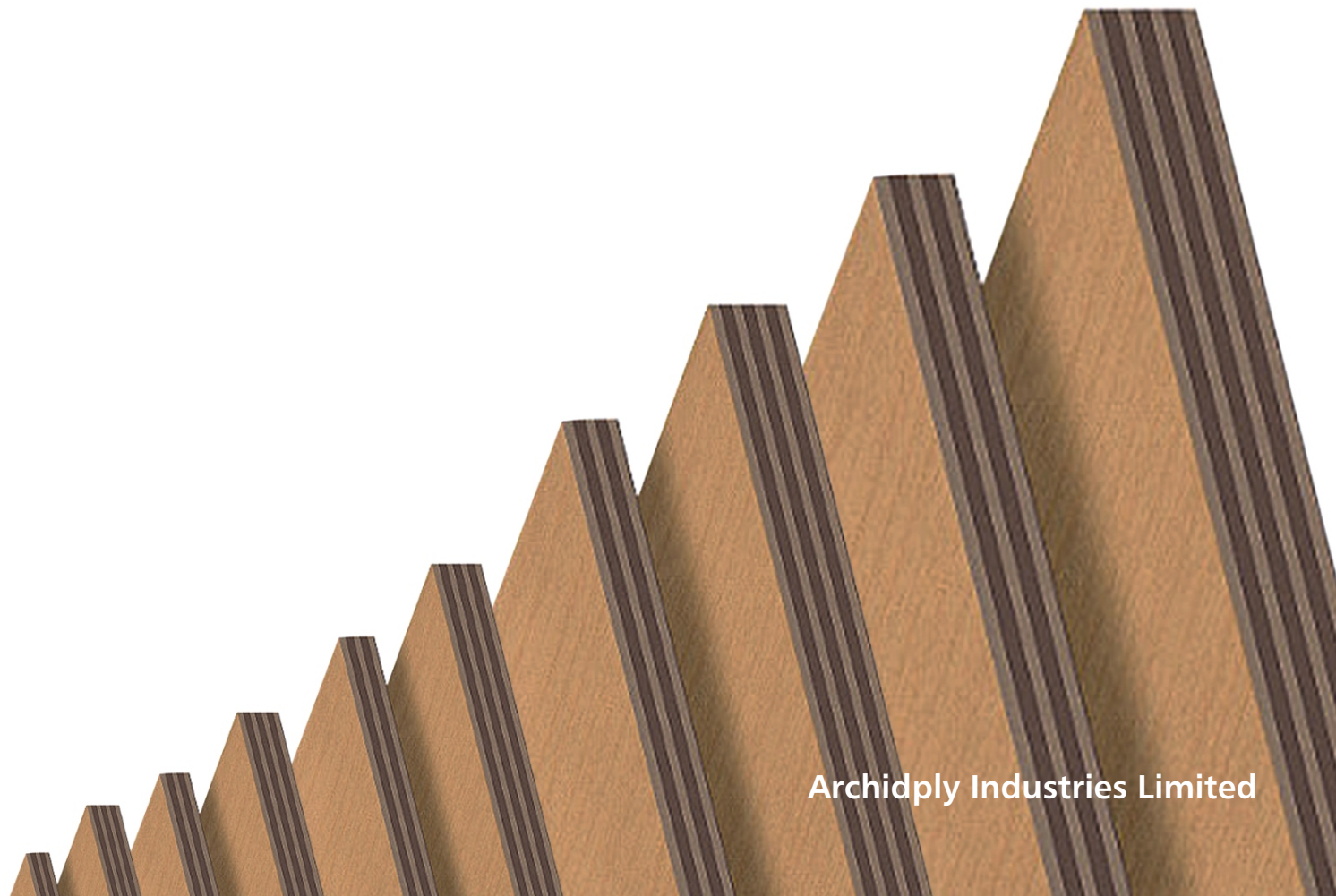




Annual Report 2008

Not just quality ply
GROWTH PLY



Archidply Industries Limited





ARCHIDPLY INDUSTRIES LTD.

No. 29/2, G.K. Manor, 1st Floor, Nehru Circle, Sheshadripuram, Bangalore 560 020.

Ph: 080-2344 5607 / 2344 0258 / 2334 8461 Fax: 080-2334 8463 Email: info@archidply.com Webside: www.archidply.com

CONTENTS

▪ Corporate Information	2
▪ About Us	3
▪ Chairman's Statement	4
▪ Growth Factors & Parameters	6
▪ Corporate Social Responsibility	14
▪ Notice of AGM	15
▪ Director's Report	20
▪ Report on Corporate Governance	24
▪ Management Discussion & Analysis Report	33
▪ Auditor's Report	35
▪ Balance Sheet	39
▪ Profit & Loss Account	40
▪ Schedules to Balance Sheet & Profit & Loss A/c	41
▪ Significant Accounting Policies notes to Accounts	47
▪ Cash Flow Statement	57
▪ Balance Sheet Abstracts	58
▪ Attendance Slip & Proxy	61



Corporate Information

Board of Directors

Mr. Deen Dayal Daga, Chairman & Managing Director
Mr. Shyam Daga, Joint Managing Director
Mr. Rajiv Daga, Executive Director
Mr. Krishna Kant Somani, Director (Technical - Mysore Unit)
Mr. Narayan Subrao Adkoli, Director
Mr. Mohammed Shahid Aftab, Director
Mr. Kamal Kishore Taparia, Director
Mr. Bharathkumar Hukumchand Rath, Director

Shareholder / Investor Grievances Committee

Mr. N.S.Adkoli, Mr.Rajiv Daga, Mr. B.H.Rathi & Mr. M.S. Aftab

Audit Committee

Mr. N.S. Adkoli, Mr. Shyam Daga, Mr.B.H.Rathi & Mr. M.S. Aftab

Remuneration / Compensation Committee

Mr. N.S.Adkoli, Mr.K.K.Taparia, Mr.B.H.Rathi & Mr. M.S. Aftab

Auditors

M/s GRV & PK, Chartered Accountants
No. 205, 2nd Floor, Jala Shambhavi Complex,
No. 22 & 23, 1st Main Road, Gandhinagar, Bangalore 560009

Company Secretary

Mr. Rajneesh Sharma

Bankers

Union Bank of India
Industrial Financial Branch
10/A, Chandrakiran, Kasturba Road, Bangalore 560001

Bank of India
Corporate Banking Branch
25/2, Museum Road, Skip House, 2nd Floor, Bangalore 560025

Vijaya Bank
Corporate Banking Branch
42/1, M.G Road, Bangalore 560001

Registered Office

29/2, G.K.Manor, 1st Floor, Nehru Nagar Circle, Seshadripuram, Bangalore 560020
Ph : 23445607 / 0258 / 23348460 Fax : 2334 8463, Email : info@archidply.com

Units

Rudrapur (Unit I) - Plot No. 6A, Sector 9, Pant Nagar Industrial Area, khasra No 210, Pool Bagh, Kichha, Udham Singh Nagar, Rudrapur, Uttarakhand

Mysore (Unit II) - Mysore hunsur Road, Hinkal, Mysore 570017, Karnataka
Mysore (Unit III) No.277, C-D/1 & C-D/3, Hebbal Industrial Area, Mysore 570018, Karnataka

Registrar & Transfer Agent

Karvy Computershare private Limited
Plot No.17 to 24, Vithalrao Nagar, Madhapur, Hyderabad 500086
Tel : 1-800-3454001, Fax : 040 23420814, Email : eidard.risk@karvy.vom

Archidply, a household name for years now, has been involved in the plywood manufacturing industry for over three decades. The Archidply Group initially set up for the manufacturing of tea-chests and saw-mills in 1976, has flourished into an expansive business. Under the leadership of Mr. Deendayal Daga, the group Chairman and Founding Managing Director, the business which started as a small unit in Rupai, Assam, has spanned across the country with increasing success. In 1995, the Group took over The Mysore Chipboards Ltd., originally founded in 1965. The factory is spread over 32 acres in Mysore. The Group undertook major modernization and expansion of the unit, at a cost of Rs.10 crores. In 2006, Archidply set up its third factory at Pantnagar, Uttarakhand. In 2007 a merger of the Mysore and Uttarakhand units led to the formation of the Archidply Industries Ltd.

Since its initiation, the Archidply product range has greatly diversified. Today, it is associated with woodbased products such as teak plywood, waterproof blockboard, film faced plywood, marine plywood, flush doors, Lamyply, Lamyboard, pre-laminated board a host of laminates and veneers, to name just a few. The group has also branched out into the area of tea plantations.

The Archidply Group's unprecedented success is attributed not just to its innovative products, but also to its innovative production procedures. The organization invests heavily in research and development to develop efficient methods of production and products of the finest quality. Archidply Group also ensures that all its industrial procedures fall in line with environmental needs and the Group does its bit in preserving the environment by planting saplings, distributing seeds at subsidized rates to its plantations and utilizing raw materials efficiently. With these and such other practices, Archidply has earned firm trust for itself.



CHAIRMAN'S STATEMENT

Dear Fellow Stakeholders,

Bigger Opportunities. Better Growth.

At Archidply, every possibility, and every opportunity opens to new doors of growth and better performances, year after year. The exhilarating opportunity unleashed for our sector due to infrastructure developments in the country in the form of Airports, Retail Malls, SEZs, Multiplexes, Hotels, expansion of Banking & Financial services sector, Housing units etc and also the desire across the client spectrum for high class interiors has resulted in a huge demand for wood panel products and decorative surfacing material.

Our commitment to using renewable resources for manufacturing wood-panel products from farm grown poplar & eucalyptus plantations in Rudrapur and Kolar, Silver Oak from coffee estates in Coorg, in close proximity to our factory locations, has held us in good stead in the past, and the same is guiding us in realizing a future of growth and competitiveness.

In pursuit of continual growth

In the wood panel products' segment, Archidply has initiated increase in plywood capacity in the Uttarkhand unit and plans to set up a new MDF plant in the same facility. We are now in the process of setting up an ultra modern composite unit of particleboard in Chintamani in Karnataka, close to the enormous eucalyptus plantations in Kolar district.

In our decorative surfacing sector, we are setting up a decorative plywood unit in Chintamani and are also in the process of establishing a 'Designer Doors' and Surface Printing' unit for customized design solutions in Chintamani.

The above plans will be implemented partly in 2008-2009 and completed by 2009-2010. This will set the pace of growth for Archidply in the coming years.

Strengthening the pillars

Even as we grow at a pace comparable to the industry, we are adopting best practices to facilitate the growth sustainable. We have put in place an ERP system across our factory locations and branches. A new HRD policy has been put in place along with reorganizing the organization structure for better clarity and focus. We also intend to issue ESOP's to our employees. Our Boards of Directors have been strengthened and we now have accomplished and eminent experts from Forestry, Architecture and Interior Design, Marketing and Finance, who bring with them vast years of experience in their respective fields.

The Company had filed the offer document with the SEBI for raising capital to part finance the CAPEX for expansion projects of the Company which has been appraised in totality by the financial institutions. We have since received final observations from SEBI and plan to bring out the Public Issue within the statutory time frame.

ICRA, the credit rating agency appointed for the Public issue, has given a grading of 3 out of 5 for the proposed issue.

Committed to a healthier tomorrow

At Archidply we have devoted a significant part of the concluded year in furthering Research, Product Development, Technology Adoption and investing in optimizing our customer satisfaction goals; ensuring homes and offices are healthy and safe places to be.

On the R&D front, our development of unique Low Formaldehyde Emission resins has been extended from BWR Plywoods to Decorative Laminates. We have since developed and introduced fire retardant plywoods and laminates to the consumers. Products with these feature have been well received and are recognized by the Architect and Interior Designer Community in that they contribute to a healthy and safe indoor environment as per Global Standards in place in Europe, Japan and USA. This will set the path for every manufacturer to follow, and ensure customers in India are not deprived of the health and environment standards, set by leading countries across the globe.

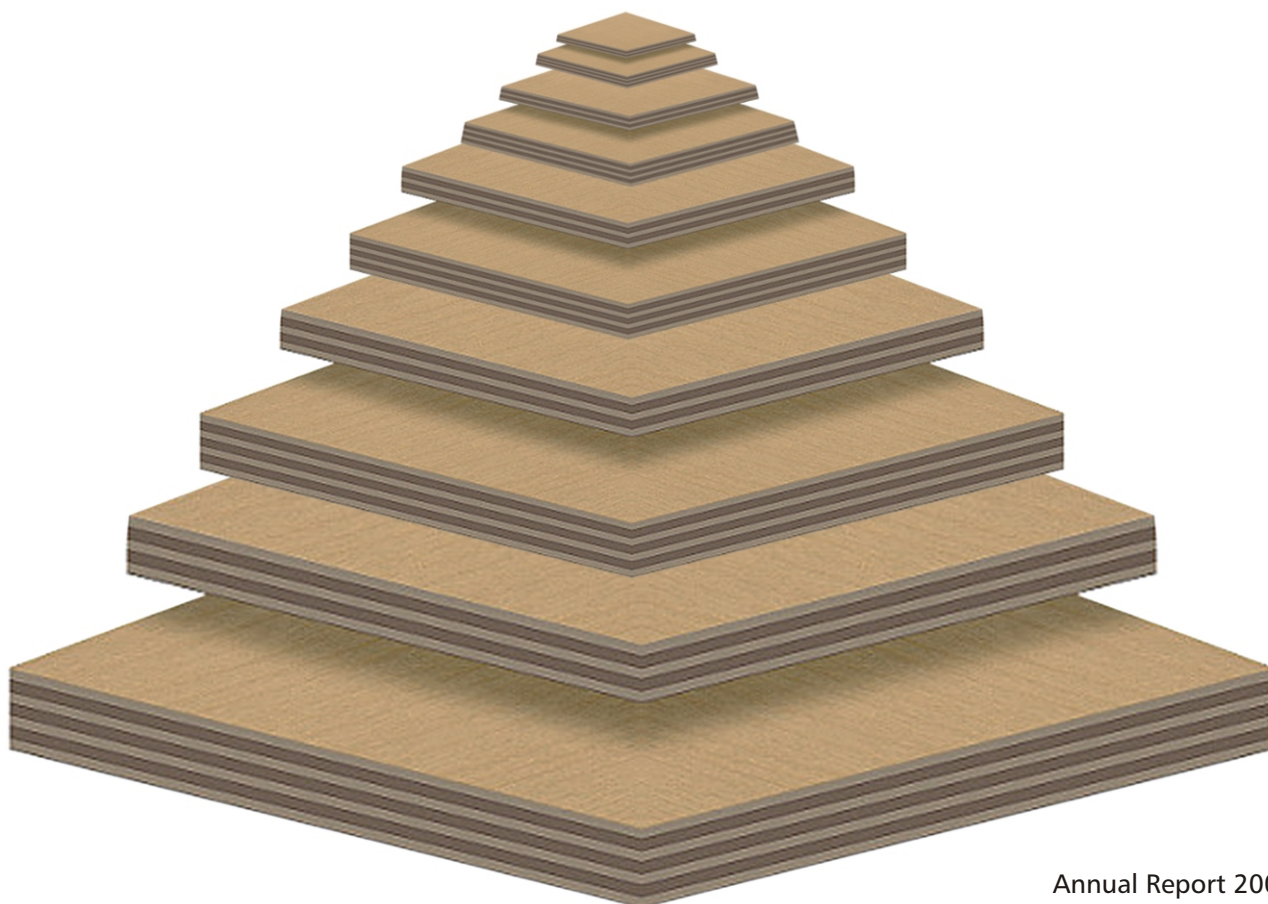
We are pleased to say that our Company has received a certificate from Bureau of Indian Standards (BIS) for ECO Mark for rating our products as eco friendly which will enable the architects/builders to earn points for better environment and friendly rating. Our Company has also received Host Country Approval for its Rudrapur Unit for "Thermal Energy Generation from Renewable Bio-mass" which will make us eligible for CER'S (Certified Emission Reductions).

We at Archidply believe your company is ready to play the role of a leader by consolidating on the strong position since created in the competitive market.

**Here is wishing one and all,
a healthier and wealthier 2008**

**Place : Bangalore
Date : 23.05.2008**

**Deen Dayal Daga
Chairman & Managing Director**



An Explosion: Growth In The Number Of Factories

The business which started in 1976, as a small unit in Rupai, Assam, has proliferated to span the length and breadth of the country with increasing success.

In, 1995, the group took over The Mysore Clipboard Ltd., originally founded in 1965. The factory is spread over 32 acres in Mysore. The group undertook major modernisation and expansion of the unit, at a cost of Rs. 10 crores. This plant undertakes numerous measures for environmental conservation, including planting saplings and distributing subsidized seeds to all its private plantations. Most of the wood from this plant comes from its eucalyptus plantations which are used optimally. The Particle Boards it manufactures uses only 'Lops and Tops', leaving the main tree untouched.

In 2006, Archidply set up its third factory at Pantnagar, Uttarakhand. The products produced by this plant include Plywood, Blockboard, Densified Film Faced Plywood, Pre-laminated Particle Board and Decorative Laminates. Spread across 15 acres, the Company has invested Rs. 50 crores to equip this facility with the latest technology. Its total licensed capacity is 78000 cubic meter per annum.

In 2007, a merger of the Mysore and Uttarakhand units led to the formation of the Archidply Industries Ltd.

Mysore facility spread over 32 acres



Uttarakhand facility spread over 15 acres



Expansions Plans

A combination of green field and brown field projects has been planned by the company to meet the new demands of the sector.

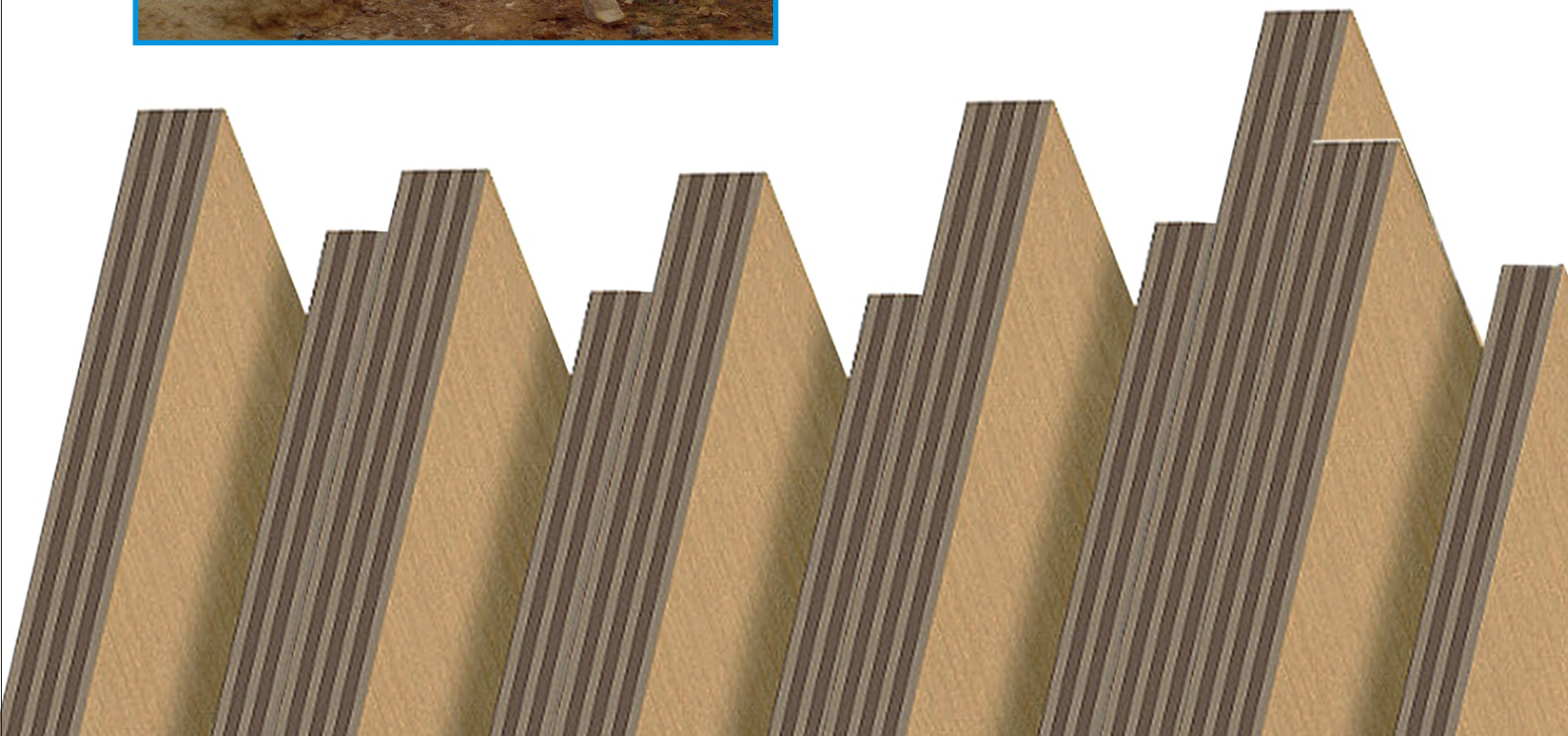
On the wood panel products segment the company has initiated increase in plywood capacity in its Uttarakhand unit and setting up of new modern MDF plant in the same premises at Uttarakhand. The company is also in the process of setting up of a modern composite unit of Particle Board in Chintamani, Karnataka close to the enormous plantations of eucalyptus in Kolar district.

On the decorative surfacing sector the company is setting up a Decorative Plywood unit in Chintamani and is also in the process of setting up designer doors and surface printing unit for customised design solutions in Chintamani.

The above plans will be implemented partly in 2008-2009 and completed by 2009-2010. This will set the pace of growth for our company in the coming years.



Bhoomi Pooja at Chinthamani



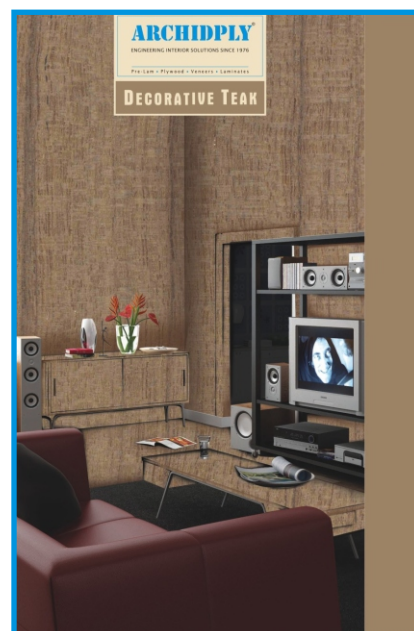
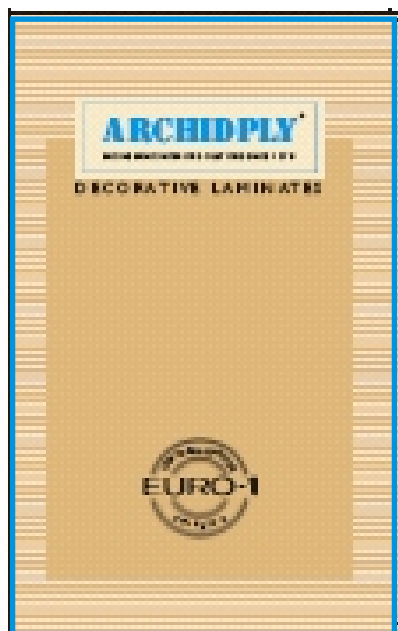
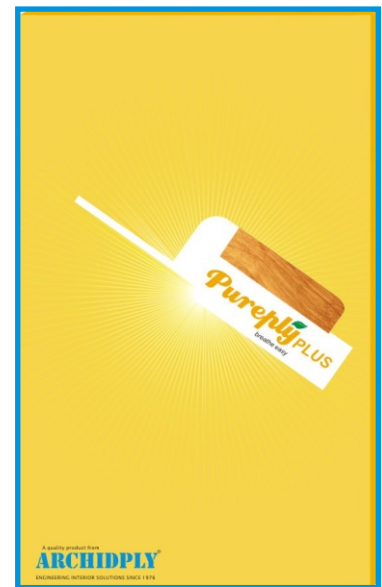
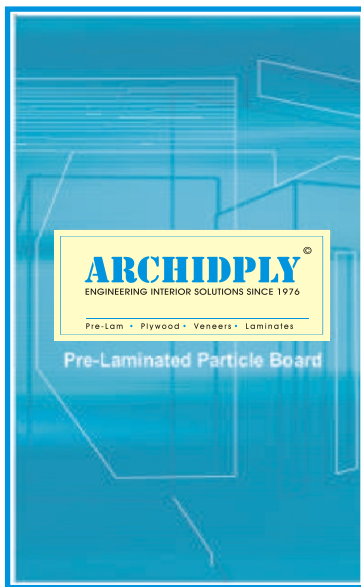
Plentiful products: Growth in product range

Since our inception, we are dedicated to constantly expanding and updating our product range in order to stay ahead of the market.

Plywood, Decorative Veneers and Particle board were three principal products three years ago.

Last year, we added one more product, Decorative Laminates to our range of products.

Today our wide array of products constitutes: Lamiply , Pureply plus, Decorative Laminates, Decorative Veneers, Plywoods and Particle-Boards



In 2005-2006, we were the proud recipient of the BIS certificates for our various products. Today, the number of feathers added to our cap has increased too: we hold the ISO 9001:2000 certificate for process; BIS ECO mark for our environment friendly processes and products, WKI Germany Lab Certification for Low Formaldehyde Emission in plywood and Laminates. Emission.

		Fraunhofer Wilhelm-Klauditz-Institut Holzforschung
		Quality Assessment
WILHELM-KLAUDITZ-INSTITUT • Exzerpt Weg 54 E • D-38108 Braunschweig		Dipl.-Ing. Harald Schwaib Head of the Testing, Supervision and Certifying Body
AICHDRH [®] ATP SVKI Products LTD. # 292, G.K. Manor, 1 st Floor, Nehru Nagar Circle Sheshadripuram		Braunsöder Weg 54 E 38108 Braunschweig, Germany info@wki.de , www.wki.de
India		Official in charge: Bettina Meyer Phone +49 (0) 531 0151-25 Telefax +49 (0) 531 0151-906 E-mail bettina.meyer@wki.fraunhofer.de
Your reference	Your message dated	Our reference
		Braunschweig 29 March 2007
Customer:	<u>Test report No. #B1014/07</u>	
AICHDRH [®] ATP SVKI Products LTD. # 292, G.K. Manor, 1 st Floor, Nehru Nagar Circle Sheshadripuram		560 020 Bangalore India
Receipt of sample:	560 020 Bangalore India	
WKI-ID-No.:	1052/07	
Date of test:	25 March 2007	
Objective of the test:	Determination of formaldehyde release	
Content of the test report:	1. Task and test material 2. Execution of the test 3. Test result	Page 2 Page 2 Page 2
This test report comprises 2 pages and 1 table.		
This test report is not permitted to be published incompletely. A publication in extracts is in any case subject to the previous consent of Fraunhofer-Institut für Holzforschung, Wilhelm-Klauditz-Institut (WKI), Exzerpt Weg 54/E in 38108 Braunschweig (Germany).		
The test results exclusively refer to the objects of the tests.		
The test method was used as follows:		
EC Norm EN ISO  DAP 1.701.108	Testing Supervising and Certifying Body <i>Institute for Accreditation and Certification</i> Testing methods authorized by: DAF Deutsche Akkreditierungs-Gesellschaft mbH in accordance with DIN EN ISO 17025 for the purpose of testing based on the certificate	Board of Directors Chairman: Dr.-Ing. habil. Rüdiger H. B. St. C. Members: Prof. Dr. rer. oec. Hans-Joachim Heilmann Dr. rer. oec. Michael Kauter Dr. rer. oec. Ulfrich Kasper Dr. rer. oec. Frank Wenzel Responsible Officer: Ingrid Bechtold Phone +49 (0) 531 0151-243 Fax +49 (0) 531 0151-244 Mobile: 0152 9849417-0107 / 152 9849417-0108 BC-Certified Company 00707034M
We are a signatory body of the Fraunhofer - Laboratory		

CMA/2

Growing, and how: Financial Growth

- We have grown by leaps and bounds in the financial front. Our performance in the last three years is a testimony by itself.
- Our top line sales has shot up from 44.71 crores, (2005-2006) to 148.25 crores (2007-2008), which is a growth by 231.58%, in a span of just three years
- Our bottom line profits growth has been from 0.82 crores (2005-2006) to a substantial 14.25 crores (2007-2008).

The makings of a grand brand: Growth in Brand Building

The brand Archidply has emerged over the past few years as a key strategic asset. We have realised that brands cut through the noise of product channel proliferation, keep products from becoming mere commodities, while providing competitive advantage.

An essential component of brand building is advertising which becomes the face of the organisation to the target audience. Through intensive advertising over the years, a product is transformed into a brand when it develops certain hard-core associations with the target audience. To further enhance and strengthen the brand Archidply, we have been increasing our advertising spends over the years. Our advertising spends have increased by nearly eight times over the past three years, from 66 Lakhs in 2005-06 to 5.45 Crores 2007-08.

Growth in the number of employees: A show of strength

The number of employees at Archidply has increased in number from 154 to a strong family of 537 employees in the last three years.

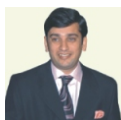


Growing through knowing: Growth in the number of Directors who bring a wealth of experience and expertise onboard

One can look at it either way: the drastic growth of the business has demanded and attracted more number of Directors to join our board; or the increase in the number of Directors from divergent backgrounds has contributed to the growth of the business.



Mr. Deen Dayal Daga is our Promoter, and has been on our Board since 2004. He holds the post of the Chairman in our company. He has an extensive 30 years experience in wood panel industry. He was the president of Assam Plywood Manufacturers Association during the year 1995-1996, and was a committee member of Federation of Indian Plywood Panel Industry.



Mr. Shyam Daga, the Joint Managing Director, is involved with finance and marketing of our company. He is a commerce graduate from St. Xavier's, Kolkata University. He is the Secretary of All India Particle Board Manufacturer Association, and was a committee member of South India Plywood Manufacturers Association.



Mr. Rajiv Daga, Executive director, deals with the manufacturing operations and IT functions of our company. He completed his Bachelors in Industrial Engineering from Purdue University, USA. He is presently a committee member of South India Plywood Manufacturers Association.



Mr. Krishna Kant Somani, Director (Technical - Mysore), is responsible for all the technical and manufacturing activities of our Mysore Unit. He is a diploma holder in Mechanical Engineering. He has more than ten years of experience in working in the plywood industry.



Mr. Narayan Subrao Adkoli, an independent director on our Board, is a Retired Indian Forest Service Officer. He has completed his Bachelors in Science in 1951 and then his post graduation in forestry from The Commonwealth Forestry College, Oxford (United Kingdom) in 1967. He advises the board on policies regarding to farm forestry and allied products



Mr. Mohammed Shahid Aftab, an Independent director on our Board. He advises the board on matters related to finance and banking sector. He has completed his Masters in Commerce in 1965.



Mr Kamal Kishore Taparia, an independent director on our Board, received his B.E (Mechanical Engineering), from the MBM Engineering College. He advises the board on marketing and new product development related activities.



Mr. Bharathkumar Hukumchand Rathi, an independent director on Our Board, received his Bachelor's degree in Architecture from Visveshwaraiah Regional College of Engineering, Nagpur in 1969.

Going Places: Growth in the Number of Branches

The growth of our business is strikingly reflected in increase in the number of branches. In 2005-2006, we had our branches in 6 locations. Today, we have our offices in 18 locations, namely: Ahmedabad, Nagpur, Cochin, Bhubaneswar, Jabalpur, Ranchi, Raipur, Hyderabad, Pune, Jaipur, Bangalore, Delhi, Chennai, Kolkata, Mumbai, Lucknow, Kochi.



Map not to scale

Prodigious promise: Growth in Market Share

With more number of hotels, corporates, BPOs, banks, airports, hospitals and homes using our products, our presence in the market has grown too.

Customer logo chart

Customer logo chart







GOVERNMENT SECTOR

 Life Insurance Corporation of India	 Department of Telecommunications	 Bharat Sanchar Nigam Ltd.	 Indian Institute of Science	 Punjab School Education Board	 Power Grid Corporation
--	---	--	--	--	---


PRIVATE SECTOR - BANKS

 ABN AMRO Bank	 Allahabad Bank	 Andhra Bank	 ANZ Grindlays Bank Ltd.	 Bank of Baroda	 Bank of India (A Government of India Undertaking)
 Citi bank	 Nabard	 State Bank of India	 Standard Chartered	 Union Bank of India	 Vijaya Bank


PRIVATE SECTOR - SOFTWARE

 The Adobe World	 Sun Microsystems	 Cisco Systems	 Dishnet DSL Ltd.	 Kshema Technologies	 ORACLE®
--	---	--	---	--	--

PRIVATE SECTOR - HOSPITALS, INSTITUTES & HOTELS

 Apollo Hospital Enterprises Ltd.	 Escorts Hospitals & Research	 Virchow Labs Ltd.	 B.M.S College of Engineering	 Hotel Sheraton	 THE LEELA PALACES & RESORTS Hotel Leela Venture Ltd.
---	---	--	---	---	---

PRIVATE SECTOR - CORPORATE

 Express Yourself Airtel	 Bharat Heavy Electrical Ltd.	 CIFT	 CMC Limited Your IT Partner CMC Ltd.	 Eldeco Residency	 Hindustan Aeronautics Ltd
 Hindalco Industries Ltd	 I.T.C Ltd	 JK Paper Ltd.	 Larsen and Toubro	 Colgate - Palmolive	 NCC Nagarjuna Construction Company
 Reliance Petroleum Ltd	 RS SB Radha Soami Satsang	 Sicom Ltd.	 WNS WNS Contact Centre		

Corporate Social Responsibility

Environmental Friendly Product from Archidply

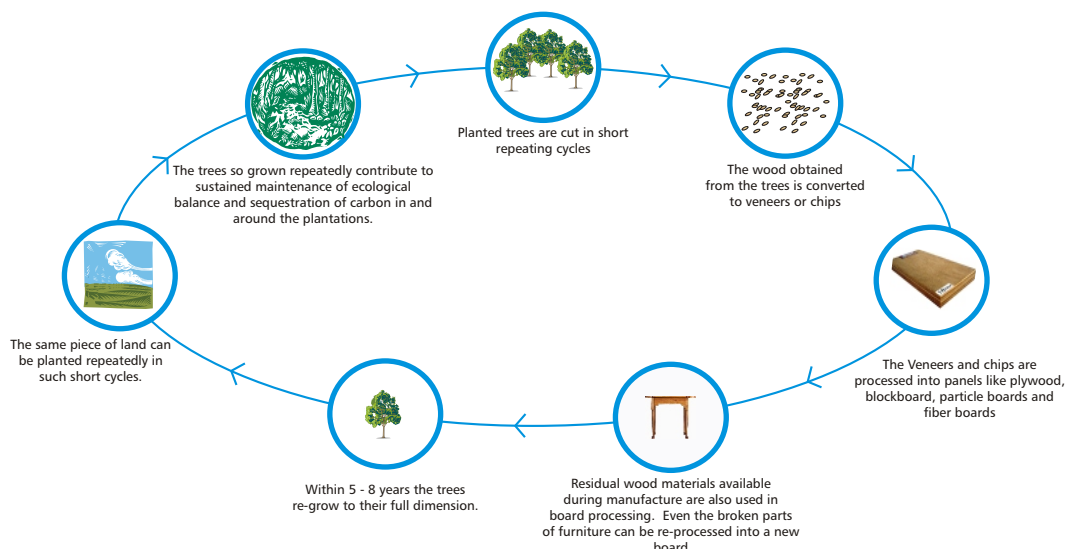
The Indian Government in lieu of the Supreme Court order has banned felling of forest timber due to climatic changes and adverse environmental impact. However some of the Indian plywood manufacturers are procuring timber like Gurjan (takes 100 years for regrowth) from neighboring countries like Malaysia and Burma. This disturbs the ecological balance of these poor countries which are still under developed and also impacts the ecological balance of our country, India as it falls in the same geographical area.

Our premium product Archidply with Pureply technology is an environmental friendly plywood due to the following reasons:

Use of Renewable plantation timber (Certified Wood)

The main timber used in our plywood is Silver Oak which is grown in coffee estate of Coorg for providing shadow to the coffee crop and harvested every 10 years and again replanted simultaneously for the fresh coffee crops. As such the timber which we use is not depleting the forest cover in India and ensures ecological balance in the areas,

Graphical Representation



Pureply Technology - Low Formaldehyde Emission (LFE)

Your furniture at home could be poisoning you. The ordinary plywood with which it is made emits dangerous gases and chemicals that are hazardous to health. Regulatory bodies in Europe & Japan have laid rules prohibiting the emission of gases beyond the permissible limit of E1 Standards. Presently India has no such regulation in place, but will surely change in the near future. Formaldehyde is used to develop polymers that are important for bond formation of wood fibers in the making of plywood and other related products. But formaldehyde leaves behind traces of dangerous emission, which make their way into homes, offices and other places, making it hazardous for health. Our plywood which has been tested in Germany has given a result of 0.6mg of formaldehyde emission per sqmeter in 1 hr. This result qualifies our products as per E1 Standards. The emission is far below other plywood manufacturers in India which is more than 3 mg of formaldehyde emission per sq meter in 1 hr which can result in various health hazards as mentioned below.

Short - Term Effects

- * Burning
- * Skin Irritation
- * Severe Coughing
- * Inflammation of the Lungs
- * Irregular Heartbeat

Long - Term Effects

- * Sensitization
- * Eczema
- * Cancer