

NARMADA AGRO INDUSTRIES LIMITED



Report on Corporate Governance (Pursuant to Clause 49 of the Listing Agreement)

A. Mandatory Requirements

The Board of Directors of the Company gives due support to the principles behind the good Corporate Governance. Given below is a report on Corporate Governance:

1. COMPANY'S PHILOSOPHY

The Company believes that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the law coupled with total adherence to highest norms of business ethics. These two main drivers, together with the company's ongoing contributions to the local communities it operates in through meaningful and relevant Corporate Social Responsibility initiatives add to enhance the stakeholders value.

The Company places great emphasis on values such as empowerment and integrity of its employees, safety of the employees & communities surrounding our plant and facilities, transparency in decision making process and fair & ethical dealings with all, pollution free clean environment and last but not the least, accountability to all the stakeholders. These practices are being followed since the inception and have contributed to the company's sustained growth.

2. BOARD OF DIRECTORS

2.1 Composition of Board of Directors as on date of Report:

The Board of Directors of the Company comprised Three Directors out of which two were non-executive Directors and one is Executive Director. All the non-executive Directors are also independent directors. The Chairman is an executive director.

| Name of Director | Category |
|----------------------------|---|
| Mr. Lal Tejuma Mirchandani | Chairman and Executive Director |
| Mrs. Bhavna Puri | Independence and Non-Executive Director |
| Mrs. Aarti Agarwal | Independence and Non-Executive Director |

2.2 Responsibilities of the Board

The responsibility such as policy formulation, performance review and analysis and control, direction and management of the affairs of the company is vested in the Board of Directors presided over by the Director. The Board has delegated some of its powers to the executives of the company. The Board reviews from time to time such delegated powers and their utilization for effective functioning of the Company.

2.3 Board Meetings and Attendance Record of Directors:

The meetings of the Board of Directors are held at periodical intervals and are generally at the Board Room of the Company. The meeting dates are decided well in advance and the agenda and notes on agenda are circulated in advance to the directors. All material information is incorporated in the notes on agenda for facilitating meaningful and focused discussion at the meeting. Where it is not perusable to attach supporting or relevant documents to the agendas, the same is tabled before the meeting. In case of business exigencies or urgency of

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matters, resolutions are passed by circulation. Senior Management persons are often invited to attend the Board Meetings and provide clarifications as and when required.

During the year under review, the Board duly met.

Extra Ordinary General Meeting:

No Extra Ordinary General Meeting held during the year under review.

Attendance of Directors at Meetings of Board of Directors and last AGM:

| Name of Director | Category of Directorship | No. of other Directorship |
|-----------------------------|---|---------------------------|
| Mr. Lal Tejupal Mirchandani | Chairman and Executive Director | N.A |
| Mrs. Bhavna Puri | Independence and Non-Executive Director | N.A |
| Mrs. Aarti Agarwal | Independence and Non-Executive Director | N.A |

2.4 Details of Directors seeking re-appointment at the ensuing Annual General Meeting

As per the provisions of the Companies Act, 1956, two third of the directors of a company should be retiring directors, of which one third of such directors are required to retire every year and if eligible, they qualify for re-appointment.

Mrs. Bhavna Puri retires by rotation at the ensuing Annual General Meeting and offer themselves for re-appointment.

(a) Profile of Mrs. Bhavna Puri Director being appointed u/s 269 of the Companies Act, 1956

| | |
|-------------------------------------|------------------|
| Name | Mrs. Bhavna Puri |
| Date of Birth | 04/07/1975 |
| Date of Appointment | 26/04/2004 |
| No. of shares held in the company | Nil |
| No. of warrants held in the company | N.A |
| Directorship in other company | Nil |

2.5 Details of Directors who are as Chairman and Directors in other Public Companies

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 (C) (ii) across all the Companies in which he is a director. The necessary disclosure regarding Directorship and Committee position have been made by the Directors who are on the Board of the Company as on 31st March, 2004 and the same is reproduced herein below :

| Sr. No. | Name of Director | No of Directorship in other Public | No. of Committees positions held as | No. of Committees positions held as |
|---------|------------------|------------------------------------|-------------------------------------|-------------------------------------|
| | | | | |

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| | | Companies | Chairman on other public Companies | member in other public Company |
|----|-----------------------------|-----------|------------------------------------|--------------------------------|
| 1. | Mr. Lal Tejuma! Mirchandani | -- | -- | -- |
| 2. | Mrs. Bhavna Puri | -- | -- | -- |
| 3. | Mrs. Aarti Agarwal | -- | -- | -- |

3. COMMITTEE OF BOARD

The Company had Three Board Committees. These are

1. Audit Committee
2. Remuneration Committee
3. Share Transfer & Shareholders/Investor Grievance Committee

Moving with various committees formed and reported in the previous Annual Report and in line with the requirements of SEBI and Stock Exchanges, the Board has formally constituted the following committees of Directors.

3.1 Audit Committee:

The Audit committee constituted by the Board of directors as per the provisions of Clause 49 of the listing Agreements as well as in Section 292A of the Companies Act, 1956 as below.

a. Composition:

As on 31.03.2009, the Audit Committee comprised of three Directors namely:

| | |
|-----------------------------|--|
| Mr. Lal Tejuma! Mirchandani | Chairman and Executive Director |
| Mrs. Bhavna Puri | Member -Non Executive & Independent Director |
| Mrs. Aarti Agarwal | Member -Non Executive & Independent Director |

The Audit Committee of the Board of Directors of the Company, Inter-aila, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

The audit committee while reviewing the Annual Financial Accounts ensures compliance of the Accounting Standard (AS) issued by the Institute of Chartered Accountants of India.

Brief description of terms of reference:

- A. Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- B. Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment of any other Consultancy services provided by the statutory auditor.
- C. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

- Review the financial reporting process and disclosure of its financial information
- Review with the management, Annual financial statements before submission to the Board
- Review with the management, statutory Auditors and Internal Auditors and adequacy of internal control systems

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- Review the company's accounting and risk management policies
- Review the company's accounting and management reporting systems and updates the same from time to time recommend the appointment and removal of statutory and Internal Auditors and fixation of fees for the same.
- Review quarterly financial statement.
- Review internal investigations made statutory/ Internal Auditors.
- Scope of Statutory/ Internal Audit
- Review fixed deposits/repayment systems etc.
- Any other applicable functions as described in Corporate Governance.
- Review related party transactions.

Executive summary of the Audit Committee Meetings are placed before the immediate next Board Meetings held after the Audit Committee for deliberations and the full minutes of the same are placed before the following Board Meeting for recode. The Board of Directors, regularly appraised on the recommendations for the Audit Committee, further, at the beginning of the financial year, the Committee discuss the plan for the internal audit and statutory audit.

Dates of the Audit Committee Meetings are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting.

As required under Clause 49(III)(E) of the Listing Agreement, the Audit Committee had reviewed the following information:

- Management Discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions submitted by management
- Management letters/letters of internal controls, weaknesses issued by the Statutory Auditors.
- Internal Auditors Reports relating to internal control weaknesses.
- Appointment, removal and terms of remuneration of the internal auditors.

During the year under review, the 4 Audit Committee were held during Financial Year 2008-09 The dates on which the said meetings were held as follows:

| | | | |
|------------|------------|------------|------------|
| 26/04/2008 | 26/07/2008 | 27/10/2008 | 25/01/2009 |
|------------|------------|------------|------------|

3.2 Remuneration Committee:

The remuneration committee of the Company comprises of Mr. Lal Tejuma Mirchandani as a Chairman and members as Mrs. Bhavna Puri and Mrs. Aarti Agarwal.

The Remuneration Committee reviewing the overall compensation policy, service agreements and other employments and other employment conditions of Managing / Whole time Directors and Managing Director etc.

There was no meeting of Remuneration Committee during the Financial Year 2008-09

3.3 Share Transfer & Shareholders'/Investor Grievance Committee:

The Share Transfer & Shareholders'/Investor Grievance committee comprises as under:

| Sr. No. | Name | Position |
|---------|----------------------------|----------|
| 1 | Mr. Lal Tejuma Mirchandani | Chairman |

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| | | |
|---|--------------------|--------|
| 2 | Mrs. Bhavna Puri | Member |
| 3 | Mrs. Aarti Agarwal | Member |
| | | |

Mr. Lal Tejuma! Mirchandani Chairman and Executive Director of the company was heading the committee as well as he was designated as the Compliance officer of the Company.

The committee is responsible for approving and monitoring transfers, transmission, splitting and consolidation of shares issued by the Company. In addition to that, the committee also monitors redressal of complaints from shareholders relating to transfer of shares, non-receipt of balance sheet etc., No sitting fees is paid to the committee members. The Committee reviewed redressal of investors Grievances pertaining to share transfer, dematerialization of shares, replacement of lost, mutilated and old share certificates, change of address etc. The committee has also taken steps to strengthening investors relations.

The status of shareholders' complaints received so far/number not solved to the satisfaction of shareholders/number of pending share transfer transactions (as on 31st March, 2004 is given below :

Complaints Status: 01.04.2008 to 31.03.2009

- Number of complaints received so far : Nil
- Number of complaints solved : Nil
- Number of pending complaints : Nil

4. GENERAL BODY MEETING:

a. Location and time where last three AGMs were held:

| Year of AGM | Date of the AGM | Time | Place of AGM Held |
|-------------|----------------------------------|-----------|--|
| 2006 | 29 th September, 2006 | 3.00 P.M. | "Divyanshu", C/8, Sujal Appartment, Nr. Ramdevnagar Cross Roads, Satellite, Ahmedabad-380015 |
| 2007 | 28 th September, 2007 | 3.00 P.M. | "Divyanshu", C/8, Sujal Appartment, Nr. Ramdevnagar Cross Roads, Satellite, Ahmedabad-380015 |
| 2008 | 29 th September, 2008 | 3.00 P.M. | "Divyanshu", C/8, Sujal Appartment, Nr. Ramdevnagar Cross Roads, Satellite, Ahmedabad-380015 |

Passing of the Resolution by postal Ballot:

During the year under review no resolution(s) were transacted through Postal Ballot. At the ensuing annual general meeting there are no resolutions proposed to be put through postal ballot.

(b) All the resolutions including special resolutions set out in the respective notices were passed by the shareholders. The following special resolutions were passed in previous Three Annual General Meeting for the year:

2008

No special resolution passed in the year under review.

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2007

No special resolution passed in the year under review.

2006

No special resolution passed in the year under review.

5. DISCLOSURES:

a. Materially significant related party transactions:

There were no significant or material related party transactions that have taken place during the year which have any potential conflict with the interest of the company at large. The detailed related party information and transactions have not been provided in Point 4 of Schedule 8 of Notes to Accounts.

b. During the last three Years, there were no penalties, strictures imposed by either SEBI or stock Exchange or any statutory authority for non- Compliance of any matter related to the capital market.

6. CEO/CFO CERTIFICATION:

(Under Clause 49(V) of Listing Agreement)

We Certify that --

a. We have reviewed the financial statements and the cash flow statement for the year 2008-09 and that to the best of our knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

- These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2008-09 which are fraudulent, illegal or violative of the Company's code of conduct;

c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee -

- Significant changes in internal control over the financial reporting during the year 2008-09;

- Significant changes in accounting policies during the year 2008-09 and that the same have been disclosed in the notes to the financial statements; and

- Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

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7. MEANS OF COMMUNICATIONS:

The Quarterly Unaudited Financial Results and other presentation as to the Company's Performance etc., are made available to the institutional investors/Financial Analysts as and when felt expedient.

The Management discussion and analysis forms part of the Annual Report.

8. GENERAL SHAREHOLDER INFORMATION:

- a. Annual General Meeting: Date, Time and venue: 30th September, 2009, at 3.00 p.m. at the Registered Office of the Company.
- b. Financial Year: 1st April 2008 to 31st March, 2009.
- c. Financial Calendar:
 - i. 1st quarterly results – last week of April, 2008.
 - i. 2nd quarterly results – last week of July, 2008
 - ii. 3rd quarter results – last week of October, 2008.
 - iii. 4th quarter results – last week of January, 2009.
- d. Date of Book Closure: 18th September, 2009 to 30th September, 2009.
- e. Dividend Payment Date: N.A.
- f. Listing of Equity Shares on Stock Exchanges: The Company has paid Annual Listing Fees to the Stock Exchanges where the Company's shares are listed for the financial Year upto 31-03-2009.
- g. Stock Code: BSE 507652
ASE 39190
VSE 142
- h. Demat ISIN number: Not Obtained
- I. High / Low of Monthly Market Price of the Companies Equity Shares traded on Bombay Stock Exchange during the financial year 2008-09 are furnished below:

As the Company has been suspended from Bombay Stock Exchange Limited, no trading of securities took place during the year.
- j. Performance of the Company's shares in comparison with broad-based indices as BSE's Sensex: The Company has nothing to report on the matter.
- k. Registered and Transfer Agent: The Company has an in-house share transfer department and has not appointed any Registrar and Transfer Agent.
- l. Share Transfer System: Valid Share transfer in physical form and complete in all respects were approved and registered within the stipulated period.
- m. Distribution of Shareholding as on Dated 31.03.2009

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| Share Holding of Nominal Value | | Share Holders | | Share Amount | |
|--------------------------------|----------|---------------|---------------|----------------|---------------|
| | | Rs. | Rs. | No. | % to total |
| Up to | 5,000 | 940 | 78.20 | 118290 | 2.22 |
| 5,001 to | 10,000 | 61 | 5.07 | 57850 | 1.09 |
| 10,001 to | 20,000 | 32 | 2.66 | 50778 | 0.95 |
| 20,001 to | 30,000 | 30 | 2.50 | 78800 | 1.48 |
| 30,001 to | 40,000 | 11 | 0.92 | 39950 | 0.75 |
| 40,001 to | 50,000 | 19 | 1.58 | 90450 | 1.70 |
| 50,001 to | 1,00,000 | 26 | 2.16 | 195670 | 3.68 |
| 1,00,001 & | above | 83 | 6.91 | 4689502 | 88.13 |
| Total | | 1202 | 100.00 | 5321290 | 100.00 |

n. Shareholding pattern as on 31.03.2009

| | | |
|--|----------------|------------|
| acting in concert including promoter/directors group | | |
| Companies | 663998 | 12.48 |
| b. Mutual Fund/Trust | NIL | 0.00 |
| c. Financial Institution Banks | NIL | 0.00 |
| d. Bodies Corporate | 138610 | 2.60 |
| e. Indian public | 4518682 | 84.92 |
| TOTAL | 5321290 | 100 |

Dematerialization of shares: As on 31.03.2009. Demated shares accounted for Nil Equity Shares of total equity.

Outstanding GDR / ADR / Warrants: Not Applicable

O. Address for communication:

Narmada Agro Industries Limited
 Regd Off.
 "Divyanshu", C/8, Sujal Appartment,
 Nr. Ramdevnagar Cross Roads, Satellite,
 Ahmedabad-380015

For & on behalf of the Board of Director

Date: 18/06/2009
 Place: Ahmedabad

Sd/-
 (Lal Mirchandani)
 Director

Sd/-
 (Aarti Agarwal)
 Director



Declaration of compliance with the code of conduct

All the Directors and senior management personal have, respectively, affirmed compliance with the code of conduct as approved and adopted by the Board of Directors.

For & on behalf of the Board of Director

Date: 18/06/2009
Place: Ahmedabad

Sd/-
(Lal Mirchandani)
Director

Sd/-
(Aarti Agarwal)
Director

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

Due to the age of the Agro Industry and its links with the social structure, the organizational structure that has emerged is a very complex one containing within it elements of continuity with traditional structures of small scale industries, as well as those that represent a break with them evolving as a much more organized and large scale industry like your Company.

Small scale reservation has been in existence for the Agro and Agro products industry since 1971 when reservation was extended from small agricultures sector to a large number of industries where small scale is important. Post nineties there has been a gradual de-reservation and the entire Agro sector is now 'de-licensed' and 'de-reserved', paving the way for expansion on modern lines with state-of-the-art machinery and equipment. De-reservation thus constituted a major aspect of the changed conceptualization of small scale thereby increasing the export potential of the industry as a whole.

The changing lifestyles coupled with the increasing affluence of consumers is likely to lead to enhanced demand in the domestic market and export demand is expected to grow in days to come due to improved quality and cost competitiveness. Narmada Agro Industries Limited (NAIL) being an established player having object to carry on the business of industrial utilization of cotton – seed, particularly the delinting , decorticating, processing and oil extraction of cotton – seed, the manufacturing , processing and bleaching of chemical cotton, the manufacturing, processing, refining, fractional distillation and hydrogenation of oil, soap, soap stock and other articles capable of being manufactured out of the cotton –seeds, its products and bye products and the utilization , conversion, processing , disposing of the “hulls” and “oil-cakes”, to manufacture edible protein rich food from cotton-seed and generally conversion ,, processing and manufacture out of cotton-seeds every variety of useful and saleable merchandise will definitely gain from the emerging opportunities.

OPPORTUNITIES AND THREATS

The Indian economy continues to stride forward and the last couple of years have witnessed impressive economic growth with the GDP growing at the rate of 8 -10%. Combined with the large opportunity from the huge domestic market and a burgeoning middle class, which is slated to grow ten times over the next fifteen years, the Indian economy presents great opportunities for business in India. It is expected that disposable income per capita will increase in India over the next few years.

With the rise in disposable and exposure in fashion trends, consumers today are on the lookout for oil cakes and accessories that are high on the fashion aspect, without compromising on quality. Upwardly mobile youth are spending more on natural product and thrust is on variety and international trends. Professional women are increasingly spending more on oil cakes and this creates a new opportunity in the market to expand. Narmada Agro Industries Limited (NAIL) enjoys a very strong brand positioning with consumers in the Indian market and is quick to evolve its products to meet the changing needs of today's customers. Today, the Company is all set to emerge as a vibrant lifestyle brand offering fashionable cakes to consumers at an affordable price.

Organized retailers in India are also facing a threat from 'non-specialist' retailers like apparel retailers diversifying into natural product and discount hypermarkets and retailers introducing and promoting their own brands at competitive prices. These non-specialist retailers are likely to grow their market shares by increasing the range of products offered, and shopping merchandizing space allocated to their own product. Your Company is

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prepared to meet these challenges by increasing the coverage open big stores, in best locations, shopping malls and developing aggressive product & pricing strategies to meet the expectation of the customers.

The challenge of real estate management for any retailer in India today is very large as the continuous evolution of modern retail spaces, combined with steep increase in rentals, presents real challenges. Your Company has been managing this challenge with negotiating low rentals for all new stores and reducing rentals in existing stores.

SEGMENT WISE OR PRODUCTWISE PERFORMANCE

Narmada Agro (NAIL) operates in only one segment in which it manufactures oil cakes, soap and other useful raw material for natural product.

OUTLOOK

Narmada Agro (NAIL) India's focus has been on expanding the presence of its stores, training employees, improving its product quality, collection, customer service and reducing the aged stock. Due to Company's strategy of aggressive retail expansion, up gradation of collection, Its entry into the safety natural product market has been equally successful.

Going forward, the Company remains committed to its shareholders and will continue to deliver great results with its strategy of retail and wholesale expansion, improvement in customer service, and by delivering to its customer's great products at great prices, which will ensure the continued success of Narmada Agro.

RISKS AND CONCERNS

CONTINGENT LIABILITY

There are no claims against the Company which have to acknowledge as debts which mentions in note no. B of schedule 13 of the schedules to the Statement of Accounts. On the basis of current status of these positions there is no requirement for any legal advice obtained, the Company is confident that no provision is required in respect of Company at this point in time.

RISK RELATED TO CHANGES IN LAWS AND REGULATIONS

Any adverse change in the laws and regulations governing the natural product and Agro industry could affect the business and financial condition of the Company.

INTERNAL CONTROL SYSTEMS

The Company has an adequate system of internal controls in place to ensure that all assets are safeguarded and protected and that all transactions are authorized, recorded and reported correctly.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Company has negative growth for some years but the Management is confident of turn around soon, barring unforeseen circumstances.

The Company is deploying its internal accruals for aggressive expansion program.

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CAUTIONARY STATEMENT

Statements in the Management's discussion and analysis report describing the Company's estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that would make a difference to the Company's operations include demand-supply conditions, raw material prices, changes in Government regulations, tax regimes, economic developments within the country and outside the country and other factors such as litigation and labour negotiations. .

CONCLUSION

The Directors place on record their sincere appreciation for the cooperation and support received from investors, our dear shareholders, customers, business associates, vendors as well as regulatory and governmental authorities.

The Directors appreciate the invaluable contribution of the management team in performing an outstanding job in taking the Company to greater heights and also thank the employees for the significant contribution made by them to the Company's progress.

We would like to specifically thank your Chairman for the untiring work in the re-organization of our company.

For & on behalf of the Board of Director

Date: 18/06/2009
Place: Ahmedabad

Sd/-
(Lal Mirchandani)
Director

Sd/-
(Aarti Agarwal)
Director



Compliance Certificate

To,
The Members,
Narmada Agro Industries Limited
“Divyanshu”, C/8, Sujal Appartment,
Nr. Ramdevnagar Cross Roads, Satellite,
Ahmedabad-380015

We have examined the compliance of Corporate Governance by Narmada Agro Industries Limited for the year ended on 31st March, 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance(s) is/ are pending for a period exceeding for one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For P. Dalal & Company,
Chartered Accountants

Place: Ahmedabad
Date: 18th June, 2009

S/d
P. S. Dalal
(Proprietor)
M. No. 37983