Agarwal is interested in the resolution as it relates to his own appointment. Shri N R Agarwal and Shri R N Agarwal, Directors of the company are also interested in the said resolution as relatives of Shri Raunak Agarwal.

By order of the Board of Directors

Priyanka Agrawal
Company Secretary

Registered Office:

415-418, Janki Centre, 4th Floor
29, Shah Industrial Estate
Off: Veera Desai Road
Andheri (W), Mumbai – 400 053
Mumbai,
Dated : 31st July, 2008

N R Agarwal Industries Limited

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in submitting their Fifteenth Annual Report alongwith the Audited Annual Accounts for the year ended on 31st March, 2008.

FINANCIAL RESULTS:

Particulars	(Rs. in Lacs)	
	Year ended 31.03.2008	Year ended 31.03.2007
Net Sales / Income from Operations and other income	31340.73	29138.47
Interest	998.68	866.79
Gross Profit after Interest but Before Depreciation and Taxation	1984.32	2144.48
Depreciation	(750.23)	(665.08)
Profit Before Tax	1234.09	1479.40
Provisions for Taxation	(272.30)	(215.00)
M Vat Entitlement	–	76.41
Deferred Tax	(51.15)	(229.25)
Fringe Benefit Tax	(5.09)	(5.40)
Prior year Adjustments	16.99	2.97
Net Profit for the year	922.54	1109.13
Balance in Profit & Loss Account	1537.83	795.37
Surplus available for appropriation	2460.37	1904.50
Transferred to General Reserve	25.00	68.00
Proposed Dividend	204.23	255.29
Tax on Dividend	34.71	43.38
Balance carried to Balance Sheet	2196.43	1537.83

DIVIDEND:

The Board of Directors of the Company recommend for declaration by the Shareholders at the Annual General Meeting payment of dividend @ 12% (Rs.1.20 per equity share) on 1,70,19,100 equity shares of the face value of Rs.10/- each.

YEAR IN RETROSPECT:

During the year, the Company achieved a production of 99070 tones of Duplex Boards and 32524 MT of Newsprint /Writing & Printing, highest achieved by the Company so far, compared to 98893 Tonnes of Duplex Board and 30549 Tonnes of Newsprint in the previous year.

The gross sales and other income for the financial year under review were Rs.31340.73 lacs as against Rs.29138.47 lacs for the previous financial year

registering an increase of 7%. There has been a marginal reduction in profits as compared to last year due to steep increase in input cost.

Exports efforts of the Company fructified during the year and the Company exported Duplex Board and realised Rs 1432.43 lacs as compared to Rs 788.53 lacs, during the previous year, a substantial growth over previous year.

CURRENT YEAR'S PROSPECTS:

The production of Duplex Board and Newsprint during the first quarter was 29458 tonnes and 7539 tonnes respectively compared to 26224 tonnes of Duplex Board and 6301 tonnes of Newsprint of the corresponding quarter during April-June 2007.

During the first quarter of the current year 1662 tonnes of Duplex Board, valued at INR 400.49 lacs were exported, as against 1592 tonnes of Duplex Board valued at INR 327.18 lacs exported in the corresponding quarter of the previous year.

FIXED DEPOSITS:

As on 31st March, 2008 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, 2008 are being audited by the Cost Auditor M/s. V. J. Talati & Company, who were appointed by the Board with the approval of the Central Government.

DIRECTORS:

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

Shri Raunak Agarwal had been appointed as an Additional Director by the Board with effect from 1st May, 2008. By virtue of Section 260 of the Companies Act, 1956 he would hold office upto the date of the ensuing Annual General Meeting and is eligible for appointment.

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

Shri C Musib resigned as Director of the Company w.e.f 10.07.2008. The Board places on record its appreciation of the valuable advice and guidance given by him during his tenure as a 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 outgo is given in Annexure-I forming part of this report.

PARTICULARS OF EMPLOYEES:

The Company does not have any employee where particulars are required to be given under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended.

DIRECTORS RESPONSIBILITY STATEMENT:

The Directors confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that the accounting policies selected and applied are consistent and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the annual accounts have been prepared on a going concern basis;

AUDITORS:

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

LISTING:

The Equity shares of the Company are listed with the Bombay Stock Exchange Limited. The Company has paid Annual Listing Fee to the Bombay Stock Exchange Limited for the year 2008-2009.

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 deep appreciation for the exemplary contribution made by the employees at all levels. The Board also acknowledges the continued support received from Financial Institutions, Banks and various Central and State Government Agencies, shareholders, suppliers, dealers and valued customers.

For and on behalf of the Board of Directors

N R Agarwal
Executive Chairman

Mumbai
Dated : 31st July, 2008

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, 2008.

I) CONSERVATION OF ENERGY:

ENERGY CONSERVATION MEASURE TAKEN IN NEWS PRINT UNIT AND DUPLEX COATED PAPERBOARD UNITS

A) Newsprint manufacturing Unit.

- 1 Installation of ceramic foils in wire part for reducing the friction as well as overall machine run-ability improvement for power saving on per ton of finished product.
- 2 Installation of sludge press in place of huge power consuming de-canthers and fresh water consumption has also reduced up to 2 KL per ton of machine production by circulating the more used water in close cycle.
- 3 Energy efficient rotor of HD pulper has replaced for power saving by reducing the pulper slushing period.
- 4 Installation of heat exchanger for better condensate recovery from paper machine by reducing the vent of flash steam into the air.
- 5 Installation of energy efficient reject screen in place of two screens.

By putting the above said equipments we are producing one grade higher quality News Prints at the same KWH/Ton of paper & at lower steam consumption. Now we can also produce the Writing & Printing paper on the same parameters.

B) Duplex coated paperboard Units.

- 1 Installation of heat energy efficient Hood in our paper machine for better drying of coating & paper at optimum steam consumption.
- 2 We have done the re-coating of our MG surface for effective improvement of thermal conductivity hence getting the lower steam consumption.
- 3 Re-arrange the whole gear assemblies of complete paper machine drying section for better power transmission from prime mover to paper machine.
- 4 We have also re-arranged the machine line shaft belt driven system to avoid the losses due to spillage between main DC motor to line shaft.
- 5 We installed additional Former in paper machine wet section for improving the machine production with wide range in GSM.
- 6 Installation of Decker in pulp mill for improving the pulp consistency so that more pulp could be stored in the same capacity of chest, thus frequent start & stop of pulp mill has minimized.
- 7 We have replaced good quality steam rotary joints, steam traps and air vent in our machine dryer section for reducing steam consumption as well as better condensate recovery.
- 8 We re-designed the LP steam line to avoid the pressure drop between co-gen. CPP to paper machine.

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Result : -Now we are producing better quality & quantity production of coated duplex paper board at lower KWH and steam consumption per ton of paperboard.

C) Co-gen. CPP.

- 1 We have also reduced the Aux. Power consumption of 3 & 5 MW Co-gen. CPP by putting the VFDs in all fans in place of suction damper control system.
- 2 We have also replaced the air pre heater tubes for better heat recovery from waste flue gases which is going into the chimney from our boiler.

1) POWER & FUEL CONSUMPTION:

a) Electricity:

	Unit	Current Year	Previous Year
i) Purchased units	Lakh/KWH	12663380	29254360
Total amount	Rs.in lakhs	711.59	1600.70
Rate / Unit	Rs.	5.62	5.48
ii) Own Generation			
(i) Through Diesel Generator			
Units	KWH	N.A	N.A
Qty.	Kilo Ltrs.		
Total Cost	Rs.in lacs		
Units per Ltr. of Furnace Oil & LDO			
Average Cost/Unit	Rs./KWH		
(ii) Through Steam Turbine			
Units	KWH	57723600	37506852
Units per tonne of coal	KWH	1160	1518
Average Cost/Unit	Rs./KWH	1.58	1.65
b) COAL AND LIGNITE:			
Quantity	Tonnes	109779	91739
Total amount	Rs.in lakhs	2923.02	2271.00
Average Rate/Ton	Rs.	2663	2475

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

2) CONSUMPTION PER TONNE OF PRODUCTION:

Electricity	KWH	96	226
Coal	Kgs.	834	709
Furnace Oil	Ltr.	NA	NA
L.D.O.	Ltr.	NA	NA

II) TECHNOLOGY ABSORPTION:

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

III) FOREIGN EXCHANGE EARNINGS & OUTGO:

Foreign Exchange Outgo	: Rs.	997.70 Lacs
Foreign Exchange Earnings	: Rs.	1432.44 Lacs

For and on behalf of the Board of Directors

N R Agarwal
Executive Chairman

Mumbai
Dated : 31st July, 2008

REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

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 stakeholder's 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 of Directors of the Company 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 present strength of Board of Directors of the Company is Six Directors. Four out of Six Directors are Non Executive Directors and three out of them are 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	1	Attended	4	—	—
Shri. R N Agarwal	Managing Director Non-Independent	5	Attended	—	—	—
Shri.S N Chaturvedi	Non-Executive Independent	4	Attended	6	2	—
\$Shri. Chittaranjan Musib (upto 10.07.2008)	Non-Executive Independent	2	Not Attended	—	—	—
Shri P. Kumar	Non-Executive Independent	5	Attended	1	3	—
Shri C R Radhakrishnan	Non-Executive Independent	5	Not Attended	—	—	—
**Shri Raunak R Agarwal (Since 01.05.2008)	Additional Director Non-Independent	0	Not Attended	—	—	—

\$ Ceased to be a director of the company w.e.f 10.07.2008

** Appointed as Additional Director w.e.f 01.05.2008

None of the Non-Executive Directors of the Company hold any Equity Shares in the Company except Shri Raunak Agarwal, who holds 32 equity shares in the Company.

Number of Board Meetings held and the dates on which held:

Five Board Meetings were held during the year 2007-08. The dates on which the said meetings were held are as follows:

30.04.2007, 28.07.2007, 23.08.2007, 30.10.2007 and 31.01.2008.

N R Agarwal Industries Limited

The Company has a process to provide the information to the Board as required under Annexure I A to clause 49 of the listing agreement, which was followed.

All the directors have made necessary disclosures about the 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 G of the Listing Agreement:

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

Name : Shri N R Agarwal
Qualifications : Chemical Engineer
Expertise : Industrialist
Other Directorships : Gayatrishakti Paper & Boards Limited
Kherani Paper Mills Private Limited
Agrashakti Paper Mills Private Limited
Agarwal Paper Mills Private Limited

Other Memberships of Committees : —

No of shares held : 993851 (As on 31.03.2008)

Name : Shri Raunak Agarwal

Qualifications : BBA

Expertise : Industrialist

Other Directorships : NIL

Other Memberships of Committees : NIL

Shri Raunak Agarwal holds 32 Equity Shares in the Company.

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

3. CODE OF CONDUCT:

The Board has laid down a code of conduct for Board 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:

The Audit Committee comprises of three 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.

The Company Secretary acts as a Secretary to the Committee.

Five Meetings of the Committee were held during the year 2007-08. The dates on which the meetings were held are as follows:

30.04.2007, 28.07.2007, 23.08.2007, 30.10.2007 and 31.01.2008.

Composition and category of Members is as follows:

Name of Director	Category	No. of Meetings Attended
Shri P. Kumar	Chairman-Independent	5
Shri S N.Chaturvedi	Independent	4
*Shri C.Musib (upto 10.07.2008)	Independent	2
Shri. C. R. Radhakrishnan	Independent	3

* Ceased to be a director of the company w.e.f 10.07.2008

5. SUBSIDIARY COMPANY:

The Company has no subsidiary company.

6. REMUNERATION COMMITTEE:

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

Shri P Kumar	Chairman	- Independent, Non Executive
Shri S. N. Chaturvedi	Member	- Independent, Non-Executive
*Shri Chittaranjan Musib(Upto 10.07.2008)	Member	- Independent, Non-Executive
Shri.C.R.Radhakrishnan	Member	- Independent, Non-Executive

* Ceased to be a director of the company w.e.f 10.07.2008

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.

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

One meeting of the Committee was held on 23.08.2007 during the year.

The details of remuneration to all the Directors for the year ended March 31, 2008 are as under:

Name of Director	Salary (Rs.)	Benefits (Rs.)	Commission (Rs.)	Sitting fees (Rs.)	Total
Shri N R Agarwal	18,50,000	50,000	—	—	19,00,000
Shri R N Agarwal	28,00,000	2,00,000	—	—	30,00,000
Shri S N Chaturvedi	—	—	—	44,000	44,000
Shri C Musib	—	—	—	16,000	16,000
Shri P Kumar	—	—	—	53,000	53,000
Shri C R Radhakrishnan	—	—	—	35,000	35,000

7. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE:

The shareholders'/ Investors' Grievance Committee comprises of

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

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.

Four meetings of the Committee were held during the year 2007-08. The dates on which the meetings were held are as follows:

30.04.2007, 28.07.2007, 30.10.2007 and 31.01.2008.

Number of Meetings attended by each Member is as follows:

Name of Director	Category	No. of Meetings Attended
Shri. P. Kumar	Independent	4
Shri. S N Chaturvedi	Independent	3
Shri. N R Agarwal	Executive	1

The total number of complaints received and replied to the satisfaction of shareholders during the year under review, were NIL. Outstanding complaints as on 31st March, 2008 were Nil. No requests for transfers were pending for approval as on 31st March, 2008.

Ms Priyanka Agrawal has been appointed as the Company Secretary and the Compliance Officer of the Company w.e.f. 11.02.2008.

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8. GENERAL BODY MEETINGS:

Location and time of last three Annual General Meetings:

Year	Venue	Day, Date	Time	Special resolution, if any
2004-05	Aishwarya Party Hall, Oshiwara, Jogeshwari (W), Mumbai-400 102	September 29, 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
2005-2006	GMS Community centre, Hall, Sitladevi Complex, D.N.Nagar, Andheri (w), Mumbai-400053.	December 29, 2006	11.00 a.m.	Alteration of Articles of Association for increase in authorized Capital and issue of shares.
2005-2006 (Adjourned AGM)	GMS Community centre, Hall, Sitladevi Complex, D.N.Nagar, Andheri (w), Mumbai-400053	April 30, 2007	11.00 a.m.	—
2006-07	GMS Community centre, Hall, Sitladevi Complex, D.N.Nagar, Andheri (w), Mumbai-400053	September 29, 2007	11.00 a.m.	Approval of the revision in the remuneration to the Executive Chairman, Shri N R Agarwal and approval to Mrs Reena Agarwal for holding an office or place of profit.

Postal ballot:

There was no special resolution passed through postal ballot in the last year. At the ensuing Annual General Meeting, there is no item on the agenda that needs approval by postal ballot.

9. DISCLOSURES:

A) Related Party Transactions:

There were no transactions of 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 and were placed before the Audit Committee periodically.

B) Risk Management:

The Board of Directors have been informed from time to time the business risks faced by the Company and the steps taken by the management to face them.

C) Proceeds from Initial Public Offerings(IPOs):

The Company has not made any IPO during the year.

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.

Clause 49 of the Listing Agreement mandates to obtain a certificate from either the Auditors or Practising Company Secretaries regarding compliance of conditions of corporate governance stipulated in the clause and annex the certificate with the Directors' Report, which is sent annually to all the Shareholders. The Company has obtained a certificate from the Auditors of the company to this effect and the same is given as an annexure to Directors' Report.

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 of the company in terms of clause 49 V of the Listing agreement was placed before the Board at the Board meeting held on 31.07.2008 to approve the audited annual accounts for the year ended 31st March 2008.

10. MEANS OF COMMUNICATION:

The half-yearly and quarterly results are regularly submitted to the Stock Exchange 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 Annual General Meeting | Date and Time
September 11, 2008
At 11.00 A.M. | Venue
GMS Community Centre Hall, Sitaladevi Complex, D. N. Nagar, Opp. Indian oil Nagar, On Link Road, Andheri (W), Mumbai- 400053 |
| 11.2 Financial Year
Financial Calendar | : April to March
: 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 | |
| 11.3 Date of Book Closure
Annual General Meeting | Friday, September 5, 2008 to Thursday, September 11, 2008 (both days inclusive) | |
| 11.4 Dividend Payment Date | : within 30 days from date of Annual general meeting | |
| 11.5 Listing on Stock Exchange | : At the Bombay Stock Exchange Limited | |
| (a) Stock Code – Physical | : BSE, Mumbai – 516082 | |
| (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 2007 to March 2008				
Months	High		Low	
	N R Agarwal Industries Limited Price (Rs.)	BSE Sensex	N R Agarwal Industries Limited Price (Rs.)	BSE Sensex
April 2007	32.25	14,383.72	25.50	12425.52
May 2007	30.10	14,576.37	25.00	13,554.34
June 2007	34.00	14,683.36	26.30	13,946.99
July 2007	30.40	15,868.85	25.00	14,638.88
August 2007	32.00	15,542.40	26.00	13,779.88
September 2007	35.00	17,361.47	28.00	15,323.05
October 2007	33.00	20,238.16	25.25	17,144.58
November 2007	32.70	20,204.21	24.55	18,182.83
December 2007	41.75	20,498.11	26.20	18,886.40
January 2008	44.80	21,206.77	21.10	15,332.42
February 2008	29.50	18,895.34	23.05	16,457.74
March 2008	26.65	17,227.56	18.55	14,677.24

N R Agarwal Industries Limited

Registrar & Transfer Agents:

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. The Share Transfer Committee meets on fortnightly basis (depending upon share transfers received)

11.8 Distribution of shareholding as on 31st March, 2008:

Sr. No.	Range	No. of shareholders	% to total holders	No. of Shares held	% of Capital
1	1 to 500	6871	87.8	1080009	6.34
2	501 to 1,000	455	5.81	381247	2.24
3	1,001 to 2,000	222	2.84	342983	2.02
4	2,001 to 3,000	70	0.89	181515	1.07
5	3,001 to 4,000	32	0.41	115145	0.68
6	4,001 to 5,000	68	0.87	332142	1.95
7	5,001 to 10,000	54	0.69	397258	2.33
8	10,001 & above	54	0.69	14188801	83.37
	Total	7826	100	17019100	100

11.9 Categories of Shareholders as on 31st March, 2008:

Category	No. of shares held	Percentage to total share capital
Foreign holding (FIIs, OCBs and NRIs)	4700	0.028
Financial Institutions/ Banks/ Insurance Companies	2500	0.015
Mutual Funds and UTI	0	0
Corporate Bodies	839342	4.932
Directors and their relatives	12477923	73.317
Public	3694635	21.708
Total	17019100	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, 2008, 94.632% 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	Unit – II	Unit –III	Unit - IV
Plot No. 169, GIDC, Vapi - 396 195, Dist. Valsad, Gujarat State.	Plot No. 1, Phase 1, GIDC, Vapi - 396 195, Dist. Valsad, Gujarat State.	Plot No. 901, Phase 3, GIDC, Vapi - 396 195, Dist. Valsad, Gujarat State.	Plot No. 901/P, Phase 3 GIDC, Vapi - 396 195, Dist. Valsad, Gujarat State.
Tele Fax : 0260 - 2401 634 / 2401 706	Tele-Fax : 0260 2400979 / 2401841	Tele-fax : 0260 2400052 / 2401836	Tele-fax : 0260 2400052 / 2401836

11.12 Address for Correspondence

Registrar and Share Transfer Agents :

Sharex Dynamic (India) Private Limited

17/B, Dena Bank Building, 2nd Floor, Horniman Circle, Fort, Mumbai – 400 001

Tel. No. 022 - 2270 2485 / 2264 1376

Email ID - investors@nrail.com

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.

Mumbai

Dated : 31st July, 2008

DECLARATION

As provided under clause 49 of the listing agreement with the Stock Exchange, the Board members and the senior management personnel have affirmed compliance with the code of conduct for the Board of directors and senior management for the year ended 31st March, 2008

FOR N R AGARWAL INDUSTRIES LIMITED

Mumbai

Dated : 31st July, 2008

R N AGARWAL
MANAGING DIRECTOR

N R Agarwal Industries Limited

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The members of **N R AGARWAL INDUSTRIES LIMITED**

1. We have examined the compliance of conditions of Corporate Governance by **N.R. AGARWAL INDUSTRIES LIMITED**, for the period ended on 31st March, 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In terms of paragraph II (A) (vi) of Clause 49 of the Listing Agreement, the Company Secretary is required to act as a Secretary to the Audit Committee. The whole time Company Secretary resigned from the services of the Company on 30th April, 2007 & the vacancy was filled on 11th February 2008. In the intervening period, Mr.V.V. Shah, practicing Company Secretary, was retained as Company Law consultant for assisting in secretarial compliance matters including matters relating to Audit Committee meetings during the vacancy period.
4. Except for what is stated in the preceding paragraph, in our opinion and to the best of our information and according to the explanations given to us & the representations made by the director's & management, in our opinion the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.
5. On the basis of the certificate issued by the registrars of the Company and the minutes of meetings of the 'Shareholders Investor Grievance Committee' of the Company, we state that there were no investor grievances pending as at March 31, 2008 against the Company for a period exceeding one month.
6. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For Chaturvedi & Partners
Chartered Accountants

Anil Chaturvedi
Partner
M. No.40763

Mumbai,

Date: 31st July, 2008

CERTIFICATION BY MANAGING DIRECTOR OF THE COMPANY

I, Rajendra N. Agarwal, Managing Director of N R Agarwal Industries Limited (the Company), hereby certify to the Board that:

- (a) I have reviewed the financial statements and the Cash Flow Statement for the year ended March 31, 2008 and that to the best of my knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of my knowledge and belief, no transactions entered into by N.R. Agarwal Industries Limited during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- (c) I am responsible for establishing and maintaining internal controls for financial reporting and I have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting. I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- (d) I have indicated to the auditors and the Audit Committee:
 - (i) Significant changes in internal controls over financial reporting during the year;
 - (ii) Significant changes in accounting policies during the year and the same have been disclosed in the Notes to the financial statements; and
 - (iii) There have been no instances of significant fraud of which I have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system.

R N AGARWAL
MANAGING DIRECTOR

Mumbai

Dated : July 31st, 2008

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and developments:

Paper industry in India being the 15th largest paper industry in the world provides employment to nearly 1.5 million people and contributes around Rs.25 billion to the government's kitty. The government regards the paper industry as one of the 35 high priority industries of the country. The paper industry plays an important social role and consumption of paper is considered as an indicator of economic growth of the country.

An improvement in the standard of living of Indians, especially in urban areas has resulted in a gradual shift towards better quality papers. This is expected to increase the demand for high-end varieties of paper. Further, with rising exports and keeping in view the current trend of outsourcing, foreign publishers have started outsourcing printing and publishing jobs to India. This would significantly increase the demand for different varieties of paper.

The country is almost self-sufficient in manufacture of most varieties of paper and paperboard. The country imports only certain speciality paper such as coated and cheque paper, etc. which are imported from Singapore, USA, UK, Japan, Germany and Malaysia. Writing / Printing grade paper, art paper, coated paper, etc. are exported to neighbouring countries like Sri Lanka, Bangladesh, Nepal and Middle-East countries.

Indian paper industry needs the following for being globally more competitive.

- i. Sustained availability of good quality of raw materials (forest based) and bulk duty free import of waste paper to supplement the availability of raw materials.
- ii. Adequate modernization of the manufacturing assets.
- iii. Improvement of the infrastructure.
- iv. Quality improvements and reduction in cost of production
- v. Import policy conducive for import of material, equipment, instruments, raw materials & technologies, which have a bearing on the quality and environment.

Opportunities and Threats:

The domestic paper industry's prospects appear positive for the coming years. Additionally the paper industry in India is also witnessing a gradual change in consumer preference, which is shifting from lower to higher quality paper. With steady demand for paper in India and a surging requirement for higher quality paper, foreign players are exporting to India in a major way. Alternatively, there may be foreign tie-ups with Indian manufacturers who have a strong marketing network.

The Indian paper industry is highly fragmented with numerous small players. The performance of the industry has been constrained due to high cost of production caused by high cost of raw materials, high cost of energy and environmental issues. The cost of own power generation is increasing due to consistent increase in coal prices. Thus Indian mills are losing on two

counts i.e. high cost of power and higher power consumption. In order to enable the industry to sustain the production, the Government has taken several policy measures such as rationalization of duty structure, funding of R&D activities, de-licensing of the paper industry, permitting 100 per cent FDI through automatic route, etc.

Segment-wise performance:

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

Industry Outlook:

Demand for the industry is expected to grow at the present rate of 7-8% of compounded rate and would require 9.5-10 million tonnes by the end of the decade from the existing production of around 6.7 million tonnes due to healthy economic growth, promotion of education by the government & rising literacy rates. With buoyant demand scenario and very high operating rates, imports are growing at double-digit rates. The per capita consumption of paper in India may go upto 9 kg in the coming years, up from the current 7.5 kg. Rising disposable incomes, a proliferation of malls and a greater innovation in packaging are also expected to drive the off-take and packaging paper.

The steady growth in paper consumption has been accompanied by a shift to higher quality papers generated by increasing office automation, an expansion in high-speed offset printing and the substitution of traditional packing materials such as jute and wood by paper (especially in the agricultural and export sectors). Industrial users are showing an increasing preference for lower weight and brighter papers. Thus the demand for upstream market paper products, like, tissue paper, tea bags, filter paper, lightweight online-coated paper, medical grade coated paper, etc. is picking up.

As exports require high quality packaging, exports will push up duplex board demand. However, despite high demand growth, there may be continuing overcapacity in the low-end wastepaper-based capacities on account of the low capital intensity of the business. Moreover, prices in the industrial packaging segment are likely to rise only moderately on account of high level of fragmentation in the industry.

The demand for Newsprint paper is expected to consistently grow with fast increasing literacy rates as also newsprint consumption per literate person.

Due to favourable economic factors, which are directly linked to the demand for paper, the industry outlook appears to be positive.

Risk and Concerns:

Macro economic factors such as economic slowdown, sluggish demand or unforeseen political or social instability would affect the performance of the industry as a whole.

Environment and safety:

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

Internal control systems and their adequacy:

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

The key elements of internal control systems are as follows:

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

Performance Highlights:

During the year, the Company produced 99070 tonnes of Duplex Board and 32524 tonnes of Newsprint / W & P, compared to the installed capacity of 112800 tonnes and 36000 tonnes respectively. The Company sold 99039 tonnes of Duplex Board and 32371 tonnes of Newsprint, during the year, as against 99480 tonnes of Duplex Board and 30812 tonnes of Newsprint / W & P, in the previous year. Throughout the year under review, the company has faced stiff competition due to high cost of inputs as well as the high cost of raw materials.

Overcoming the increase in input costs, the Company has posted record results during the year with total sales revenues and other income of Rs.31340.73 lacs as against Rs.29138.47 lacs for the previous financial year registering an increase of 7 %. There has been a marginal reduction in profits as compared to last year due to steep increase in input cost.

During the year, the Company exported Duplex Board and realized Rs.1432.43 lacs, as compared to Rs.788.53 lacs, during the previous year.

Human Resources and Industrial Relations:

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

Cautionary Statement:

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

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, 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditor's Report) Order 2003 and the Companies (Auditor's Report) Amendment Order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 & 5 of the said Order.
- 4) Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, the Company has kept proper books of account as required by law so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given and management representations made to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2008
 - 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)
Membership No.: 40763

Mumbai
Dated : 31st July, 2008

N R Agarwal Industries Limited

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our Report of even date

- 1) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets except for the assets under installation.
- b) All the assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) The Company has not disposed off substantial part of its fixed assets, which affect the going concern status of the Company.
- 2) a) As explained to us, the management, at reasonable intervals during the year, has physically verified the inventories.
- b) In our opinion and according to the information & explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The company is maintaining proper records of inventory. As explained to us, no material discrepancies have been noticed on physical verification of stocks as compared to book records.
- 3) The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4(iii) (b) to (g) of the Order are not applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit we have not observed any major weaknesses in internal controls.
- 5) a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into a register in pursuance of section 301 of the Act have been properly entered.
- b) All the transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and the nature of services rendered by such parties.
- 6) In our opinion and according to the information and explanation given to us, the Company has complied with the provision of section 58A & 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the deposits accepted from the public. We have been informed that no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- 7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- 8) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the said records.
- 9) a) According to the books of account and records as produced and examined by us in accordance with the generally accepted auditing practice in India, in our opinion, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Custom Duty, Service Tax, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities.
- b) According to the books of accounts and records as produced and examined by us in accordance with the generally accepted auditing practices in India, as at 31st March 2008, 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	6,13,664	Appellate Authority up to Commissioners' level	1992-1993, 1993-1994 and 1996-1997
Central Excise Act, 1944	Excise duty	27,83,087	Appellate Authority – Up to Commissioners' level	2005-2006 and 2006-2007

- 10) The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in immediately preceding financial year.
- 11) On the basis of certificates issued by the term lending bankers, the company has not defaulted in repayment of dues to them, during the year.
- 12) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 14) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 15) In our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks & financial institutions are prima facie, not prejudicial to the interest of the Company.
- 16) In our opinion, on the basis of information and explanations given to us, the term loans were applied for the purpose for which they were raised.
- 17) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- 18) During the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 19) According to the information and explanations given to us, during the year the company has not issued any debentures.
- 20) The company has not raised any money through a public issue during the year.
- 21) During the course of our examination of the books & records of the Company carried out in accordance with the generally accepted accounting practices in India & according to the information & explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For CHATURVEDI & PARTNERS
Chartered Accountants

A K CHATURVEDI
(Partner)
Membership No.: 40763

Mumbai
Dated : 31st July, 2008

N R Agarwal Industries Limited

BALANCE SHEET AS AT 31st MARCH 2008

	Schedule	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SOURCES OF FUNDS			
(1) SHARE HOLDERS' FUND			
(a) Share Capital	A	170,191,000	178,691,000
(2) RESERVES AND SURPLUS	B	<u>261,395,742</u>	<u>196,580,973</u>
		<u>431,586,742</u>	<u>375,271,973</u>
(3) LOAN FUNDS			
(a) Secured Loans	C	849,622,135	762,104,826
(b) Unsecured Loans	D	<u>106,652,764</u>	<u>90,010,398</u>
		<u>956,274,899</u>	<u>852,115,224</u>
(4) DEFERRED TAX LIABILITY		<u>160,290,437</u>	<u>157,001,235</u>
	TOTAL	<u>1,548,152,078</u>	<u>1,384,388,433</u>
APPLICATION OF FUNDS			
(1) FIXED ASSETS	E		
(a) Gross Block		1,589,705,017	1,490,933,391
(b) Less : Depreciation		<u>437,763,484</u>	<u>363,215,974</u>
(c) Net Block		1,151,941,533	1,127,717,418
(d) Add : Capital Work in Progress		<u>46,368,611</u>	<u>38,075,158</u>
		<u>1,198,310,144</u>	<u>1,165,792,575</u>
(2) INVESTMENTS	F	1,847,860	1,635,510
(3) CURRENT ASSETS, LOANS AND ADVANCES			
(a) Inventories	G	253,970,830	211,370,659
(b) Sundry Debtors	H	394,633,350	367,306,526
(c) Cash and Bank Balances	I	95,272,029	58,872,672
(d) Loans and Advances	J	<u>193,085,795</u>	<u>127,071,045</u>
		<u>936,962,004</u>	<u>764,620,902</u>
Less : CURRENT LIABILITIES AND PROVISIONS			
(a) Liabilities	K	552,570,830	489,384,304
(b) Provisions		<u>36,397,100</u>	<u>58,276,251</u>
		<u>588,967,930</u>	<u>547,660,555</u>
NET CURRENT ASSETS		<u>347,994,074</u>	<u>216,960,348</u>
	TOTAL	<u>1,548,152,078</u>	<u>1,384,388,433</u>
NOTES TO ACCOUNTS	Q		

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

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered Accountants

A K CHATURVEDI
Partner

PRIYANKA AGRAWAL
Company Secretary

R N AGARWAL
Managing Director

N R AGARWAL
Executive Chairman

S N CHATURVEDI
Director

Mumbai
Dated : 31st July, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008

	Schedule	31st March 2008 Rupees	31st March 2007 Rupees
INCOME			
Sales		3,113,545,894	2,906,781,338
Other Income	L	20,526,884	7,065,404
Increase / Decrease in stock + / (-)	M	(2,668,764)	1,458,757
		<u>3,131,404,014</u>	<u>2,915,305,499</u>
EXPENDITURE			
Raw Materials Consumed	N	1,698,574,613	1,544,548,722
Purchases Of Traded Goods		0	2,566,349
Manufacturing and Other Expenses	O	1,134,528,310	1,067,062,746
Interest	P	99,868,372	86,679,196
Depreciation	E	75023383	66,508,105
		<u>3,007,994,678</u>	<u>2,767,365,118</u>
PROFIT BEFORE TAXATION			
		123,409,336	147,940,381
Provision for Taxation		27,230,100	21,500,000
Mat Credit Entitlement		0	(7,640,939)
Provision for Deferred Tax		5,114,687	22,925,000
Fringe Benefit Tax		509374	540241
PROFIT AFTER TAXATION			
		90,555,175	110,616,079
Excess provision written back		3,000,000	489,856
Previous year taxation Adjustment + / (-)		(1,301,443)	(192,594)
Balance brought forward		153,782,862	79,536,765
PROFIT AVAILABLE FOR APPROPRIATION			
		<u>246,036,594</u>	<u>190,450,106</u>
APPROPRIATIONS			
Proposed final dividend - equity shares		20,422,920	25,528,650
Tax on proposed equity dividend		3,470,875	4,338,594
Transfer to General Reserve		2,500,000	6,800,000
BALANCE CARRIED TO BALANCE SHEET			
		<u>219,642,799</u>	<u>153,782,862</u>
Basic and diluted earning per share (in Rs.)			
		<u>5.42</u>	<u>6.52</u>
NOTES TO ACCOUNTS			
	Q		

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

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered Accountants

A K CHATURVEDI
Partner

Mumbai
Dated : 31st July, 2008

PRIYANKA AGRAWAL
Company Secretary

R N AGARWAL
Managing Director

N R AGARWAL
Executive Chairman

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, 2008

	Rs.	Year ended 31.03.2008 Rs.	Rs.	Year ended 31.03.2007 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax and Extraordinary Items		123,409,336		147,940,381
ADJUSTMENTS FOR				
Depreciation	75,023,383		66,508,105	
Interest	99,868,372		86,679,196	
Loss on Sale of Assets	548,263		2,388,936	
Bad Debts written off	570,199		471,264	
Misc. Expenses W/off	0	176,010,217	0	156,047,500
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		299,419,553		303,987,881
CHANGES IN				
Trade and Other Receivables	(27,897,024)		(54,777,869)	
Inventories	(42,600,171)		45,462,696	
Trade Payables	13,410,422		88,308,035	
Loans & Advances	(44,461,749)	(101,548,521)	3,946,490	82,939,352
CASH GENERATED FROM OPERATIONS		197,871,032		386,927,233
Direct Taxes Paid	(21,553,000)	(21,553,000)	(22,850,241)	(22,850,241)
Cash Flow Before Extra Ordinary Items		176,318,032		364,076,992
Extra Ordinary Items	3,000,000			
Previous Year Adjustments	(1,301,443)	1,698,557	297,262	297,262
Net Cash from Operating Activities		178,016,589		364,374,255
B CASH FLOW FROM INVESTMENT ACTIVITIES				
Purchase of Fixed Assets	(108,358,384)		(198,784,798)	
Sale of Fixed Assets	269,170		787,518	
Purchase of Investments	(212,350)	(108,301,564)	(806,010)	(198,803,290)
		(108,301,564)		(198,803,290)
Net Cash used in Investing Activities				
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of Share Capital	(8,500,000)		0	
Interest Paid	(105,081,545)		(84,501,611)	
Proceeds from Long Term Borrowings	229,595,016		69,996,239	
Repayment of Long Term Borrowings	(142,077,711)		(64,182,231)	
Unsecured Loans	16,642,367		(31,045,841)	
Equity share Dividend including tax thereon	(23,893,795)		(29,867,244)	
		(33,315,668)		(139,600,688)
Net Cash used in Financing Activities		(33,315,668)		(139,600,688)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		36,399,357		25,970,276
CASH AND CASH EQUIVALENTS - OPENING BALANCE		58,872,672		32,902,396
CASH AND CASH EQUIVALENTS - CLOSING BALANCE		95,272,029		58,872,672
		36,399,357		25,970,276

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered Accountants

A K CHATURVEDI
Partner

PRIYANKA AGRAWAL
Company Secretary

R N AGARWAL
Managing Director

N R AGARWAL
Executive Chairman

S N CHATURVEDI
Director

Mumbai
Dated : 31st July, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SCHEDULE : A		
SHARE CAPITAL		
AUTHORISED		
225,00,000 Equity Shares Rs. 10 each	225,000,000	225,000,000
25,00,000 Preference Shares of Rs.10 each	25,000,000	25,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP		
1,70,19,100 Equity Shares of Rs. 10 each fully paid up	170,191,000	170,191,000
850,000 1% Non-Cumulative Redeemable Preference Shares of Rs.10 each fully paid up	0	8,500,000
TOTAL	<u>170,191,000</u>	<u>178,691,000</u>
SCHEDULE : B		
RESERVES AND SURPLUS		
GENERAL RESERVE		
Balance as per Last Account	34,298,111	27,498,111
Add: Transfer from profit and loss account	2,500,000	6,800,000
Less: Adj as per transitional provision of AS 15 (Revised 2005) (Net of deferred tax Rs18.25 lacs)	3,545,168	
	<u>33,252,943</u>	<u>34,298,111</u>
CAPITAL REDEMPTION RESERVE		
Balance as per Last Account	8,500,000	0
Add: Transfer from Profit and Loss Account	0	8,500,000
	<u>8,500,000</u>	<u>8,500,000</u>
PROFIT AND LOSS ACCOUNT		
Balance as per profit and loss account	219,642,799	153,782,862
	<u>219,642,799</u>	<u>153,782,862</u>
	<u>261,395,742</u>	<u>196,580,973</u>
SCHEDULE : C		
SECURED LOANS		
i) Term Loans		
Bank of India	83,573,698	104,062,432
The Bombay Mercantile Co-operative Bank Ltd.	40,351,300	32,000,000
Oriental Bank of Commerce	36,011,000	52,007,000
Bank of Baroda -Vapi	71,655,294	96,336,403
ii) Corporate Loans		
I D B I Bank	68,750,000	93,750,000
Bank of India	41,660,000	90,349,166
iii) Rupee Term Loan		
I D B I Bank	80,000,000	0
iv) Centurian Bank-Veh Loans		
	1,936,508	1,028,573
v) Working Capital Loan from Banks		
	425,684,335	292,571,253
	<u>849,622,135</u>	<u>762,104,827</u>

N R Agarwal Industries Limited

NOTES:

- 1) Term Loan from IDBI Bank Ltd. is secured by hypothecation of plant and machinery and extension of existing security on immovable properties situate at Vapi Plants on pari passu with other term lenders.
- 2) The Term Loans from Bank of India are secured by First pari passu charge on company's net block excluding motor cars, office premises at Mumbai, staff quarters at Vapi and land at Sarigam, but including land admeasuring 19770 sq. metres at GIDC, Vapi purchased from Agarwal Paper Mills Ltd, and Agrashakti Paper Mills Ltd.
- 3) The Term Loan from Oriental Bank of Commerce is secured by hypothecation of plant and machinery and extension of existing security on immovable properties situate at Vapi Plants on pari passu with other term lenders.
- 4) The Term Loan from Bank of Baroda is secured by hypothecation of plant and machinery and extension of existing security on immovable properties situate at Vapi Plants on pari passu with other term lenders.
- 5) The Term Loan from Bombay Mercantile Co-operative Bank Limited is secured by way of Equitable Mortgage of Office premises situate at Janki Centre, Mumbai of the Company & are further secured by personal guarantee of Shri N R Agarwal & Shri R N Agarwal
- 6) The term loans from Bank of India, Oriental Bank of Commerce, Bank of Baroda and Bombay Mercantile Co-operative Bank Ltd, are further secured by the personal guarantees of Shri N R Agarwal, Shri R N Agarwal, Smt R R Agarwal and Shri G N Agarwal.
- 7) 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 and Shri R N Agarwal.

As at	As at
31st March 2008	31st March 2007
Rupees	Rupees

SCHEDULE : D

UNSECURED LOANS

Intercompany Deposits	0	30,000,000
Fixed Deposits	3,440,939	7,300,000
Trade Deposits	27,878,819	49,960,398
Other deposits	15,333,006	2,750,000
From Banks *	60,000,000	
	106,652,764	90,010,398

*Unsecured loan from Indusind Bank is secured by personal guarantee of Shri R N Agarwal & Shri N R Agarwal

SCHEDULE : E

FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2007	Additions during the year	Deductions/ Adjustments	As at 31.03.2008	As at 01.04.2007	For the year	On Deductions/ Adjustments	As at 31.03.2008	As at 31.03.2008	As at 31.03.2007
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
1. Land	20,999,730			20,999,730	0	0	0	0	20,999,730	20,999,730
2. Leasehold Land	35,402,448			35,402,448	820,727	0	0	820,727	34,581,721	34,581,721
3. Factory Building	186,574,112	6,819,134		193,393,246	36,442,651	6,528,840		42,971,491	150,421,756	150,131,461
4. Plant and Machinery	1,188,873,992	91,205,805	10,500	1,280,069,297	308,071,368	63,179,976	1,091	371,250,253	908,819,045	880,802,624
5. Furniture and Fixtures	12,662,860	178,068		12,840,928	6,357,689	810,185		7,167,874	5,673,054	6,305,171
6. Motor Cars	12,452,934	1,671,807	1,282,806	12,841,935	2,680,909	1,198,612	474,782	3,404,739	9,437,197	9,772,025
7. Others - Building	17,015,400			17,015,400	2,797,419	0		2,797,419	14,217,981	14,217,981
8. Computer	11,273,706	190,117		11,463,823	4,152,475	1,413,037		5,565,512	5,898,311	7,121,231
9. Intangible Asset-SAP Software	5,678,209			5,678,209	1,892,736	1,892,735		3,785,471	1,892,738	3,785,473
TOTAL	1,490,933,391	100,064,931	1,293,306	1,589,705,017	363,215,974	75,023,383	475,873	437,763,484	1,151,941,533	1,127,717,417
Previous Year	1,165,608,496	330,400,442	5,075,547	1,490,933,391	298,606,962	66,508,105	1,899,093	363,215,974		
Capital Work in Progress									46,368,611	38,075,158
									1,198,310,144	1,165,792,575

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	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SCHEDULE : F		
INVESTMENTS (AT COST)		
UNQUOTED		
Shares of Sagar Sarita Co. Operative Housing Society Limited	3,500	3,500
Shares of Laxmi Co. Operative Housing Society Limited	2,750	2,750
Shares of MahaLaxmi Co. Operative Housing Society Limited	3,750	3,750
Shares of The Greater Bombay Co-operative Bank Limited (8040 Equity Shares of @ Rs. 25/- each fully paid up)	201,000	201,000
Shares of Kherani Paper Mills Pvt. Ltd. (95 Equity Shares of Rs. 100/- each fully paid up)	9,500	9,500
Shares - Bombay Mercantile Co-operative Bank Ltd (33912 Equity Shares of @ Rs. 30/- each fully paid up) (Previous year 26867 Equity Shares @30/-)	1,017,360	806,010
Shares - Moogaveera Co-operative Bank Ltd	1,000	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	99,000
Aggregate book value of :		
Quoted investment : Rs. 609000 (Previous year Rs 609000)		
Unquoted investment : Rs.1238860 (Previous year Rs 1026510)		
Aggregate market value of Quoted Investment Rs. 2259780 (Previous Year Rs.1661560)		
	1,847,860	1,635,510
SCHEDULE : G		
INVENTORIES		
(As taken, valued and certified by the Management)		
Stores, spares and tools	77,105,996	54,829,144
Packing Materials	3,465,843	3,695,586
Raw Materials	132,556,644	109,334,817
Work- in process	12,022,345	17,137,043
Finished Goods	28,820,002	26,374,069
	253,970,830	211,370,659
SCHEDULE : H		
SUNDRY DEBTORS		
Debts		
- exceeding 6 months	11,902,350	21,624,432
- considered good	11,902,350	21,624,432
Other Debts	382,731,000	345,682,094
	394,633,350	367,306,526

N R Agarwal Industries Limited

	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SCHEDULE : I		
CASH AND BANK BALANCES		
Cash on Hand	215,221	649,935
Balances with Scheduled Banks - In Current Accounts	80,620,013	47,663,462
In Margin Money Accounts	14,436,794	10,559,275
	<u>95,272,029</u>	<u>58,872,672</u>
SCHEDULE : J		
LOANS AND ADVANCES		
(Unsecured, Considered good)		
Advances Recoverable in cash or in kind or for value to be received	153,238,653	81,247,039
Deposits	24,390,440	25,403,750
Advance Payment of Income Tax (Net of Provisions)	15,456,702	20,420,256
(including MAT credit entitlement of Rs. NIL) (Previous year Rs.76,40,939)	<u>193,085,795</u>	<u>127,071,045</u>
SCHEDULE : K		
CURRENT LIABILITIES AND PROVISIONS		
(a) Current Liabilities		
Sundry Creditors (due to small scale industrial undertaking)	11,273,707	2,763,867
Sundry Creditors (due to others)	505,690,671	438,049,060
Advances Received Against Order	0	700,000
Investor education and protection fund shall be credited by the following amounts when due:-		
a) Unclaimed Dividends	973,697	433,332
Other Liabilities	32,279,390	39,871,507
Interest accrued but not due	2,353,365	7,566,538
	<u>552,570,830</u>	<u>489,384,304</u>
(b) Provisions		
For Leave Encashment	8,028,300	2,439,885
For Proposed Dividend on Equity Shares	20,422,920	45,951,570
For Provision for Fringe Benefit Tax	1,049,615	540,241
For Provision for Wealth Tax	257,100	27,000
For Provision for Gratuity	3,168,290	312,288
For Proposed Dividend on Preference Shares	0	1,183,877
For Tax on Dividend	3,470,875	7,821,390
	<u>36,397,100</u>	<u>58,276,251</u>
	<u>588,967,930</u>	<u>547,660,555</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SCHEDULE : L		
OTHER INCOME		
Interest on Fixed Deposits (TDS Rs.152298/-) (Previous Year Rs.71998/-)	766,832	328,113
Miscellaneous Income	19,760,052	6,737,291
	<u>20,526,884</u>	<u>7,065,404</u>
SCHEDULE : M		
INCREASE (+) / DECREASE (-) IN STOCK		
OPENING STOCK		
Finished Goods	26,374,069	39,351,830
Work-In-Process	17,137,043	2,910,865
	(A) <u>43,511,112</u>	<u>42,262,695</u>
CLOSING STOCK		
Finished goods	28,820,002	26,374,069
Work-In-Process	12,022,345	17,137,043
	(B) <u>40,842,348</u>	<u>43,721,451</u>
	(B-A) <u>(2,668,764)</u>	<u>1,458,756</u>
SCHEDULE : N		
RAW MATERIALS CONSUMED		
Opening Stock	109,334,817	171,413,540
Less Value Added Tax Credit available on Opening Stock		310,006
	<u>109,334,817</u>	<u>171,103,534</u>
Add : Purchases	1,721,796,440	1,482,780,005
	<u>1,831,131,257</u>	<u>1,653,883,539</u>
Less : Closing Stock	132,556,644	109,334,817
	<u>1,698,574,613</u>	<u>1,544,548,722</u>

N R Agarwal Industries Limited

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	As at 31st March 2008 Rupees	As at 31st March 2007 Rupees
SCHEDULE : O		
MANUFACTURING AND OTHER EXPENSES		
Manufacturing Expenses		
Consumption of Stores, Spares and Tools	70,797,364	65,609,962
Power , Fuel and Water Charges	420,600,133	436,447,148
Material Handling Charges	15,466,882	16,427,630
Excise Duty	240,382,518	232,515,916
Employees Remuneration and Benefits		
Salaries, Wages, Bonus etc.	94,304,140	82,350,435
Contribution to ESIC and Other Funds	6,749,362	6,368,181
Staff Welfare Expenses	1,122,993	497,207
Administrative Expenses		
Insurance	4,318,034	3,811,588
Rates and Taxes	1,962,054	1,338,323
General Expenses	51,902,352	30,242,065
Selling and Distribution Expenses	201,749,573	165,874,884
Repairs and Maintenance		
Machinery	17,585,797	14,254,574
Building	1,412,786	6,072,020
Others	3,748,408	1,446,407
	22,746,990	21,773,001
Other Expenses		
Directors Sitting Fees	148,000	132,000
Remuneration to Auditors	650,000	482,388
Advertisement	245,622	110,818
Donation	263,831	221,000
Loss on Sales of Assets	548,263	2,388,936
Bad debts written off	570,199	471,264
	2,425,914	3,806,405
	<u>1,134,528,310</u>	<u>1,067,062,745</u>
SCHEDULE : P		
INTEREST		
Interest on		
(a) Term Loans	48,263,410	41,881,130
(b) Bank	46,350,965	29,261,028
(c) Others	5,253,998	15,537,038
	<u>99,868,372</u>	<u>86,679,196</u>

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

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

(b) Fixed Assets:

All fixed Assets are stated at cost, net of Cenvat/Service Tax/VAT, less accumulated depreciation. Expenditure related to and incurred during implementation of project is included under Capital Work-in-Progress and the same is capitalized by allocating to various fixed assets on completion of the project.

(c) Depreciation:

- i) Depreciation is provided on the Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on assets added/disposed off during the year is provided on pro-rata basis with reference to the date of addition/disposal. Depreciation on buildings erected on land taken on a short lease (i.e. upto 10 years) are written off equally over the lease period of the land.
- ii) Intangible Assets are amortised over their useful life not exceeding ten years.

(d) Investments:

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

(e) Foreign Currency Transactions:

- (i) Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing at the time of the transaction.
- (ii) Monetary items denominated in foreign currencies at year end and not covered by forward exchange contracts are translated at year end exchange rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognized over the life of the contract.
- (iii) Any income or expenses on account of exchange difference on translation is recognized in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

(f) Inventories:

- (i) Inventories are valued at the lower of cost, computed on moving average basis and estimated net realizable value, after providing due allowance for defective and obsolete items, wherever necessary, based on the past experience of the Company.
- (ii) Goods in Transit are stated at cost.
- (iii) Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(g) Employee Benefits:

- i. Short-term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related service is rendered.
- ii. The eligible employees of the Company are entitled to receive benefits under the Provident fund, a defined contribution plan in which both the employee and the Company make monthly contributions at a specified percentage of the covered employee's salary (currently 12% of employee's salary). The contributions as specified under the law are paid to the Regional Provident Fund Commissioner and the Central Provident Fund under the Pension Scheme. The Company recognizes such contributions as expenses of the year in which the liability is incurred.
- iii. The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The plan is managed by a trust and the fund is invested with Life Insurance Corporation of India under its Group Gratuity Scheme. The Company makes annual contributions to gratuity fund and the Company recognizes the liability for gratuity benefits payable in future based on an independent actuarial valuation.
- iv. The Company provides for the encashment of leave or leave with pay subject to certain rules. The employees are entitled to accumulate

N R Agarwal Industries Limited

leave for availment as well as encashment subject to the rules. As per the regular past practice followed by the employees, it is not expected that the entire accumulated leave shall be encashed or availed by the employees during the next twelve months and accordingly the benefit is treated as long defined benefit. The liability is provided for based on the number of days of unutilized leave at the Balance Sheet date on the basis of an independent actuarial valuation.

(h) Borrowing Cost:

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

(i) Treatment of expenditure during construction period:

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

(j) Revenue Recognition:

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

(k) Taxes on Income:

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

Deferred Tax resulting from timing differences between book and tax profits is accounted for under the liability method at the current rate of tax, to the extent that the timing differences are expected to crystallize. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be adjusted in future.

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

(l) Cenvat Credit:

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

(m) Contingent Liabilities:

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

(n) Preliminary Expenses:

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

2. Contingent Liabilities:

- (a) Guarantees and counter guarantees given by the Company on behalf of group companies Rs.420 Lacs (Previous year Rs.1900 lacs).
 - (b) Excise duty demands and penalties – Rs.33,96,751 (Previous Year Rs.80,80,893)
 - (c) Claims against the Company not acknowledged as debts in respect of labour disputes –Rs. NIL (Previous year - Rs. 18,21,930).
 - (d) Letter of Credit outstanding Rs.1611.65 lacs (Previous year Rs. 1602.67 lacs).
 - (e) Customs penalties on Imports – Rs.1,88,000 (Previous year Rs. 5,00,000).
3. Estimated amount of Contracts remaining to be executed on capital account and not provided for (net of advances) Rs. NIL (Previous Year Rs.92.22 lacs).
4. Defined benefits plans – As per actuarial valuation as on 31st March, 2008.

Sr. No.	Particulars	Amount in Rs. Gratuity benefit	Amount in Rs. Compensated absences
1	Components of employer expenses		
	Current service cost	1261606	1360487
	Interest cost	736146	500545
	Expected return on plan assets	(519888)	NA
	Actuarial losses / (gains)	14863	1705093
	Total expenses / (income) recognized in the Profit and Loss Account	1492727	3566126

2	Actual contribution and benefits paid during the year		
	Actual benefits paid	1166128	868312
	Actual contribution	804488	NA
3	Net asset / (liability) recognized in Balance Sheet as at 31st March, 2008		
	Present Value of Defined Benefit Obligation	9369768	8028300
	Fair value of plan assets	6201478	Nil
	Net asset/(liability) recognized in Balance Sheet	3168290	8028300
4	Change in Defined Benefit Obligations (DBO) during the year ended 31st March, 2008.		
	Present value of DBO at beginning of year	8523281	5330487
	Current Service cost	1261606	1360487
	Interest cost	736146	500545
	Actuarial (gain)/ losses	14863	1705093
	Benefits paid	(1166128)	(868312)
	Present Value of DBO at the end of year	9369768	8028300
5	Change in Fair Value of Assets during the year ended 31st March, 2008		
	Plan Assets at beginning of year	6043230	NA
	Expected return on plan assets	519888	NA
	Actual Company contributions	804488	NA
	Benefits paid	(1166128)	NA
	Plan assets at the end of year	6201478	NA
6	Actuarial Assumptions		
	Discount Rate	8%	8%
	Expected Return on plan assets	9%	NA
	Salary escalation	8%	8%

- a The planned asset is represented by investment made under the Group Gratuity Scheme operated by Life Insurance Corporation of India.
- b The revised Accounting Standard 15 (Employee Benefits) is adopted by Company with effect from 1st April, 2007. Pursuant to such adoption, incremental employee costs of Rs.3386053/- are recognized in the Profit and Loss Account. For the current year, an incremental liability of Rs.3545168/- (net of Deferred tax) as on 1st April, 2007 as detailed below has been set off against the General Reserve as per the transitional provision of the Accounting Standard.

(Amount in Rs.)

Particulars	Gross	Deferred Tax	Net of Deferred tax
Gratuity benefits	2480051	842969	1637082
Compensated absences	2890602	982516	1908086
Total	5370653	1825485	3545168

N R Agarwal Industries Limited

5. The deferred tax liability as at 31st March 2008 comprise of the following:

	31st March, 2008 (Rupees)	31st March, 2007 (Rupees)
Deferred Tax Liability		
Fixed Assets excess net block over written down value as per the provisions of the Income Tax Act 1961	48,27,55,343	46,36,81,050
	<u>48,27,55,343</u>	<u>46,36,81,050</u>
Deferred Tax Assets		
Disallowance under Income Tax Act 1961	58,03,528	17,76,857
Difference of opening liability as per revised AS-15	53,70,653	0
	<u>1,11,74,181</u>	<u>17,76,857</u>
	47,15,81,162	46,19,04,193
	<u>16,02,90,437</u>	<u>15,70,01,235</u>
Provision for deferred tax (net)		

6. Earnings Per Share:

	31st March, 2008	31st March, 2007
(a) Weighted average number of equity shares of Rs. 10 each		
(i) Number of shares at the beginning of the year	1,70,19,100	1,70,19,100
(ii) Number of shares at the end of the year	1,70,19,100	1,70,19,100
(iii) Weighted average number of equity shares	<u>1,70,19,100</u>	<u>1,70,19,100</u>
(b) Net Profit after tax and after prior year adjustments (Rs.)	<u>9,22,53,732</u>	<u>11,09,13,341</u>
(c) Profit attributable to equity share holders (Rs.)	<u>5.42</u>	<u>6.52</u>

7. There are no Micro, Small and Medium Enterprises, to whom the Companies owes dues, which are outstanding for more than 45 days as at the Balance Sheet date. Further, the company has neither paid nor payable any interest to any Micro, Small and Medium Enterprises on the Balance Sheet date. The above information has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

8. The names of the Small Scale Undertakings to whom the Company owes a sum exceeding Rs.1.00 lac outstanding for more than 30 days as on 31st March 2008 are: Saraf Organics Pvt Ltd., Siddharth Chemicals, Alok Trade and Investments Pvt Ltd, Bhavik Enterprises, Good Cast Industries, Allwyn Engineers. The Information regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the company and relied upon by the auditors.

9. The Company's Income Tax assessment has been completed upto A.Y.2005-06. Tax Liabilities and interest in respect thereof demanded by the Income Tax Department has been paid

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

11. Sundry Creditors include a sum of Rs.24,95,612 (Previous Year Rs.1,09,87,071) payable for Capital Goods.

12. 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.

13. The Company has imported Capital Goods under 'Export Promotion Capital Goods' Scheme for which the Company has an export obligation of Rs. NIL (previous year Rs.43,86,65,570).

14. 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

Key Management Personnel & Relatives:

Shri N R Agarwal
Shri R N Agarwal
Smt.R R Agarwal

Relatives of Directors

Smt. S N Agarwal

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

		31st March, 2008 (Rs. In lacs)	31st March, 2007 (Rs. In lacs)
(i)	Purchase of Fixed Assets		
	Associates	0.00	102.27
(ii)	Unsecured Advances given		
	Associates	0.39	0.00
(iii)	Unsecured Deposits received		
	Key Management Personnel & Relatives	0.00	29.00
(iv)	Remuneration paid		
	Key Management Personnel	54.16	47.94
(v)	Sitting Fees Paid		
	Key Management Personnel	0.00	0.18
(vi)	Outstanding Credit Balance		
	Unsecured Deposits		
	Key Management Personnel & Relatives	153.33	32.50
(vii)	Guarantees provided for		
	Associates	420.00	1900.00

(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

15. Auditor's Remuneration

	31st March, 2008 (Rupees)	31st March, 2007 (Rupees)
Audit Fees	5,00,000	2,95,000
Tax Audit	1,00,000	55,000
Other matters	50,000	53,000
Service Tax*	80,340	49,327
Total	7,30,340	4,52,327

*Eligible for CENVAT Credit

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

	To The Executive Chairman and The Managing Director		
(a)	Remuneration and contribution to funds	46,68,720	66,18,720
(b)	Perquisites	2,50,000	50,000
	Total	118,768	66,68,720

17. Capital Work in Progress includes advance: Paid towards

Building	0.00	22,91,399
Expenses	0.00	4,143
Plant & Machinery	0.00	3,09,79,616
Advance for Land	0.00	48,00,000
Total	0.00	3,80,75,158

18. Details of capacity:

PRODUCT	DUPLEX BOARD		NEWSPRINT	
	CAPACITY (ANNUAL IN M.T.)		CAPACITY (ANNUAL IN M.T.)	
	Licensed	Installed	Licensed	Installed
This Year	N.A.	112800 TPA(3 shifts)	N.A.	36000TPA(3 shifts)
Previous year	N.A.	112800 TPA(3 shifts)	N.A.	36000TPA(3 shifts)

Note:

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

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

A. Information regarding Raw Materials Consumed:

	Waste Paper		Chemicals, Dyes	
	Qty. MT.	Value Rs.	Qty. MT.	Value Rs.
Indian	113,157.889	1,021,845,822	(-)	21,85,58,190
	(94,853.583)	(73,03,72,590)	(-)	(23,56,10,762)
Imported (including High Seas)	28,925.325	37,97,33,682	(-)	7,88,36,918
	(46,522.369)	(51,17,46,060)	(-)	(6,68,19,310)
Total	142,083.214	140,15,79,504	(-)	29,69,95,109
	(141,375.952)	(124,21,18,650)	(-)	(30,24,30,072)

B. Information regarding Exports, imports and other Matters:

1.	Remittance in foreign currency on account of dividend:		
	The Company has paid dividend in respect of shares held by Non-Resident Shareholders on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to Non Resident External (NRE A/c.). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in this respect is given below:		
	Year to which the dividend relates	2006-2007	2005-2006
	Number of non resident shareholders	26	20
	Number of shares held by them	10,256	9,126
	Amount of dividend (Rupees)	15,385	10,951
		31st March, 2008 (Rupees)	31st March, 2007 (Rupees)
2.	Earnings in Foreign Exchange		
	F.O.B. Value of Goods Exported	14,32,43,640	7,88,53,318
3.	C.I.F. Value of imports		
	(i) Raw Materials	8,48,50,512	5,27,70,047
	(ii) Stores, Components & parts	84,46,596	2,08,37,432
	(iii) Capital Goods	57,96,787	4,33,19,018
4.	Expenditure in Foreign Currency		
	Travelling	6,76,393	1,25,670
5.	Value of Imported and Indigenous Raw Materials,		
	Stores and Spares consumed:		
	Raw Materials:		
	Imported (including High Seas)	45,85,70,601	57,85,65,370
	Indigenously obtained	124,00,04,012	96,59,83,352
		169,85,74,613	14,90,192
	Stores and Spares:		
	Imported	89,43,846	36,58,458
	Indigenously obtained	6,18,53,518	6,19,51,504
		7,07,97,364	110,023
6.	Percentage of Total Consumption		
	Raw Materials:		
	Imported (including High Seas)	27.00%	37.46%
	Indigenously obtained	73.00%	62.54%
	Stores and Spares:		
	Imported	12.63%	5.58%
	Indigenously obtained	87.30%	94.42%

N R Agarwal Industries Limited

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

	DUPLEX BOARD				NEWSPRINT			
	2007-2008		2006-2007		2007-2008		2006-2007	
	Qty (M.T)	Value (Rs.)	Qty (M.T)	Value (Rs.)	Qty (M.T)	Value (Rs.)	Qty (M.T)	Value (Rs.)
Opening Stock	1126.832	24763787	1714.699	32651537	107.069	1820622	370.324	6700292
Production	99070.077	—	98892.743	—	32524.112	—	30549.102	—
Sales	99038.376	2399464873	99480.610	2228503015	32370.389	714081021	30812.357	678278323
Closing Stock	1108.533	23786956	1126.832	24763787	260.788	5033046	107.069	1820622

TRADED GOODS

	2007-2008		2006-2007	
	Qty. MT.	Value Rs.	Qty. MT.	Value Rs.
Op. Stock	—	—	—	—
Purchase	—	—	139.281	25,66,349
Sales	—	—	139.281	25,89,771
Closing Stock	—	—	—	—

20. 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 Schedules 'A' to 'Q'

As per our attached report of even date

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered Accountants

A K CHATURVEDI
Partner

PRIYANKA AGRAWAL
Company Secretary

R N AGARWAL
Managing Director

N R AGARWAL
Executive Chairman

S N CHATURVEDI
Director

Mumbai
Dated : 31st July, 2008

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	:	31st March, 2008			

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	:	1548152078	Total Assets	:	1548152078
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Sources of Funds

Paid-up capital	:	170191000
Reserves and Surplus	:	2613957421
Secured loans	:	849622135
Unsecured Loans	:	106652764
Deferred Tax Liabilities	:	160290437

Application of Funds

Net Fixed Assets	:	1198310144
Investment	:	1847860
Net Current Assets	:	347994074
Misc. Expenditure	:	0
Accumulated Losses	:	0

IV Performance of Company

Turnover	:	3113545894	Total Expenditure	:	3007994678
Profit/Loss Before Tax	:	123409336	Profit/ Loss after Tax	:	90555175
Earnings per share in Rs	:	5.42	Dividend Rate	:	12%

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

Item Code no (ITC Code)	:	480523
Product Description	:	Duplex Board
Item Code no (ITC Code)	:	480100
Product Description	:	News Print
Item Code no (ITC Code)	:	480200
Product Description	:	Writing and Printing

For and on behalf of the Board of Directors

For CHATURVEDI & PARTNERS
Chartered AccountantsA K CHATURVEDI
PartnerPRIYANKA AGRAWAL
Company SecretaryR N AGARWAL
Managing DirectorN R AGARWAL
Executive ChairmanS N CHATURVEDI
DirectorMumbai
Dated : 31st July, 2008

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 FIFTEENTH ANNUAL GENERAL MEETING of the Company to be held at GMS Community Centre Hall, Sitladevi Complex, 1st Floor, D. N. Nagar, Opp. Indian Oil Nagar on Link Road, Andheri (West), Mumbai – 400 053, on Thursday, 11th September, 2008.

Signed this _____ day of _____, 2008.

DP Id*	
--------	--

Client Id*	
------------	--

Reg.Folio No.	
---------------	--

Signature

Affix Re. 1/-
Revenue
Stamp

*Applicable if shares are held in Electronic Form.

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

N R AGARWAL INDUSTRIES LIMITED

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

ATTENDANCE SLIP

DP Id*	
--------	--

Client Id*	
------------	--

Reg.Folio No.	
---------------	--

Name & Address of the Registered Shareholder

*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 Fifteenth Annual General Meeting of the Company at Mumbai, on 11th September, 2008.

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

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



VAPI FACTORY (UNIT II)



NEWSPRINT MACHINE

**Book - Post
UCP**

If undelivered, please return to :

N R AGARWAL INDUSTRIES LIMITED

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

Tel.: (+91 22) 6731 7500