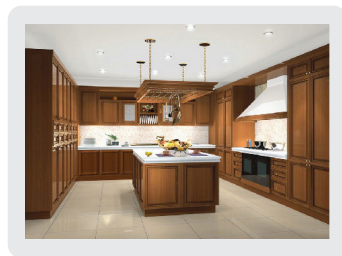


GVK
NOVOPAN INDUSTRIES LIMITED



26th
Annual Report
2010-2011

BOARD OF DIRECTORS

Dr. G V Krishna Reddy	-	Chairman
Smt G Indira Krishna Reddy	-	Vice Chairperson
Sri A Issac George	-	Director
Sri M P Murti	-	Director
Sri Y Rama Murty	-	Director
Sri S A Naqui	-	Executive Director
Auditors	-	Brahmayya & Co., 4th Floor, Golden Green Apartment Erramanzil Colony, Somajiguda Hyderabad – 500 082
Bankers	-	Indian Overseas Bank Indian Bank IDBI Bank Ltd. Federal Bank Ltd.

Registered Office

IDA, Phase - II, Patancheru,
Medak District (AP) - 502 319.

Plant Locations

- 1) IDA, Phase - II, Patancheru, Medak District (AP)
(Particle Board Plant)
- 2) Balanagar Village & Mandal, Mahaboobnagar Dist. (A.P.)
(Particle Board Plant)
- 3) Plot No. A-2, IDA, Phase IV, Patancheru, Medak Dist. (AP)
(Resin Plant)

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NOTICE OF THE 26TH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Shareholders of NOVOPAN INDUSTRIES LIMITED will be held at Sri Sathya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad – 500 073 on Monday, the 28th November, 2011 at 11.30 am to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 30th June, 2011 and Balance Sheet as on that date together with the Reports of Directors' and Auditor's for the year ended 30th June, 2011.
2. To appoint a Director in the place of Mrs. G Indira Krishna Reddy, Director, who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in the place of Mr. Y Rama Murty, Director, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint M/s Brahmayya & Co., Chartered Accountants, Hyderabad as Statutory Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. S A Naqui be and is hereby appointed as a Director of the Company.”

6. To consider and if thought fit, to pass the following resolution, with or without modification(s) as a Special Resolution.

“RESOLVED THAT pursuant to the provisions of sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, that may hereafter be made by the Central Government from time to time), consent of the Shareholders be and is hereby accorded for the appointment of Sri S A Naqui as Executive Director w.e.f. 2nd August, 2011 for a period of Two years on the following terms and conditions including remuneration, which shall not exceed the limits specified in Schedule XIII of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, that may hereafter be made by the Central Government from time to time)” or as may be approved by the Central Government.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do such acts, deeds and things as may be necessary, proper or expedient to give effect to this resolution.”

REMUNERATION:

Salary, Perquisites & Allowances: - Salary, Perquisites & Allowances subject to maximum of Rs.1,40,000/- per month.

- i) For the purpose of calculating the above ceiling, perquisites and allowances shall be evaluated as per Income Tax Rules, wherever applicable; in the absence of any such Rules, perquisites and allowances shall be evaluated at actual cost or hire charges.
- ii) Provision for use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- iii) Company's contribution to the Provident Fund and Superannuation or Annuity Fund, to the

extent these either singly or together are not taxable under the Income Tax Act, gratuity payable as per the rules of the Company (that is half a month salary for each year of completed service) and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

MINIMUM REMUNERATION

Notwithstanding anything to contrary herein contained, where, in any financial year, during the currency of the tenure of the Executive Director the Company has no profits or its profits are inadequate, the company shall pay remuneration by way of salary, perquisites and allowances not exceeding the overall ceiling limit as specified in Section II of Part II of Schedule XIII to the Companies Act, 1956 or such other overall ceiling amount as may be modified in the Schedule XIII by the Central Government from time to time or as approved by Central Government.

OTHER TERMS & CONDITIONS

- A) The terms and conditions of the said appointment and/or Agreement may be altered and varied from time to time by the Board as it may, in its discretion, deem fit, within the maximum amount payable to the whole time Directors in accordance with Schedule XIII to the Companies Act, 1956, or any amendments thereto made hereinafter in this regard / or as approved by Central Government.
- B) The agreement may be terminated by either party giving the other party One month's notice or either party paying one month's salary in lieu thereof.
- C) If at any time the Executive Director ceases to be a director of the Company for any reason whatsoever, he shall also cease to be Executive Director of the company.

By order of the Board
For Novopan Industries Limited

Place : Hyderabad
Date : 31.10.2011

S A Naqui
Executive Director

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 such proxy need not be a member of the Company.
- 2. The instrument appointing the proxy in order to be valid and effective shall be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- 3. Members / Proxies should bring their duly filled in attendance slips sent herewith for attending the meeting.
- 4. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID number to facilitate the identification of their attendance at the meeting.
- 5. Members whose shareholding is in electronic mode are requested to intimate any change of address and updation of Bank Account details immediately to their respective Depository Participants and whose shareholding is in physical form to intimate such changes to M/s Karvy Computershare Private Limited – Share Transfer Registrar of the company.
- 6. The Register of Members and Share Transfer Books of the Company will remain closed from 25.11.2011 to 28.11.2011 (both days inclusive).
- 7. Pursuant to Section 205A of the Companies Act, 1956, read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, Unclaimed dividend amount for the financial year 2003-04 has been transferred to Investor Protection Fund. The members are requested to note that the unclaimed dividend amount pertaining to the year 2004-05 is due for transfer to the said fund in the month of October, 2012 and those members who have not yet encashed the dividend amount for that year are requested to claim the same at the earliest.

8. Shareholders seeking any clarification / information on the Annual Accounts are requested to forward his/her queries to the company at least 7 days prior to the meeting so that the required information can be made available at the meeting.
 9. Shareholders are requested to send all communications/clarifications/queries etc., at M/s Karvy Computershare Private Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500081, the new RTA appointed by your Company.
-

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies and has issued circular stating that service of notice/documents etc., can be sent by e-mail to its members. To support this green initiative of the Government, members who have not registered their e-mail addresses, so far are requested to register their e-mail addresses, in respect of electronic holdings with Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail addresses with Company's Share Transfer Agent, M/s Karvy Computershare Private Limited, at 17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500081.

Explanatory Statement (Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5 & 6

Mr. S A Naqui was appointed as an Additional Director of the Company at the meeting of the Board of Directors held on 2nd August, 2011, and shall hold office up to the date of Annual General Meeting. The Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. S A Naqui for the office of Director together with a deposit of Rs. 500/-.

Mr. S.A.Naqui, aged about 67 years completed his post graduation in Chemical Engineering from IIT, Kanpur and has gained over 40 yrs of experience in Research and Development, Production and Marketing in the field of Polymers, Plain and Prelaminated particle boards and its applications in various fields. Mr. S A Naqui also developed several grades of particle boards like special water resistance board, low formaldehyde release boards etc and also worked with Bureau of Indian Standard to develop Indian standards for the above products.

The Board of Director of your Company at its meeting held on 2nd August, 2011 had appointed Mr. S A Naqui as Executive Director of the Company for a period of 2 years w.e.f., 2nd August, 2011 subject to the approval of members.

The Board of Directors recomands appointment of Mr. S A Naqui as Director & Executive Director of the Comapny for your approval. None of the Directors except Mr. S A Naqui is interested in the resolutions.

This may be treated as an abstract of the terms and conditions of the appointment as required under section 302 of the Companies Act, 1956.

By order of the Board
For Novopan Industries Limited

Place : Hyderabad
Date : 31.10.2011

S A Naqui
Executive Director

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report and Audited Accounts of your Company, together with the Schedules and Notes thereon, for the Financial Year ended 30th June, 2011.

FINANCIAL RESULTS:

To review and restructure the capital base and efficient deployment of assets, the Company has extended its financial year by three months i.e upto 30th June, 2011. Accordingly, the financial statements are for a period of 15 months for the Financial Year 2010-11.

(` in Crores)

Particulars	2010-11 *(15 months)	2009-10 (12 months)
Gross Turnover	58.34	73.71
Less: Excise Duty	4.72	4.76
Net Turnover	53.62	68.95
Gross Operating Profit (Loss)	(7.73)	1.22
Less: Interest	4.62	4.76
Profit (Loss) Before Dep. & Tax	(12.35)	(3.54)
Less: Depreciation	3.58	3.38
Profit/(Loss)		
Before Extraordinary item	(15.93)	—
Extraordinary Item	7.08	—
Profit/ (Loss) Before Tax	(23.01)	(6.92)
Less: 1) Deferred Tax	0.52	—
2) Prov for Taxes of earlier years	0.02	—
Profit (Loss) After Tax	(23.55)	(6.92)

*The above results are for 15 months vis a vis 12 months for the previous year hence not comparable.

PERFORMANCE:

Net revenue of your company for the financial period (15 months) was at Rs.53.62 crores, as against Rs.68.95 crores earned during the previous year. During the financial period ended 30th June, 2011, the company has incurred a Net loss of Rs.23.55 crores, as compared to the net loss of Rs.6.92 crores incurred during the previous financial year.

This was mainly due to acute shortage of major raw material wood apart from extended period of load shedding whereby the power was not available most of the times for two to three days in a week. In general the production lines could not be operated on a continuous basis due to stoppages of machines as a result of frequent power cuts.

This was further compounded by severe competition from imported boards available at lower prices in the market.

The above has caused the company to assess the situation pending final recommendations with respect to next steps to be taken to carry on the business, it was decided to suspend the operations at both the plants Patancheru & Shadnagar during the month of January & February 2011 respectively, to avoid further losses.

Your Company has sold 22.15 lacs Sq. Mtrs. during the year 2010-11 (for 15 months) from both the Plants as against 27.32 lacs Sq. Mtrs. sold during 2009-10.

ISSUE OF PREFERENCE SHARES:

The performance of your Company had been lagging behind and was reaching a point of stretching the resources and borrowings caused additional burden. After analyzing various options, it was decided that the Capital Restructuring would help in improving the financial health of the Company. Accordingly, the Company raised an amount of Rs. 25.00 Crores by issuing 2,50,00,000 10% Non-Cumulative Redeemable Preference Shares of Rs. 10/- each redeemable after a period of one year

to GVK Projects & Technical Services Limited on preferential basis. These proceeds were utilized partially for the repayment of Working Capital Loans and other creditors of the company.

REPAYMENT OF LONG TERM LOANS & WORKING CAPITAL LOANS:

During the year your company has repaid long term and short term loans partly from the proceeds received from issue of preference shares.

VOLUNTARY RETIREMENT SCHEME:

The Company has been reviewing right opportunities and right mix of strategies from time to time so as to start back the operations. However, due to prevailing conditions and also due to various uncertainties in terms of raw material availability and competitive prices in the market, a permanent solution could not be evolved, pending which to address the concerns of long standing employees, the company has offered Voluntary Retirement Scheme to the employees on 3rd August, 2011 and after due negotiations with employees the total amount of Rs.10.00 crores was paid towards final settlements to eligible employees.

CHANGE OF REGISTRAR AND SHARE TRANSFER AGENT:

The Share Transfer and Registry Business of M/s Sathguru Management Consultants Private Limited, Hyderabad, RTA of your Company, was taken over by M/s Karvy Computershare Private Limited, Hyderabad, and in this connection, the Board of Directors of the Company have appointed M/s Karvy Computershare Private Limited as Registrar and Share Transfer Agents.

MANAGEMENT DISCUSSION, ANALYSIS & CORPORATE GOVERNANCE:

Reports on Management Discussion & Analysis and status report on compliance of Corporate Governance are annexed and form part of Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 on the Directors' Responsibility Statement, it is hereby confirmed:

- ◆ That in the preparation of the annual accounts for the financial year ended 30th June, 2011, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ◆ That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that 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 or loss of the Company for the financial year ended 30th June, 2011;
- ◆ That the Directors took proper and sufficient care to maintain adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- ◆ That the Directors prepared the annual accounts for the financial year ended 30th June, 2011, on a going concern basis.

DIVIDEND:

In view of the losses during the financial year 2010-11, no dividend is recommended by the Board of Directors.

FIXED DEPOSITS:

The Company has not accepted any Fixed Deposits during the year under review as per the provisions of Section 58A of the Companies Act, 1956 and the rules made thereunder and no such amount in respect of Fixed Deposit (Principal or Interest) was outstanding on the date of Balance Sheet.

DIRECTORS:**Appointment / Re-appointments:**

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Smt. G Indira Krishna Reddy, Vice Chairperson and Sri Y Rama Murty, Director, will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

During the year, the Board of Directors has appointed Mr. S A Naqui, as Executive Director of the company for a period of two years w.e.f. 2nd August, 2011 subject to the approval of members.

None of the directors of the company are disqualified for being appointed as directors as specified in Section 274 of the Companies Act, 1956. Your Board of Directors recommends their appointment / re-appointment.

Cessation :

Sri S P Bhasin - Director (Operations), has resigned from the office of Director on 17th July, 2011. The Board of Directors places on record the valuable services rendered by him to the company during his association with the company.

AUDITORS:

M/s Brahmayya & Co., Chartered Accountants, Hyderabad, will retire at the ensuing Annual General Meeting and are eligible for re-appointment as Statutory Auditors of the Company.

INDUSTRIAL RELATIONS:

Your Company is maintaining cordial and harmonious relations with workmen and employees at various levels. Your Directors express their deep

sense of appreciation for the support and the contributions made by employees at all levels.

PARTICULARS OF EMPLOYEES:

During the period under review, there were no such employees whose particulars are required to be given under the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

CONSERVATION OF ENERGY, TECHNOLOGY & FOREIGN EXCHANGE:

The particulars relating to Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure – A and forms part of this report. It may be noted that there was no expenditure on account of technology absorption during the year 2010-2011.

ACKNOWLEDGEMENTS:

Your Directors would like to place on record their gratitude for all the support received from the Banks, various departments of Central and State Government, SEBI and Stock Exchanges. Your Directors would also like to take this opportunity to express their sincere appreciation for the valuable support of the Customers, Dealers and Traders and the trust and confidence reposed by the valued shareholders in the Company.

For and on behalf of the Board
For Novopan Industries Limited

Place: Hyderabad
Date : 31.10.2011

Dr. G V Krishna Reddy
Chairman

Annexure - A

Particulars as required under Section 217(1)(e) of the Companies Act, 1956 relating to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo.

Particulars	Current Year	Previous Year
A. Disclosure of Particulars with respect to Conservation of Energy, Power and Fuel Consumption:		
1 ELECTRICITY		
a) Purchased Units (in Lacs)	87.60	120.06
Total Amount (Rs. in Lacs)	382.05	439.92
(including demand charges)		
Rate / Unit (`)	4.36	3.66
b) Own Generation		
i) Through Diesel Generator		
No of Units in lacs	0.16	0.93
Units / Litre of Diesel	3.42	3.09
Cost / Unit (`)	11.72	12.41
ii) Through Steam Turbine	NIL	NIL
2 COAL		
Quantity (MT)	NIL	NIL
Total Cost (` in lacs)	NIL	NIL
Average Rate	NIL	NIL
3 OTHERS		
Consumption per unit of Production		
Electricity (Unit / Sq. Mtr.)	6.06	5.17
Coal (Kgs./ Sq. Mtr.)	NIL	NIL
B. Disclosure of particulars to foreign exchange earnings and outgo: (Rs.in lacs)		
Foreign Exchange outgo during the current accounting period	1930.44	1416.96
Foreign Exchange Earnings	NIL	NIL

MANAGEMENT DISCUSSION & ANALYSIS

MACRO ECONOMIC OVERVIEW:

The Indian economy has emerged from the slowdown caused by the financial crisis witnessed in Financial Year 07-08 to register a growth of 8.6% in the Financial Year 2010-11. Service Sector remains the fastest growing sector in the economy with growth pegged at 8.9%. Service Sector now contributes 55.2% of India's GDP and has been growing in the range of 10% annually.

Economic growth was supported by private consumption during the year and accelerated investment in the first three quarters of 2010-2011. In 2011-12, the projected growth rate is in the range of 8% to 8.5%.

The headline WPI inflation rate remains elevated driven by fuel group and non-food manufactured products. The challenge for the economy is to contain inflation and anchor inflationary expectations by reining in demand side pressures and mitigate the risk to growth from potentially adverse global developments.

The 21st Century is seeing a fundamental reshaping of the way business, society and governments operate. In recent times, the economic crisis and its repercussions have accelerated the shift of economic power from the developed to the emerging nations and exposed a fragile world with limited capacity to respond to systemic risks. As a consequence, the global economic growth has stymied and likely to traverse in as uncertain zone for some years to come.

The major challenges besetting the world economy are managing the shift in balance of power from the developed to emerging economies, increasing competition for securing natural resources, improving productivity in the wake of growing skill mismatches, non-inclusive growth in the emerging economies and above all, a looming economic uncertainty and socio-political fragility. Today the global economy is awaiting a movement where governments define new ways of relating to each other, operate in new frameworks and business models, while coping with the ever-evolving challenges.

PARTICLE BOARD INDUSTRY

Particle Board Industry in India has been facing severe competition in the market both from domestic segment as well as from imports. New manufacturing units have been set up by importing plant and machinery from China at lower capital cost. This has lead to availability of Particle Boards at lower prices in the market.

Internationally it has been observed over last few years that more and more higher capacity particle board plants were being set up by replacing the older plants with lower capacities in order to reduce the cost of production. Such trends in the market results in excessive availability of boards more than the demand in that region. In order to maintain the plant at higher capacity utilization they have to resort to exports even at lower prices. Such phenomena have been seen in South East Asian countries like Thailand and Malaysia. The nearest country for them to export is India.

In line with the above, high capacity particle board plants are being set up in India also in order to achieve the lower cost of production at higher volumes in order to compete with the International Prices. Consequently, the overall production capacity of Particle Board in the country has gone up thereby the availability of board is surpassing the country's demand.

To take advantage of the availability of Plain Particle Boards at competitive prices, several stand alone Lamination Plants have come up in various parts of the country. These lamination plants are offering pre-laminated boards to their local markets at very competitive prices.

All the above factors are constraining the older Plants like ours which operate at national level to meet competition in the market due to higher cost of manufacture and lower productivity.

OPPORTUNITIES & STRENGTHS

Your company has a good Brand name and is exploring various possibilities of improving the business by revamping the older plant and machinery by new more efficient and automated machines.

THREATS

Particle Board Industries are coming-up with more automated higher capacity Plants, which produce continuously higher quality product at lower cost of production. This throws big challenge to older plants which are operated manually at lower capacities.

Another important factor is that the new plants are being set up closer to major source of raw material which is wood, enabling them to save on transportation and time.

Your company has been operating with plants manufactured almost thirty years back with much lower capacity and less automation leading to higher running and maintenance cost. Moreover, the Plants are located far away from the source of major raw material.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

Net revenue of your company for the financial period (15 months) was at Rs.53.62 crores, as against Rs.68.95 crores earned during the previous year. During the financial period ended 30th June, 2011, the company has incurred a Net loss of Rs.23.55 crores, as compared to the net loss of Rs.6.92 crores incurred during the previous financial year.

OPERATIONS

Patancheru & Shadnager Plants put together, despatched 22.15 lacs sq.mtrs of prelaminated boards of various thicknesses (for the 15 months) as compared to 27.32 lacs sq.mtrs in the previous year.

During the year your company faced severe problems like shortage of major raw material which is wood, unscheduled power cuts and frequent machinery breakdowns. All these factors lead to lower production and lower plant utilization thereby higher cost of production. Over and above this, the Particle Board market in the country became highly competitive due to newly added higher production capacities coming up and easy availability of boards from imported sources at lower prices.

OUTLOOK

Considering the above scenario, the company is

evaluating various options of reviving the business by looking at various restructuring measures, which essentially will allow the company to carry on the business more efficiently and in cost effective manner. Some of these that are being examined are revamping the entire plant & machinery after upgrading the same and replacing some of the inefficient machinery with more efficient Plant & machinery. The Company is also considering to relocate the plant & machinery to an area closure to the source of the raw material.

RISKS & CONCERNS

As the manufacturing activities at all the three plants had been suspended for several unavoidable reasons, the plant, machinery and other equipments are lying idle, which is a major concern for the Company.

INTERNAL CONTROL SYSTEM

Your Company has reviewed internal controls and its effectiveness through the internal audit process. Internal audits were undertaken for every operational Unit and all major corporate functions under the direction of the Group Internal Audit department. The focus of these reviews as follow:

- ◆ Identity weaknesses and areas of improvement
- ◆ Compliance with defined policies and processes
- ◆ Safeguarding of tangible and intangible assets
- ◆ Management of business and operational risks
- ◆ Compliance with applicable statutes

The Audit Committee of the Board oversees the adequacy of the internal control environment through regular reviews of the audit findings and monitoring implementations of internal audit recommendations through the compliance reports submitted to them.

HUMAN RESOURCES

During the period most of employees have left the services as the operations of the company were suspended at all the three units. Subsequently, the management after due negotiation with the Recognized Union, offered a Voluntary Retirement Scheme (VRS). The company has settled all the eligible employees who have applied for the VRS.

CORPORATE GOVERNANCE

1. Company's Philosophy :

Novopan Industries has been regularly implementing the best practices of Corporate Governance to ensure the attainment of total transparency, accountability and integrity. The objective extends, not merely to meet with statutory requirements but also to go beyond them by putting into place procedures and systems, which are in accordance with best practices for governance. Corporate Governance at Novopan Industries means being responsive to aspiration of all the shareholders, employees, government, general trade and the public. Towards emphasizing on these guiding principles, the company, through formalized meetings and committees consisting of senior managers and staff, reviews periodically various activities and operations of the company. The compliance report of the company, in accordance with the Stock Exchange Regulations and Listing Agreement is presented below:

2. Board of Directors :

Composition of the Board of Directors:

The Board represents an optimum combination of executive and non-executive directors. Composition of the Board is in conformity with the provisions of the Listing Agreement on corporate governance for the Financial Year 2010-11 (i.e., 15th months period from 1st April, 2010 to 30th June, 2011).

None of the Directors are disqualified under Section 274(1)(g) of the Companies Act, 1956 read with Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003. Necessary disclosures have been made by the Directors stating that they do not hold any membership in more than 10 Committees or Chairmanship of more than 5 Committees in terms of Clause 49 of the Listing Agreements.

The Category-wise Composition of Directors as on 30th June, 2011 is given below:

Category	Particulars of Directors
Promoter & Non – Executive Directors	1 Dr G V Krishna Reddy – Chairman 2 Smt G Indira Krishna Reddy – Vice Chairperson
Whole Time Director or Executive Director	1 Sri S P Bhasin - Director (Operations) *
Independent Directors	1 Sri M P Murti - Director 2 Sri A Issac George - Director 3 Sri Y Rama Murty – Director

* Sri S P Bhasin has resigned as Director (Operations) and Director from the Board of the Company on 17th July, 2011. Sri S A Naqui has been appointed as an Executive Director of the Company for a period of 2 years w.e.f. 2nd August, 2011.

3. Non – Executive Director's Remuneration & Sitting Fees :

The non-executive Directors did not draw any remuneration from the company except sitting fees of Rs.4,000/- for attending each Board Meeting / Committee Meeting. The Company has paid total Rs.1.00 lakh sitting fee to directors during the financial year 2010-11 i.e., up to 30th June, 2011.

4. Board Meetings held in the financial year 2010-11:

During the year, the Board of Directors met seven times (as against minimum requirement of four meetings) on 30th April, 2010, 27th July, 2010, 25th October, 2010, 27th November, 2010, 12th February, 2011, 30th April, 2011 and 9th May, 2011. The gap between two Board Meetings was within the maximum time gap of four months prescribed in Clause 49 of the Listing Agreement. All the information was made available as required to be placed before the Board.

5. Attendance of Board of Directors:

The following is the attendance of each Director at the Board Meeting, last Annual General Meeting and number of other Directorship and Chairman/Membership of Committees of each Director in various other Companies.

Name of the Director	Category	Attendance Particulars		Number of other Directorships and Committee Member/Chairmanships #		
		Board Meeting	Last AGM	Other Directorships*	Committee Memberships	Committee Chairmanships
Dr G V Krishna Reddy	Promoter; Non-executive	5	Yes	11	Nil	Nil
G Indira Krishna Reddy	Promoter; Non-executive	5	Yes	10	Nil	Nil
M P Murti	Independent	7	Yes	3	1	2
R Surender Reddy**	Independent	1	N A	9	5	5
A Issac George	Independent	5	Yes	5	1	Nil
Y Rama Murty	Independent	5	Yes	2	Nil	Nil
S P Bhasin ***	Whole time Director	4	Yes	Nil	Nil	Nil

Committee memberships considered are of other companies only and those as required under the code of Corporate Governance.

* Directorships in other public limited companies.

** Sri R Surender Reddy has resigned as Director from the Board of the Company w.e.f. 27th July, 2010.

*** Sri S P Bhasin has resigned as Director (Operations) and Director from the Board of the Company on 17th July, 2011.

6. Code of Conduct:

The Company has received declarations from its Directors and Senior Management Personnel affirming their compliance with the applicable code of conduct.

7. Audit committee:

The Audit Committee consists of four non-executive directors, of whom three are independent directors.

The Audit Committee has met 5 times during the financial year 2010-11. During these meetings, the Committee, inter alia, reviewed the financial statements including changes in accounting policies and practices before submission to the Board, recommended the appointment of statutory and internal auditors including fixation of audit fee, discussed the internal auditor's findings and reviewed the company's financial and risk management policies.

The Composition of Audit Committee and Attendance of members are given as under:

Name of Director and Position	Category of Director	Meetings / Attendance				
		30.04.10	30.07.09	25.10.10	12.02.11	09.05.11
M P Murti – Chairman	Independent	P	P	P	P	P
R Surender Reddy - Member	Independent	A	P	R	R	R
A Issac George – Member	Independent	P	P	A	P	P
Y Rama Murty – Member	Independent	P	P	P	P	A
G Indira K Reddy - Member	Non-Executive	P	P	P	P	P

P – Present, A – Absent, R-Resigned

8. Remuneration Committee:

The Remuneration Committee of the company comprises of four Non-executive Directors viz., Sri M P Murti as Chairman (Independent Director), Smt G Indira Krishna Reddy (Non-executive Director) Sri A Issac George (Independent Director) and Sri Y Rama Murty (Independent Director) as its members.

Details of Remuneration paid to the Whole time Directors for the year : The aggregate value of salary and perquisites paid for the year ended 30th June, 2011 (i.e., 15th months period from 1st April, 2010 to 30th June, 2011) to Sri S P Bhasin, Director (Operations) was Rs.23.73 lacs. There is a Sub Committee of Board viz., Remuneration Committee which study the remuneration policy and fix the remuneration of non-executive and executive directors during the year. The Company had one whole time director i.e. Director (Operations) and his salary has been fixed by the shareholders at the Annual General Meeting. The non-executive directors do not draw any remuneration from the company except sitting fees.

9. Disclosures by management to the Board

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

10. Shareholders' / Investors' Grievance Committee:

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors of the Company has constituted an Investor Grievance Committee comprising of four Non-executive Directors viz., Sri M P Murti as Chairman (Independent Director), Sri A Issac George (Independent Director), Sri Y Rama Murthy (Independent Director) & Smt G Indira Krishna Reddy (Non-executive Director) as its members.

The Investor Grievance Committee specifically looked into the redressal of Investor Grievances pertaining to - Transfer of Shares, Payment of Dividend, Dematerialization of Shares and issue of Duplicate shares Certificates etc.,

The total number of queries / correspondence received and resolved to the satisfaction of the shareholders during the year under review is given below.

Particulars	Pending as on 1 st April, 2010	Received during the year	Redressed during the year	Pending as on 30 th June, 2011
Non-receipt of Dividend	Nil	4	4	Nil
Exchange of Share Certificates	Nil	89	89	Nil
Change of Address	Nil	27	27	Nil
Bank Details / Mandate	Nil	1	1	Nil
Duplicate / Revalidation of Dividend Warrants	Nil	94	94	Nil
Complaints from Stock Exchanges, SEBI, ROC & Ministry of Corporate Affairs	Nil	2	2	Nil
Physical Share Transfers / Transmissions	Nil	58	58	Nil
General Correspondence	Nil	37	37	Nil

The Company has attended to most of the investors' grievance / complaints within a period of 10 days from the date of receipt of the same.

11. CEO/CFO Certification:

A certificate from Executive Director and Finance Head on the financial statements of the company was placed before the Board.

12. General Body Meetings:

Location and time for the last three Annual General Meetings were:

Year	Location	Date	Time
2007 - 2008	Sathya Sai Nigamagamam, 8-3-987/2, Srinagar Colony, Hyderabad - 500073	27-12-2008	11.30 a.m.
2008 - 2009	Sathya Sai Nigamagamam, 8-3-987/2, Srinagar Colony, Hyderabad - 500073	22-09-2009	3.30 p.m.
2009 -2010	Sathya Sai Nigamagamam, 8-3-987/2, Srinagar Colony, Hyderabad - 500073	27-11-2010	11.30 a.m.

Postal Ballots: In terms of the Provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001, the company during the financial year ended 30th June, 2011 (i.e., 15th month period from 1st April, 2010 to 30th June, 2011) has passed the following Special Resolutions by way of conducting Postal Ballot.

1. Special Resolution under section 94 & 97 of the Companies Act, 1956 to Increase and classify the Authorized Share Capital of the company into two classes viz., Equity Share Capital and Preference Share Capital with a majority of 99.99%
2. Special Resolution under section 16 & 31 of the Companies Act, 1956 to Alter the Memorandum of Association & Articles of Association of the company with a majority of 99.99%.
3. Special Resolution under section 80 & 81 of the Companies Act, 1956, to issue 10% Non-Cumulative Redeemable Preference Shares to GVK Projects and Technical Services Limited with a majority of 99.99%.

There is no Special or Ordinary Resolutions proposed, which needs to be passed by way of Postal Ballot at the ensuing Annual General Meeting.

13. Other Disclosures:

- ◆ Related party transactions: There were no materially significant related party transactions, which had potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Notes to the Accounts in the Annual Report.
- ◆ There were no instances of non-compliance, penalties and strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter relating to capital markets during the last three years.

14. Means of Communication:

The quarterly financial results are generally published in "Financial Chronicle" & and "Andhra Bhoomi" and the same is being intimated to Stock Exchanges where the shares of the company is listed.

15. Share Transfer System:

The Board of Directors has appointed Sathguru Management Consultants (P) Ltd as Share Transfer Registrars, for affecting the transfers and other related works of the company. (The Company has now appointed Karvy Computershare Pvt. Limited as its Share Transfer Registrars). The transfers, which are received in physical form are registered and returned within a period of one month from the date of receipt, if the documents are valid and complete in all respects. The transfer of share in physical form is affected on fortnightly basis by the Share Transfer Registrar and the transfer of shares in electronic form is affected through the Depository Participant.

16. Distribution of Shareholding as on 30th June, 2011 :

Category (No. of shares)	Number of Shareholders	% of Shareholders	Number of Shares held	% of Shareholding
0 – 1000	13061	98.56	985437	8.28
1001 – 5000	141	1.06	289602	2.43
5001 – 10000	12	0.09	87095	0.73
Above 10000	38	0.29	10547819	88.56
Total	13252	100.00	11909953	100.00

Market Capitalization : ₹ 50.32 crores as on 30th June, 2011

17. Dematerialization of Shares:

The equity shares of the Company are being traded compulsorily in dematerialized form and as on 30th June, 2011 total number of 1,15,24,060 equity shares of the face value of Rs.11.52 crores, representing 96.76% of the equity share capital have been dematerialized.

Monthly High / Low of market price of the Company's shares traded on The Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) during the Financial Year 2010-11 (i.e., 15th month period from 1st April, 2010 to 30th June, 2011).

Particulars	BSE		NSE	
	High	Low	High	Low
April, 2010	48.35	36.10	48.80	37.90
May, 2010	41.95	32.15	43.30	32.35
June, 2010	40.80	31.25	41.70	31.20
July, 2010	42.40	34.50	42.80	33.50
August, 2010	43.25	31.30	44.05	31.15
September, 2010	41.00	33.30	40.45	33.05
October, 2010	45.70	34.20	45.90	32.25
November, 2010	39.90	30.50	38.90	30.65
December, 2010	35.40	31.00	37.70	31.25
January, 2011	35.20	28.60	34.65	27.40
February, 2011	39.65	27.65	38.00	27.55
March, 2011	37.30	33.10	37.00	32.80
April, 2011	39.00	34.10	38.00	34.35
May, 2011	42.00	35.60	40.00	36.05
June, 2011	43.90	38.20	42.60	38.05

18. Shareholders information :

1. Annual General Meeting Date, Time & Venue	28 th November, 2011 at 11.30 am. “Sathya Sai Nigamagmam”, 8-3-987/2, Srinagar Colony, Hyderabad – 500 073.
2. Financial Calendar 2011-2012	Reporting of financial results for each quarter is done in the following month for the relevant quarters & for the financial year ending 30 th June, 2012 will be done during July/August, 2012.
3. Dates of Book Closure	From 25 th November, 2011 to 28 th November, 2011 (both days inclusive)
4. Listing on Stock Exchanges	Bombay Stock Exchange Ltd. (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 The National Stock Exchange of India Ltd. (NSE) Bandra Kurla Complex, NSE Exchange Plaza Bandra (East), Mumbai – 400 051
5. Listing Fees	Paid to both the above Stock Exchanges upto Financial Year 2011-12.
6. Stock Code	‘500310’ on the Bombay Stock Exchange Ltd., Mumbai ‘NOVOPAN IND’ on the National Stock Exchange of India Ltd, Mumbai.
7. Demat ISIN Number in NSDL & CDSL for equity shares	INE460B01016
8. Registered Office	IDA, Phase - II, Patancheru, Medak District (AP) - 502 319. Phone : 08455 - 242624 / 242625 / 242626, Fax : 08455 - 241883 E-mail : investor@novopan.in
9. Share Transfer Registrars (for both Physical & Electronic Shares)	Karvy Computershare Private Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad-500 081. Phone : 040-44655000, Fax : 040-23420814 Tollfree No. : 1800 345 4001, E-mail : einward.ris@karvy.com
10. Shareholders’ Correspondence	Share Transfers in physical form and all other correspondence regarding Duplicate Share Certificates, Dividends, Change of Addresses shall be addressed to M/s Karvy Computershare Private Limited – Share Transfer Registrar.

Annexure to Report of Corporate Governance
Details of Director seeking reappointment at the ensuing Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges).

Name of the Director	Mrs. G Indira Krishna Reddy	Mr. Y Rama Murty	Mr. S A Naqui
Date of Birth	17 th October, 1947	24 th June, 1960	19 th February, 1944
Date of Appointment	5 th October, 1995	9 th June, 2004	2 nd August, 2011
Shares held	100	Nil	Nil
Qualification	B.Sc.	B.Sc. in Biological Sciences, Chartered Accountant and also a CPA from the Illinois State, USA.	M.Sc. in Chemical Engineering from IIT, Kanpur
Experience in specific functional area	Mrs. Indira Reddy is recognized for her people management skills and her ability to communicate organizational goals effectively down the line. Her attention to details and ability to motivate people has been instrumental in gaining Taj Krishna (5 Star Hotel in Hyderabad) its industry leading stature. She is Managing Director of Taj GVK Hotels & Resorts Limited and Director on the Board of GVK Group of companies which is a multi product conglomerate with interests of Power Generation, Highways, Biotechnology, Particle Boards, Hospitality Infrastructure Finance & Petrochemicals.	He was a consultant in the areas of Management, Company Law and Taxation apart from providing assurance services during the year 1987 to 1994. He is associated with GVK Group since 1988 providing audit services to the GVK Group of companies. Since, 1994 he has been involved with GVK America, Inc. in various capacities apart from taking care of Finance and Accounting functions. He also possesses experience in the fields of Commercial, Marketing, Purchasing and Human Resources functions. He has assumed responsibilities in GVK Industries Limited and has been associated in refinancing of external commercial debt and financing of expansion power project of the company. He has experience in working for a laminate plant outside India and over 20 years of experience in the laminate industry and finance areas.	Mr. S.A.Naqui, aged about 67 yrs completed his post graduation in Chemical Engineering from IIT, Kanpur and has gained over 40 yrs of experience in Research and Development, Production and Marketing in the field of Polymers, Plain and Prelaminated particle boards and its applications in various fields. Mr. S A Naqui also developed several grades of particle boards like special water resistance board, low formaldehyde Release boards etc and also worked with Bureau of Indian Standard to develop Indian standards for the above products.
List of Public Companies in which outside directorships held as on 30.06.2011	<ol style="list-style-type: none"> 1. GVK Power & Infrastructure Limited 2. Alaknanda Hydro Power Company Limited 3. GVK Energy Limited 4. GVK Projects & Technical Services Limited 5. Pinakini Share & Stock Brokers Limited 6. Taj GVK Hotels & Resorts Limited 7. GVK Industries Limited 8. GVK Goutami Power Limited 9. Bangalore International Airport Limited. 	<ol style="list-style-type: none"> 1. Alaknanda Hydro Power Company Limited 2. Seregarha Mines Limited 	Nil

Auditors' Certificate on Compliance of conditions of the Corporate Governance as per clause 49 of the Listing Agreement with the Stock Exchanges.

To

The Members of
Novopan Industries Limited

We have examined the compliance of conditions of Corporate Governance by Novopan Industries Limited, Hyderabad for the year ended on 30th June, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Directors and management;

We certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no Investor grievances are pending for a period exceeding one month against the Company, as per the records maintained by the Company.

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

For BRAHMAYYA & CO.,
Chartered Accountants.

Place : Hyderabad
Date : 31-10-2011

(KOTESWARA RAO SSR)
Partner
Membership No.18952

Auditor's Report

To, The Members of
NOVOPAN INDUSTRIES LIMITED,
PATANCHERU(A.P).

We have audited the attached balance sheet of NOVOPAN INDUSTRIES LIMITED, PATANCHERU (A.P), as at 30th June,2011, its Profit and Loss account for the year ended on that date annexed thereto, and its Cash Flow statement for the year ended on that date. 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.

We conducted our audit in accordance with the 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.

As required by the Companies (Auditor's Report) Order, 2003 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 paragraphs 4 and 5 of the said Order.

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

- (i) 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;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

- (iii) The Balance Sheet, the Profit and Loss Account and the Cash-flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the 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;
- (v) On the basis of written representations received from the directors, as on 30th June,2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June,2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given 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;
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 30th June,2011;
 - (b) in the case of the Profit and Loss account, of the LOSS of the company for the year ended on that date; and
 - (c) in the case of the Cash-flow Statement, of the cash flows of the company for the year ended on that date.

For BRAHMAYYA & CO.,
Chartered Accountants.
Firm Regn No.:000513S

(KOTESWARA RAO SSR)
Partner
Membership No:018952

Place : Hyderabad
Date : 31-10-2011

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- 1.1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - 1.1.1 As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed on such verification.
 - 1.1.2 During the year the assets disposed off by the company are not material so as to effect the going concern status of the Company.
- 2.1 The company has physically verified its inventories during the year. In our opinion, the frequency of verification is reasonable.
- 2.2. In our opinion, 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.
- 2.3. The company is maintaining proper records of inventory and the discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- 3.1.1 According to the information furnished to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered by the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of clauses 4(iii) (b), (c) and (d) of the order, are not applicable.
- 3.1.2 According to the information and explanations furnished to us, the company has not taken any loans secured or unsecured from companies, firms or other parties whose particulars are recorded in the register maintained under Section 301 of the Companies Act 1956. Accordingly the provisions of clauses 4(iii) (f) and (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. Further during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are having regard to the prevailing market prices at the relevant time.

6. The company has not accepted deposits from public. Hence the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the company.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the products of the company.
- 9.1 According to the records of the company, the company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service tax, Cess and other material statutory dues applicable to it.
- 9.2 According to the information furnished to us, there were no undisputed statutory dues payable in respect of Income Tax, Wealth Tax, Service tax and Cess which were in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.
- 9.3 According to the records of the company and the information and explanations given to us, there are no dues in respect of Sales Tax, Income Tax, Excise Duty, Customs duty, Wealth Tax, Service tax, and Cess, which have not been deposited on account of any dispute except the following:

Nature of the Dues	Amount (Rs. in Lacs)	Period for which the Amount Relates	Forum in which the dispute is pending
Income Tax	20.37	2003 - 2004 (Asst. year)	Income Tax Appellate Tribunal Hyderabad
	36.49	2004 - 2005 (Asst. year)	Income Tax Appellate Tribunal Hyderabad
	49.64	2006 - 2007 (Asst. year)	Income Tax Appellate Tribunal Hyderabad
	180.233	2007 - 2008 (Asst. year)	Income Tax Appellate Tribunal Hyderabad

10. The accumulated losses at the end of the financial year are more than fifty percent of its net worth. The company has incurred cash losses during the financial year and also in the immediately preceding financial year.
11. The company has not defaulted in repayment of its dues to financial institutions and banks.
12. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The company is neither a chit fund nor a nidhi/mutual benefit fund /society and hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information furnished to us, the company has not given any guarantees for loans taken by others from any banks or financial institutions.
16. According to the information and explanations given to us, no term loans were obtained by the company during the year.
17. 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 were raised on short-term basis.
18. In our opinion the preferential allotment of shares made by the company to parties and companies covered by the register maintained under section 301 of the Companies Act 1956, is not prejudicial to the company.
19. During the year the company has not issued debentures.
20. During the year the company has not raised any money through public issue. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
21. According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

For BRAHMAYYA & CO.,
Chartered Accountants.
Firm Regn No.:000513S

(KOTESWARA RAO SSR)
Partner
Membership No:018952

Place : Hyderabad
Date : 31-10-2011

BALANCE SHEET AS AT 30th JUNE, 2011

	Schedule Reference	30 th JUNE, 2011 Amount Amount	31 st MARCH, 2010 Amount Amount
SOURCES OF FUNDS:			
Shareholder's Funds			
Share Capital	1	36,90,99,530	11,90,99,530
Reserves and Surplus	2	<u>28,88,56,353</u>	<u>30,13,06,427</u>
		65,79,55,883	42,04,05,957
Loan Funds			
Secured Loans	3	-	<u>32,92,76,285</u>
TOTAL		<u>65,79,55,883</u>	<u>74,96,82,242</u>
APPLICATION OF FUNDS:			
Fixed Assets	4		
Gross Block		1,33,35,41,245	1,34,61,02,217
Less: Depreciation		<u>73,00,65,146</u>	<u>70,04,41,895</u>
Net Block		60,34,76,099	64,56,60,322
Add: Capital Work-in-Progress		<u>3,22,250</u>	<u>3,22,250</u>
		60,37,98,349	64,59,82,572
Investments	5	5,37,500	16,92,500
Current Assets, Loans and Advances			
Inventories	6A	22,52,43,455	22,55,77,282
Sundry Debtors	6B	1,77,21,869	11,33,43,198
Cash and Bank Balances	6C	1,55,87,980	66,97,433
Loans and Advances	6D	<u>5,85,95,573</u>	<u>5,50,55,784</u>
TOTAL - A		<u>31,71,48,877</u>	<u>40,06,73,697</u>
Current Liabilities and Provisions	7		
Current Liabilities		45,95,16,895	28,99,43,799
Provisions		<u>2,74,87,438</u>	<u>1,48,13,976</u>
TOTAL - B		<u>48,70,04,333</u>	<u>30,47,57,775</u>
Net Current Assets (A - B)		(16,98,55,456)	9,59,15,922
Deferred Tax Asset		-	52,24,797
Profit and Loss Account		22,31,01,344	-
Miscellaneous expenses (To the extent not written off)	8	3,74,146	8,66,451
TOTAL		<u>65,79,55,883</u>	<u>74,96,82,242</u>
Notes to Accounts	16		

Schedules referred to and Notes to accounts form an integral part of the Balance sheet

As per our report of even date

For and on behalf of the Board of Directors

for BRAHMAYYA & CO.

Chartered Accountants

Firm Regn No. : 000513S

KOTESWARA RAO SSR

Dr. G V KRISHNA REDDY

G INDIRA K REDDY

Partner

Chairman

Vice-Chairperson

Membership No.: 18952

Place : Hyderabad

Date : 31.10.2011

S A NAQUI
Executive Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th, JUNE, 2011

	Schedule Reference	Current Year	Previous Year
REVENUE			
Sales		55,29,13,889	72,49,61,729
Less:Excise Duty		<u>4,72,01,460</u>	<u>4,75,67,131</u>
		50,57,12,429	67,73,94,598
Other Income	9	<u>3,04,56,373</u>	<u>1,21,14,202</u>
TOTAL		<u>53,61,68,802</u>	<u>68,95,08,800</u>
EXPENDITURE			
Materials Consumed	10	26,44,84,415	34,16,80,879
Rates and Taxes	11	2,50,06,340	3,06,27,128
Personnel Cost	12	13,15,74,407	10,52,73,475
Power and Fuel		6,44,67,126	7,33,46,790
Other Expenses	13	11,29,19,595	11,97,44,623
Finance Charges	14	5,05,63,969	5,19,42,894
Depreciation	4	3,58,71,988	3,38,11,320
(Increase)/Decrease in stocks	15	<u>1,05,68,437</u>	<u>2,23,7,488</u>
TOTAL		<u>69,54,56,277</u>	<u>75,86,64,597</u>
Loss for the year before extraordinary items		(15,92,87,475)	(69,155,797)
Add: Voluntary retirement compensation		<u>7,08,03,346</u>	-
Loss for the year before taxes		(23,00,90,821)	(6,91,55,797)
Less : Provision for Taxes:			
Earlier Years		(2,35,799)	-
Deferred Tax		<u>(52,24,797)</u>	-
Loss for the year after tax		(23,55,51,417)	(6,91,55,797)
Loss brought forward from last year		-	3,14,13,684
Loss adjusted against General Reserve		<u>1,24,50,074</u>	<u>3,77,42,113</u>
Balance carried over to Balance Sheet		<u>(22,31,01,343)</u>	-
Earnings per Share (Rs.)			
Profit for the year after tax		(23,55,51,417)	(6,91,55,797)
Number of Shares		1,19,09,953	1,19,09,953
Basic		(19.78)	(5.81)
Notes to Accounts	16		

Schedules and Notes to Accounts form an integral part of Profit and Loss account

As per our report of even date

For and on behalf of the Board of Directors

for BRAHMAYYA & CO.

Chartered Accountants

Firm Regn No. : 000513S

KOTESWARA RAO SSR

Dr. G V KRISHNA REDDY

G INDIRA K REDDY

Partner

Chairman

Vice-Chairperson

Membership No.: 18952

Place : Hyderabad

S A NAQUI

Date : 31.10.2011

Executive Director

SCHEDULES TO BALANCE SHEET
SCHEDULE - 1
SHARE CAPITAL

	As at 30.06.2011	As at 31.03.2010
AUTHORISED:		
2,00,00,000 Equity Shares of Rs. 10/- each	20,00,00,000	20,00,00,000
3,00,00,000 10% Redeemable Non Cumulative Preference Shares of Rs.10/- each	<u>30,00,00,000</u> <u>50,00,00,000</u>	<u>-</u> <u>20,00,00,000</u>
ISSUED, SUBSCRIBED AND PAID-UP:		
1,19,09,953 (Previous Year 1,19,09,953) Equity Shares of Rs.10/- each fully paid-up	11,90,99,530	11,90,99,530
2,50,00,000 10% Redeemable Non Cumulative Preference Shares of Rs.10/- each	<u>25,00,00,000</u> <u>36,90,99,530</u>	<u>-</u> <u>11,90,99,530</u>
TOTAL		

SCHEDULE - 2
RESERVES AND SURPLUS

		As at 30.06.2011		As at 31.03.2010
A. Capital Reserve				
Profit on reissue of forfeited Shares		27,480	-	27,480
B Revaluation Reserve		28,73,28,873	-	28,73,28,873
C. General Reserve				
Opening Balance	5,01,92,187		5,01,92,187	
Less balance in profit & loss account adjusted as per contra				
I. Loss for the year ended 31.03.2010	3,77,42,113		3,77,42,113	
II. Loss for the period ended 30.06.2011	1,24,50,074	-	-	1,24,50,074
D. Central and State Subsidies		15,00,000		15,00,000
TOTAL		28,88,56,353		30,13,06,427

SCHEDULE - 3
SECURED LOANS

	As at 30.06.2011	As at 31.03.2010
a) Term Loan From		
Indian Bank	-	19,21,46,951
b) Working capital loans		
i) Indian Overseas Bank	-	6,29,19,725
ii) IDBI Bank Ltd	-	1,44,46,612
iii) Indian Bank	-	3,49,55,587
iv) Federal bank	-	2,48,07,410
TOTAL	<u>-</u>	<u>32,92,76,285</u>

Notes: (a) Term Loans are secured by way of first charge on Fixed Assets of the Company.
 (b) Working Capital Loans are secured by way of hypothecation of raw materials, finished goods, debtors, stores, goods in transit and second charge on the fixed assets.

SCHEDULE - 4		FIXED ASSETS									
Sl No.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2010	Additions during the Year	Deductions during the Year	As at 30.06.2011	Upto 01.04.2010	For the Year	Deductions during the Year	Upto 30.06.2011	As at 30.06.2011	As at 31.03.2010
1.	Land	35,96,66,340	-	-	35,96,66,340	-	-	-	-	35,96,66,340	-
2.	Buildings	10,67,74,105	-	1,25,42,388	9,42,31,737	4,75,49,480	31,95,381	60,95,409	4,46,49,622	4,95,82,305	59,224,625
3.	Plant & Machinery	84,95,74,697	-	-	84,95,74,697	62,83,71,102	3,17,89,145	-	6,60,16,0247	18,94,14,450	22,12,03,595
4.	Furniture & Office Equipment	2,64,89,920	1,42,800	1,61,404	2,64,71,316	2,22,66,758	6,39,161	1,53,328	2,27,52,591	37,18,725	42,23,162
5.	Vehicles	34,45,689	-	-	34,45,689	21,03,089	2,48,321	-	23,51,410	10,94,279	13,42,600
6.	Other Fixed Assets	1,51,466	-	-	1,51,466	1,51,466	-	-	1,51,466	-	-
	TOTAL	1,34,61,02,217	1,42,800	1,27,03,772	1,33,35,41,245	70,04,41,895	3,58,71,988	62,48,737	73,00,65,146	60,34,76,099	64,56,60,322
	Previous Year	1,36,57,15,398	1,62,188	1,97,75,369	1,34,61,02,217	68,52,29,235	3,38,11,320	1,85,98,660	70,04,41,895	64,56,60,322	68,04,86,163

SCHEDULES TO BALANCE SHEET
SCHEDULE - 5
INVESTMENTS

	As at 30.06.2011	As at 31.03.2010
National Savings Certificates (Deposited with Government Departments)	59,600	59,600
Shares in Companies - Long Term At Cost:		
Non-trade - Unquoted		
a) Visual Quest India Pvt Ltd 1,15,500 Equity shares of ₹ 10/- each fully paid-up (Sold during the year)	-	11,55,000
b) Patancheru Envirotech Ltd 46,498 Equity Shares of ₹ 10/- each fully paid-up	4,77,900	4,77,900
TOTAL	<u>5,37,500</u>	<u>16,92,500</u>

SCHEDULES TO BALANCE SHEET
SCHEDULE-6
CURRENT ASSETS, LOANS AND ADVANCES

	As at 30.06.2011	As at 31.03.2010
A. Inventories at cost (as valued and certified by the Management)		
a. Raw Materials	16,61,15,645	15,45,91,774
b. Packing Material	30,686	21,97,422
c. Stores and Spares	5,90,74,755	5,81,97,280
d. Work-in-process	17,590	9,47,778
e. Finished Goods	4,779	96,43,028
TOTAL - A	<u>22,52,43,455</u>	<u>22,55,77,282</u>
B. Sundry Debtors (Unsecured, considered good)		
a. Outstanding for a period exceeding six months		
i. Considered Good	66,13,519	1,98,45,148
ii. Considered Doubtful	58,33,681	37,86,414
Less: Provision for Doubtful Debts	<u>58,33,681</u>	<u>37,86,414</u>
	66,13,519	1,98,45,148
b. Others	1,11,08,350	9,34,98,050
TOTAL - B	<u>1,77,21,869</u>	<u>11,33,43,198</u>
C. Cash & Bank Balances		
a. Post office savings bank account	1,000	1,000
b. With Scheduled Banks in:		
Current Accounts *	1,26,17,641	38,44,298
Fixed Deposits	7,49,491	6,46,105
Margin Money Deposits	22,19,848	22,06,030
TOTAL - C	<u>1,55,87,980</u>	<u>66,97,433</u>
* Includes deposits for uncalimed devidends Rs.15,51,172/- (Previous Year Rs. 18,26,119/-)		
D. Loans & Advances (Unseured, Considered Good) (Recoverable in cash or in kind or for value to be received)		
a. Prepaid Expenses	11,36,498	27,42,728
b. Staff Advances	3,24,787	16,74,192
c. Deposits Recoverable	95,41,757	1,06,28,456
d. Other Advances	2,14,83,287	2,51,40,152
e. Interest accrued	1,52,889	66,918
f. Advance Tax and Tax deducted at source(net of provisions)	2,29,06,479	1,17,96,971
g. Balance with Government Authorities	13,70,639	5,73,920
h. Cenvat and VAT receivable	<u>16,79,237</u>	<u>24,32,447</u>
TOTAL - D	<u>5,85,95,573</u>	<u>5,50,55,784</u>
GRAND TOTAL (A+ B+ C+ D)	<u>31,71,48,877</u>	<u>40,06,73,697</u>

SCHEDULES TO BALANCE SHEET**SCHEDULE-7****CURRENT LIABILITIES & PROVISIONS**

	As at 30.06.2011	As at 31.03.2010
Current Liabilities		
i. Creditors for Trade	11,67,24,463	17,92,93,028
ii. Expenses	9,25,20,217	4,63,93,464
iii. Other Finance	12,60,298	21,60,969
iv. Investor Education and Protection Fund on account of Unpaid Dividend (Not due for remittance)	15,51,172	18,26,119
v. Deposits refundable	83,18,750	83,38,750
vi. Advance received against sale of Land	23,46,36,000	3,30,00,000
vii. Advances received against sales	45,05,995	1,89,31,469
TOTAL (A)	45,95,16,895	28,99,43,799
Provisions		
i. Gratuity	2,58,43,001	1,17,55,379
ii. Leave encashment	16,44,437	30,58,597
TOTAL (B)	2,74,87,438	1,48,13,976
GRAND TOTAL (A+B)	48,70,04,333	30,47,57,775

SCHEDULE-8**MISCELLANEOUS EXPENDITURE**

	As at 30.06.2011	As at 31.03.2010
(To the extent not written off or adjusted)		
Merger Expenses	8,66,451	12,60,293
Less : Amortised During The Year	4,92,305	3,93,842
TOTAL	3,74,146	8,66,451

SCHEDULES TO PROFIT & LOSS ACCOUNT
SCHEDULE - 9
OTHER INCOME

	Current Year	Previous Year
Interest income (TDS Rs.72,211/- Previous Year Rs. 60,755/-)	12,94,921	6,30,266
Corporate Guarantee Fees	-	18,65,240
Miscellaneous Income	22,79,700	15,55,516
Rent Earned	-	1,24,468
Credit Balances and Excess Provisions written Back	45,60,791	11,96,176
Income pertaining to previous year	35,44,460	1,65,783
Foreign Exchange Fluctuations (Net)	16,60,636	53,24,231
Profit on sale of Raw Material	65,80,769	5,32,623
Profit on sale of assets	1,05,35,096	7,19,899
TOTAL	<u>3,04,56,373</u>	<u>1,21,14,202</u>

SCHEDULE - 10
MATERIALS CONSUMED

	Current Year (`)			Previous Year (`)	
a) Stocks at the beginning of the year					
i) Raw materials	15,45,91,774			15,31,40,487	
ii) Packing Materials	<u>21,97,422</u>			<u>29,55,648</u>	
		15,67,89,196			15,60,96,135
b) Add: Purchases					
i) Raw materials	33,85,24,094			36,38,73,112	
ii) Packing Materials	<u>31,05,629</u>			<u>48,16,926</u>	
			341,629,723		36,86,90,038
			<u>498,418,919</u>		<u>52,47,86,173</u>
c) Less:					
Cost of Raw Materials sold	3,87,63,614			11,88,270	
Transfer to Power and Fuel	1,89,75,260			2,09,42,943	
Raw Materials written off	1,00,49,299			-	
Loss due to fire accident		6,77,88,173		<u>41,84,885</u>	2,63,16,098
d) Closing stocks:					
i) Raw materials	16,61,15,645			15,45,91,774	
ii) Packing Materials	<u>30,686</u>	16,61,46,331		<u>21,97,422</u>	
			23,39,34,504		15,67,89,196
			<u>26,44,84,415</u>		<u>34,16,80,879</u>
Consumption of Materials					

SCHEDULE - 11
RATES, TAXES AND DUTIES

	Current Year	Previous Year
Sales Tax and Excise Duty	2,38,03,410	2,73,22,885
Octroi	-	3,34,605
Licences & Renewals	12,02,930	29,69,638
TOTAL	<u>2,50,06,340</u>	<u>3,06,27,128</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT**SCHEDULE - 12****PERSONNEL COST**

	Current Year	Previous Year
Salaries, Wages and Bonus	9,88,43,771	9,60,03,936
Contribution to Provident Fund and ESI	61,85,132	62,97,805
Gratuity	2,27,12,869	-
Workmen and Staff Welfare Expenses	38,32,635	29,71,734
TOTAL	13,15,74,407	10,52,73,475

SCHEDULE - 13**OTHER EXPENSES**

	Current Year	Previous Year
Stores Consumed	2,07,23,383	2,65,92,928
Rent	18,46,190	23,55,846
Insurance	24,88,221	25,83,378
Freight and Handling Charges	3,26,10,387	5,80,57,867
Repair and Maintenance:		
Plant and Machinery	36,06,216	3,38,889
Buildings	11,75,813	10,93,055
Other Assets	6,60,890	4,49,243
Printing and Stationery	5,28,696	8,86,581
Communication costs	17,23,549	17,91,564
Travelling and Conveyance	80,37,552	1,03,53,809
Legal and Professional charges	56,69,359	28,33,196
Payments to auditors towards:		
Statutory Audit	3,00,000	3,00,000
Tax Audit	-	80,000
Certification	-	15,000
Director's Remuneration	23,73,336	5,29,200
Director's Sitting Fee	1,00,000	1,20,000
Advertisement and Sales Promotion	2,14,455	3,09,861
Security Charges	33,63,090	24,27,912
Detention Charges	39,33,221	20,57,848
Donations	31,500	-
Loss on sale of investments	10,39,500	-
Loss on sale of Assets	777	4,04,146
Loss on sale of Raw Materials	63,90,253	-
Expenses Pertaining to Previous Year	-	1,47,785
Provision for Bad & Doubtful Debts	20,47,267	8,84,616
Raw Materials Written Off	1,00,49,299	-
Debit Balances Written off	3,59,415	11,16,239
Claims Written Off	1,14,668	24,02,981
Miscellaneous Expenses	30,40,253	12,18,837
Merger Expenses Written off	4,92,305	3,93,842
TOTAL	11,29,19,595	11,97,44,623

SCHEDULES TO PROFIT & LOSS ACCOUNT
SCHEDULE - 14
FINANCE CHARGES

	Current Year	Previous Year
INTEREST:		
On Term Loans	2,15,13,940	2,48,57,159
Working Capital Loan	2,35,12,788	2,13,49,303
Others	11,62,181	14,32,847
Bank charges	43,75,060	43,03,585
TOTAL	5,05,63,969	5,19,42,894

SCHEDULE - 15
(INCREASE) / DECREASE IN STOCKS

	Current Year		Previous Year	
a) Opening Stock:				
i) Work-in-process	9,47,778		32,17,130	
ii) Finished goods	<u>96,43,028</u>	1,05,90,806	<u>96,11,164</u>	1,28,28,294
b) Closing Stock:				
i) Work-in-process	17,590		9,47,778	
ii) Finished Goods	<u>4,779</u>		<u>96,43,028</u>	
		22,369		<u>1,05,90,806</u>
(INCREASE) / DECREASE IN STOCKS		<u>1,05,68,437</u>		<u>22,37,488</u>

SCHEDULE - 16 :
SIGNIFICANT ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS
1. ACCOUNTING POLICIES:
A. Basis of accounting:

The financial statements are prepared under historical cost convention on accrual basis and in accordance with generally accepted accounting principles.

B. Revenue Recognition:

The income from sale is recognised as and when sales are made. Sales are inclusive of all Taxes, Duties and other charges and net of Trade Discounts and Rebates.

C. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, net of duty/tax credits availed, if any, incidental expenses relating thereto and the cost of installation/erection.

D. Depreciation:

Depreciation is provided on written down value method for Patancheru Unit and on Straight Line

Method for Shadnagar and Resins units at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

E. Inventories:

- (i) Finished goods are stated at cost or realizable value whichever is less.
- (ii) Work-in- process is stated at Cost.
- (iii) Raw materials, Packing Material and Stores and Spares are stated at cost on Weighted Average method.

F. Retirement Benefits:

- (i) Periodical contributions made to concerned authorities towards Provident Fund and ESI are charged to revenue.
- (ii) Group Gratuity Scheme is administered through trustees for which policy is taken from LIC and Premiums will be paid to the said fund. At each reporting date, company's liability towards gratuity is determined by independent actuarial valuation using the projected unit credit method and is charged to revenue.
- (iii) The workers of the company are eligible for leave encashment. At each reporting date, company's liability towards leave encashment is determined by independent actuarial valuation using the projected unit credit method and is charged to revenue.

G. Insurance Claims:

Insurance claims are accounted for on admission by the authorities or on settlement.

H. Miscellaneous Expenditure:

Expenditure on account of merger/amalgamation is written off over a period of 5 years.

I. Foreign Exchange Fluctuation:

- (i) Foreign currency transaction will be accounted at the rate prevailing on the date of transaction and difference, if any, in the rate of exchange arising on the date of payment will be debited / credited to the revenue.
- (ii) Assets and liabilities arising out of foreign exchange transactions are translated at the rates of exchange ruling on the date of Balance Sheet and are suitably adjusted to the revenue account.
- (iii) Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction.

J. Investments:

Long term Investments are stated at cost. Provision is made for diminution in value of investments only if such decline is other than temporary.

K. Deferred Tax:

Deferred tax, being tax on timing difference between taxable income and accounting income, that originate in one year and capable of reversal in one or more subsequent years, has been recognized.

Deferred tax asset is recognized only if there is reasonable certainty that it will be realized and will be reviewed for the appropriateness of its respective carrying value at each balance sheet date.

L. Contingent Liabilities:

Contingent liabilities are indicated by way of a note and will be paid / provided on crystallisation of the liability.

M. Impairment of Assets:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generation unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

2. NOTES ON ACCOUNTS:

A. Contingent Liabilities:

Sl. No.	Particulars	As at 30.06.2011 ` in lacs	As at 31.03.2010 ` in lacs
I	Towards Bank Guarantee	10.34	9.00
II	On Account of Letters of Credit	398.98	268.14
III	Bills Discounted	---	57.02
IV	Claims against the Company not acknowledged as Debts		
i)	Royalty and Interest to Forest Department : There has been a claim by Forest Department, Government of Andhra Pradesh for ` 50.83 lacs towards Royalty on account of wood supplied from 1980 to 1984 and for ` 13.02 lacs towards interest thereon out of which the Company had accepted the claim to the extent of ` 30.65 lacs towards Royalty, which is provided.	33.20	33.20
ii)	Demands of the Income-tax department, contested by the Company	286.73	286.73
iii)	Central Excise Department : The Excise Department filed an appeal before Hon'ble CESTAT, Bangalore against refund of Excise Duty of ` 36.26 lacs on account of abatement of Octroi claimed by the company which was decided in Company's favour. Consequently, Department filed further appeal in this regard before the Hon'ble High Court of Andhra Pradesh.	36.26	36.26

B. Even though the Company has installed an ETP Plant and not releasing any hazardous pollutants outside factory, a public interest litigation petition was filed before Supreme Court against various industries including our company in Patancheru area. Company has also obtained a certificate from AP Pollution Control Board certifying that the pollution caused by our company is within the tolerable limits of pollution control norms. Therefore the management is not envisaging any liability in this regard.

C. Managerial Remuneration:

a) Computation of Profits under section 349 of the Companies Act, 1956

Particulars	Amount in lacs	
Net Loss for the year before Tax		2300.91
Less: Managerial Remuneration	24.88	
Directors Sitting fees	1.00	
		25.88
Loss as per Section 349		2275.03

b) Managerial Remuneration (in lacs)

Particulars	Director (Operations)		Executive Director	
	Current Year	Previous Year*	Current Year*	Previous Year
Salary/Perks	23.73	---	---	5.29
Provident Fund	1.15	---	---	0.28
TOTAL	24.88	---	---	5.57

* part of the year

D. Detailed information regarding quantitative particulars as required under Part II of Schedule-VI to the Companies Act, 1956.

Sl. No.	Particulars	Current Year	Previous Year
I.	Particle Boards Installed Capacity(Sq Mtrs)	48.50 lac Sq.Mtrs	48.50 lac Sq.Mtrs

(Installed Capacity has been Certified by the Management but not verified by the Auditors being a Technical matter)

II	Particulars	Current Year		Previous Year	
		Quantity	Value in lacs	Quantity	Value in lacs
	Opening Stock				
	Particle board (Sq.mtrs. in lacs)	3.43		3.80	
	Formaldehyde (MTs)	39.56		61.38	
	Actual Production				
	Particle board (Sq.mtrs.in lacs)	14.45		22.01	
	Purchased PPB(Sq.mtrs.in lacs)	4.52		5.03	
	Furniture (Nos.)	26856		13520	
	Wood Dust (MTs)	510		1044	
	Formaldehyde (MTs)	3730.32		6540.30	
	Turnover				
	Particle board (Sq.mtrs.in lacs)	17.63	4258.56	21.90	5520.62
	Purchased PPB(Sq.mtrs.in lacs)	4.52	1091.82	5.42	1366.29
	Furniture (Nos.)	26856	33.06	13520	62.37
	Wood Dust (MTs)	510	14.81	1044	35.10
	Formaldehyde (MTs)	1297.31	130.89	2741.58	265.24
	TOTAL		<u>5529.14</u>		<u>7249.62</u>
	Closing Stock				
	Particle board (Sq.mtrs. in lacs)	—		3.43	
	Formaldehyde (MTs)	0.33		39.56	
	Captive consumption:				
	Particle Boards(Sq.mtrs)	0.25		0.09	
	Formaldehyde(MTs)	2472.24		3820.54	

III Consumption of Raw Materials (including packing materials) :

Particulars	Current Year		Previous Year	
	Quantity	Value ` in lacs	Quantity	Value ` in lacs
Wood (MTs)	36599	687.20	50024	988.29
Chemicals (MTs)	2389	630.92	3797	754.31
Base Paper (MTs)	302	587.79	365	710.93
PPB Boards (Sq. Mtrs)	451767	686.48	520003	795.67
Others		52.45		167.61
TOTAL		2644.84		3416.81

IV. Material Consumption (including stores consumed) :

Particulars	Current Year		Previous Year	
	%	Value ` in lacs	%	Value ` in lacs
Imported	39.06	1188.06	42.18	1553.42
Indigenous	60.94	1853.76	57.82	2129.32
TOTAL	100.00	3041.82	100.00	3682.74

E. Value of Imports on CIF basis:

Particulars	Current Year ` in lacs	Previous Year ` in lacs
a) Raw Materials & Spares	1,716.80	1,693.49
TOTAL	1,716.80	1,693.49

F. Expenditure in Foreign Currency on account of :

Particulars	Current Year ` in lacs	Previous Year ` in lacs
Raw Materials & Spares	1927.34	1399.98
Technical Fees	3.10	16.98
TOTAL	1930.44	1416.96

G. Earnings in Foreign currency Rs. NIL (Previous Year Rs.NIL)

H. As per the information made available to the company by the suppliers regarding their status as per the provisions of "Micro, Small and Medium Enterprises Development Act 2006, there were no dues outstanding as on the date of Balance Sheet.

I. Employee Benefits:

During the year the company declared a "Voluntary Retirement Scheme" to reduce its pay bill and most of the employees have opted for voluntary retirement. Hence Gratuity Liability as per the Payment of Gratuity Act and Leave encashment as per the company's policy up to 30-06-2011 are fully provided. Therefore particulars required under AS – 15 are not furnished.

J. Related Party Disclosure:

Disclosures as required by the accounting standard - 18 of the Institute of Chartered Accountants of India are given below :

Companies/Firms/Trust in which key management and their relatives are interested:

Accura Constructions (P) Ltd	GVK Airport Holdings (P) Ltd
Accura Estates (P) Ltd	GVK Aviation (P) Ltd
Alakananda Hydro Power Company Ltd	GVK Biosciences (P) Ltd
Allied Estates (P) Ltd	GVK Cements P Ltd
Altitude Design & Development (P) Ltd	GVK City (P) Ltd
Amtran Constructions (P) Ltd	GVK Coal (Tokisud) Co.(P) Ltd
Anchor Estates (P) Ltd	GVK Davix Research (P) Ltd
Appease Estates Private Ltd	GVK Davix Technologies (P) Ltd
Bengaluru Airport & Infrastructure Developers P Ltd	GVK Developmental Projects (P) Ltd
Bengaluru International Airport Ltd	GVK Energy Holdings (P) Ltd
Blue Streak Consultants (P) Ltd	GVK Energy Ltd
Blue Streak Land Holdings (P) Ltd	GVK Enterprises
Bonanza Real Estates (P) Ltd	GVK Estates Private Limited
Caspian Capital & Finance Private Ltd	GVK Foundation
Casuarina Capital & Finance (P) Ltd	GVK Gautami Power Ltd #
Classic Land Holdings (P) Ltd	GVK Hydel (P) Ltd
Consolidated Real Estates (P) Ltd	GVK Industries Ltd
Cygnus Real Estates (P) Ltd	GVK Jaipur Expressway (P) Ltd #
Delta Land Holdings (P) Ltd	GVK Oil & Gas Ltd
Dhauasidh Power (P) Ltd	GVK Perambalur SEZ (P) Ltd
Eagle Land Holdings (P) Ltd	GVK Power & Infrastructure Ltd.
Fair Value Land Holdings (P) Ltd	GVK Power (Goindwal Sahib) Ltd
Fortune Real Estates (P) Ltd	GVK Power (Ratlam) P.Ltd
Fresenius Intraven (P) Ltd	GVK Projects & Technical Services Ltd
Genesis Realtors (P) Ltd	GVK Properties & Management.Co., (P) Ltd
GIKR Land Holdings (P) Ltd	GVK Technical & Consultancy Services (P) Limited #
Gold Green Land Holdings (P) Ltd	GVK Transportation P Ltd
Goriganga Hydro Power (P) Ltd	GVK Virudhnagar SEZ (P) Ltd
Green Woods Golf & Resorts (P) Ltd	IKR Land Holdings (P) Ltd
Greenridge Hotels & Resorts(P)Ltd	Inc GVK bio (P)Ltd
GSR Land Holdings (P)Ltd	Indigo Enterprises
GVK Airport Developers (P) Ltd	Indigo Estates

Indira Constructions	Pinnacle Land Holdings (P) Ltd
Indira Enterprises	Plateau Constructions & Engg.(P) Ltd
Innovative Land Holdings (P) Ltd	Plateau Land Holdings.(P) Ltd
Inogent Laboratories (P) Ltd	Raghavendra Finance (P) Ltd
ISR Infrastructure	Raghavendra Land Holdings (P) Ltd
JK Operation & Maintainance (P) Ltd	Regulus Estates (P) Ltd
KR Bhupal Land Holdings (P)Ltd	RK Estates
KRAMB Land Holdings (P) Ltd	S.Bhupal & Others
KRBSB Estates (P)Ltd	SBSR Land Holdings (P)Ltd
KRGV Land Holdings (P)Ltd	Sheraton Estates (P) Ltd
Krishna enterprises	SHSB Land Holdings (P)Ltd
Lakshmi Enterprises	Siregarha Mines Ltd
Lepus Land Holdings (P) Ltd	SOMKRB Land Holdings (P)Ltd
Mallikarjuna Estates (P) Ltd	SR Finance & Others
Mallikarjuna Finance (P) Ltd	SR Finance (P) Ltd
Marine Developers	Sri Hari Developers
Marine Enterprises	Sri Hari Enterprises
Marine Estates	Sri Hari Estates
Marriot Land Holdings (P) Ltd	Sri Lakshmi Enterprises
Marwell Architects & Contractors (P) Ltd	Sri Parvathi Enterprises
Metro Architects & Contractors (P) Ltd	Sri Shiva Enterprises
Midas Estates (P) Ltd	Sri Venkateswara Enterprises
MMR Constructions	Sri Vishnu Enterprises
MR Constructions	Starlet Land Holdings (P) Ltd
MRK Constructions	Sunshine Properties (P)Ltd
Mumbai Airport Developers (P) Ltd	Suphala Real Estates (P) Ltd
Mumbai Aviation Fuel Farm Facility P Ltd	Taj GVK Hotels & Resorts Ltd #
Mumbai International Airport (P) Ltd	TRG Constructions
Orbit Travel & Tours (P) Ltd #	Trinity Advisors (P) Ltd
Oxford Land Holdings (P) Ltd	Ubiquitous Infra tech Private Limited
Pace Constructions (P) Ltd	Verdura
Pace Estates (P) Ltd	Vertex Infratech (P) Ltd
Paigah House Hotel (P) Ltd	Vertex Projects Ltd #
Parthasarathy Airconditioned Tourists (P) Ltd	Volantis Land Holdings (P) Ltd
Patikari Power (P) Ltd	Vulcon Constructions (P) Ltd
Pinakini Share & Stock Brokers Ltd	Zinger Investments (P) Ltd

Companies with which there are transactions during the year.

Directors:

- (i) Mr G V Krishna Reddy
- (ii) Mrs G Indira Krishna Reddy

Key Management Personnel:

Mr S.P. Bhasin Director (Operations)(w.e.f. 01-11-2010 to 17-07-2011)
Mr. S A Naquii, Executive Director (w.e.f. 02-08-2011)

Transactions with related parties																	
Rs. In Lakhs			Enterprises in which Directors / their relatives are interested														
Particulars	Key Management personnel		Directors / Relatives of Directors			Enterprises in which Directors / their relatives are interested											
	Sri.T. Rakesh Reddy, ED	Sri.SP. Brasin Reddy,	Sri.GV. Krishna Reddy	Smt.G.Indira Krishna Reddy	Sri.GV. Sanjay Reddy	Wood Star Ind.Ltd	Alaknanda Hydro Power Company Ltd	GVK Gautami Power Ltd	GVK Industries Ltd	GVK Properties & Management Ltd	Taj GVK Hotels & Resorts Ltd	GVK Jaipur Express way Ltd	Vertex projects Ltd	Orbin travels & Tours P Ltd	GVK Projects & Technical Services Ltd	GVK Technical & Consultancy Services P Ltd	GVK Power & Infrastructure Ltd
Remuneration	--	24.88															
(5.57)	(-)																
Sitting Fee																	
Rent																	
Sales																	
Corporate Guarantee Fee																	
Hospitality Charges																	
Travel Expenses																	
Balances as on 30-06-2011																	
Receivables																	
Payables																	
Deposits																	
Refundable																	

K. Deferred Tax :

Deferred tax asset, arising on account of carry forward losses is not recognised due to lack of virtual certainty of utilising the same in future years.

L. Due to market recession, shortage of raw material and irregular power supply the management decided to stop all the production w.e.f.7th January, 2011 and declared voluntary retirement scheme to its employees. Hence provision was made for such liability in the accounts and shown under the head "Voluntary Retirement Compensation" as an extraordinary item.**M. Earnings per Share**

Earnings per Share has been computed as under	Current Year	Previous Year
Profit/(Loss) After Tax (Rs. In lacs)	(2,355.51)	(691.56)
Number of Shares	1,19,09,953	1,19,09,953
Basic Earnings per Share (Rs.)	(19.78)	(5.81)

N. The balances in personal accounts are subject to confirmations and reconciliations.**O. In the opinion of the Board the current assets, loans and advances would realize the amounts at which they are stated.****P. Current year being for 15 months, figures are not comparable with previous year.****Q. Previous year figures have been re-grouped wherever necessary.****Signatures to Schedules Nos. 1 to 16**

As per our report of even date
for BRAHMAYYA & CO.
Chartered Accountants
Firm Regn No. : 000513S

KOTESWARA RAO SSR
Partner

Membership No.: 18952

Place : Hyderabad

Date : 31.10.2011

For and on behalf of the Board of Directors

Dr. G V KRISHNA REDDY
Chairman

G INDIRA K REDDY
Vice-Chairperson

S A NAQUI
Executive Director

CASH FLOW STATMENT FOR THE YEAR 2010-11

(₹ in lacs)

	Current Year		Previous Year	
	Add / (Deduct)	Amount	Add / (Deduct)	Amount
A. Cash flow from operating activities				
Net Loss before tax & Extra-ordinary items		(1592.87)		(691.56)
Adjustments for:				
Depreciation	358.72		338.11	
Miscellaneous Expenditure written off	4.92		3.94	
Interest	461.89		476.39	
Interest & others received	(12.95)		(6.30)	
Credit Balance written back	(45.61)		(11.96)	
Loss on sale of Assets	0.01		4.04	
Loss on sale of raw materials	63.90		-	
Loss on sale of investments	10.40		-	
Provision for Doubtful Debts	20.47		8.85	
Bad Debts Written off	3.59		11.16	
Foreign Exchange Fluctuations	(16.61)		(53.24)	
Claims Written off	1.15		24.03	
Raw Materials written off	100.49		-	
Profit on Sale of Raw Materials	(65.81)		(5.33)	
Profit on Sale of Assets	(105.35)		(7.20)	
		<u>779.22</u>		<u>782.49</u>
Operating Loss before extra-ordinary items		(813.65)		<u>90.93</u>
Voluntary Retirement Compensation		(708.03)		-
Operating Loss after extra-ordinary items		(1521.69)		<u>90.93</u>
Adjustments for:				
Trade & Other Receivables	1007.56		511.07	
Inventories	(484.79)		(196.99)	
Proceeds from sale of raw materials	389.54		17.21	
Trade & Other Payables	<u>1887.43</u>		<u>546.90</u>	
		<u>2799.74</u>		<u>878.20</u>
Cash generation from Operations		<u>1278.05</u>		<u>969.13</u>
Less: Income Tax Paid		<u>109.24</u>		<u>37.13</u>
		1168.81		932.00
B. Cash flow from Investing activities				
Interest & others received	7.88		10.87	
Proceeds from Sale of Investments	1.16		-	
Proceeds from sale of assets	169.90		332.92	
Purchase of Fixed Assets	<u>(1.43)</u>		<u>(1.62)</u>	
		177.51		342.18
C. Cash flow from financing activities				
Net Borrowings	(3274.87)		(782.70)	
Increased in share capital	2500.00	-	-	
Interest paid	(479.78)		(482.58)	
Dividends paid	<u>(2.75)</u>		<u>(2.24)</u>	
		<u>(1,257.40)</u>		<u>(1,268.00)</u>
Net increase in cash & cash equivalents		88.91		6.65
Cash & cash equivalents at the beginning of the year		<u>66.97</u>		<u>60.32</u>
Cash & cash equivalents at the end of the year		155.89		66.97

For and on behalf of the Board of Directors

Dr. G V KRISHNA REDDY
Chairman

G INDIRA K REDDY
Vice-Chairperson

Place: Hyderabad
Date : 31.10.2011

S A NAQUI
Executive Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No. 4 9 4 1 State Code 0 1

Company Information No. L 5 5 1 0 1 A P 1 9 8 4 P L C 0 0 4 9 4 1

Balance Date 3 0 0 6 2 0 1 1

Date Month Year

II. Capital Raised during the year (Rs. in lacs)

Public Issue N I L Rights Issue N I L

Bonus Issue N I L Naked Warrant / Pref. Offer 2 5 0 0 . 0 0

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

Total Liabilities 6 5 7 9 . 5 6 Total Assets 6 5 7 9 . 5 6

SOURCE OF FUNDS APPLICATION FUNDS

Paid up Capital 3 6 9 0 . 9 9 Net Fixed Assets 6 0 3 7 . 9 8

Reserves and Surplus 2 8 8 8 . 5 6 Investments 5 . 3 8

Secured Loans 0 . 0 0 Net Current Assets (1 6 9 8 . 5 5)

Unsecured Loans N I L Deferred Tax Assets N I L

Misc. Expenditure 3 . 7 4

IV. Performance of the Company (Rs. in lacs)

Turnover (Gross Revenue) 5 3 6 1 . 6 9 Total Expenditure 6 9 5 4 . 5 6

Profit / (Loss) before Tax (2 3 0 0 . 9 1) Profit / (Loss) after Tax (2 3 5 5 . 5 1)

Earning Per Share in Rs. (1 9 . 7 8) Dividend % -

V. Generic Name of Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code) 4 4 1 0 9 0 0 9

Product Description C H I P R O A R D S

NOTES

NOTES



Novopan Industries Limited

Regd. Office: IDA, Phase - II, Patancheru, Medak District (AP) - 502 319.

ATTENDANCE SLIP

I hereby record my presence at the 26th Annual General Meeting of the Company held on Monday, the 28th November, 2011 at 11.30 a.m. at Sri Sathya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073.

Name of the Shareholder/Proxy* _____ No. of Shares Held _____

Folio No. :

Client ID No. :

DP ID No. :

SIGNATURE OF THE
SHAREHOLDER/PROXY

*Strike out whichever is not applicable

Note : Please handover the slip at the entrance of the meeting Venue.

- Notes :
1. Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the Meeting and handover at the entrance duly signed.
 2. Shareholder/Proxyholder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.



Novopan Industries Limited

Regd. Office: IDA, Phase - II, Patancheru, Medak District (AP) - 502 319.

PROXY

I/We _____
of _____ in the District of _____
beating a Member/Members of the above named Company, hereby appoint _____
of _____ in the
district of _____ or failing him / her _____ or
_____ in the district of _____ as my/our

Proxy to attend and vote for me/us on my/our behalf at the 26th Annual General Meeting of the Company to be held on Monday, the 28th November, 2011 at 11.30 a.m. at Sri Sathya Sai Nigamagmam, 8-3-987/2, Srinagar Colony, Hyderabad - 500 073 and any adjournment thereof.

Signed this _____ day of _____ 2011.

Folio No. :

Client ID No. :

DP ID No. :

No of Shares : _____

Signature _____

Affix
Revenue
Stamp

Note : The Proxy Form must be returned so as to reach the Registered Office of the Company at IDA, Phase - II, Patancheru, Medak District (AP) - 502 319 not less than 48 (forty-eight) hours before the time for holding the aforesaid meeting.

BOOK - POST



If undelivered please return to :



NOVOPAN INDUSTRIES LIMITED

IDA, Phase - II, Pathancheru,
Medak District (AP) - 502 319.

E-mail ID : investor@novopan.in