Pennar

- Commodity to niche
- Generic to specific
- Basic to engineered
- Market-driven to market-driving
- Transactions to relationships
- Standalone to integrated
- Cyclicality to sustainability
- India to the world

Our changing profile!

Pennar Industries Limited | Annual Report 2008-09

Corporate information

Board of Directors

Shri Nrupender Rao *(Executive Chairman)*

Shri Ravi Chachra

Shri Dr. G. Vivekanand

Shri C. Parthasarathy

Shri B. Kamalaker Rao

Shri A. Krishna Rao

Shri C. Rangamani

Shri P. Bhaskara Rao

Shri Ch. Anantha Reddy *(Executive Director)*

Shri Aditya Rao *(Director - Projects)*

CFO and Company Secretary

Shri R. Ravi

Auditors

M/s Rambabu & Co.,
Chartered Accountants,
31, Pancom Chambers,
6-3-1090/1/A, Rajbhavan Road,
Somajiguda, Hyderabad - 500 082

Bankers

State Bank of India
Axis Bank Limited
State Bank of Patiala

Registered office

1-10-75/1/1-6, 3rd Floor, Saptagiri Towers
S. P. Road, Begumpet
Hyderabad - 500016, India

Registrars and Share Transfer Agents

Dakshin Consultants (P) Ltd
6 - 3 - 655/2/4
Civil Supplies Bhavan Lane
Somajiguda, Hyderabad - 500 082

Plants

Patancheru Unit
IDA, Patancheru -502319
Medak (Dist.), A.P.

Isnapur Unit
Isnapur Village -502307
Medak (Dist), A.P.

Chennai Unit
Kannigaipair Village, Uthukottai Tq
Thiruvellore Dist, Tamilnadu – 601 102

Tarapur Unit
J-72,MIDC, Tarapur,
Maharashtra-401506.

Hosur Unit
43, SIDCO Industrial Estate
II Phase, Hosur Tamil Nadu

Across the pages

Over 30 years of experience.

Over 1,000 precisely engineered products.

Over 2,500 tools and dies.

Over 300 customers.

Over 1,200 employees.

Pennar Industries Limited is not just a cold-rolled steel manufacturer.

It has transformed itself into a leading engineering organisation.

The result: Pennar's best-ever performance achieved in the worst of markets in 2008-09.

Our vision

To emerge as a globally reputed engineering company with strong and enduring customer relationships based on quality and service.

Our customers

Market segments	Customers
Railway products	Integral Coach Factory (ICF), BEML, Texmaco and Titagarh Wagons
Automobile products	Tata Motors, Ashok Leyland and Eicher Motors
Building products	L&T, Shapoorji Pallonji and Nagarjuna Construction
Pollution control	ABB, Thermax and Bharat Heavy Electricals (BHEL)
Pressed steel components	Emerson Electric, Tecumseh, TVS Motors and IFB
Road safety systems	National Highways Authority of India (NHAI) and other road construction companies
Fabricated products	Thermax, ABB and Prasad Seeds
Precision tubes	Bus body builders
Cold-rolled steel strips	Automobile, white goods, electrical and engineering companies

Our assets

Plant location	Principal products	Installed capacity (MTPA)	Capacity utilisation, 2008-09
Patancheru, Andhra Pradesh (45 acres)	Products for railways, automobiles, building sectors, ESP electrodes, road safety systems, pressed components and precision tubes	108,000	75 percent
Chennai, Tamil Nadu (36 acres)	Formed products, pressed components, and fabricated items for railways and automobile sectors.	30,000	50 percent
Isnapur, Andhra Pradesh (27 acres)	Specialty cold-rolled products	50,000	71 percent
Tarapur, Maharashtra (5 acres)	Cold-rolled formed products, automotive bumpers and fenders	10,000	45 percent
Hosur, Tamil Nadu	Engineered components for auto sector.	2,000	50 percent

Dear shareholders,

My principal message to you is that Pennar Industries has transformed itself into a leading engineering company and has reported its best-ever performance in 2008-09 in the worst of markets.

Building a stronger organisation

Pennar Industries outperformed its sectoral average because of sweeping transformational initiatives that commenced a few years ago and which were reflected fully during the year under review.

- We evolved our focus from commodity cold-rolled products to value-added engineering components and products.

The result: Nearly 75 percent of our turnover is now derived from value-added products.

- We created divisions to supply comprehensively engineered products for the railways, road safety and pre-engineered building requirements.

The result: The proportion of revenues derived from the Railway segment increased from 11 percent in 2007-08 to 24 percent in 2008-09.

- We focused on value-added products and segments.

The result: Sales increased 14 percent to Rs. 7,305 million in 2008-09; average realisation per tonne increased from Rs. 53,400 to Rs. 71,600 during the year under review.

- We focused on exports through tie-ups with FLSmidth (Denmark) who are

Highest-ever turnover of Rs. 7,305 million compared with Rs. 6,412 million in 2007-08 (14 percent growth)	Highest-ever net profit of Rs. 381 million compared with Rs. 308 million in 2007-08 (24 percent growth)
Highest-ever EBIDTA of Rs. 759 million compared with Rs. 663 million in 2007-08 (14 percent growth)	Earnings per share (EPS, cash) of Rs. 4.39 per equity share of face value of Rs. 5 each
Highest-ever cash profit of Rs. 555 million compared with Rs. 451 million in 2007-08 (23 percent growth)	Proposed dividend of 20 percent (Re 1 per equity share of Rs. 5 each)

global cement plant manufacturers and Hammon Research & Cottrell (Belgium) for steel profiles consumed in electrostatic precipitators.

The result: Our exports presence will strengthen over the future.

- We commercialised a new facility (Chennai) in April 2008, equipped with state-of-the-art CNC machines, laser cutting machines, turret punching machines, rolling, forming and bending machines, among others.

The result: Rs. 92.50 cr in revenues from this plant in 2008-09 as it catered to the growing needs of the Indian Railways and reputed Indian automobile manufacturers.

- We strengthened our efficiency through better process management and continuous technological upgradation.

The result: Our yield improved from 87 percent in 2007-08 to 92 percent in 2008-09, aligned closely with global benchmarks.

- We strengthened our inventory management at a time when our principal raw material (steel) price declined nearly 40 percent from its peak

The result: We increased our inventory turns from 7.77 in 2007-08 to 9 in 2008-09; inventory days in terms of turnover equivalent were at a healthy 40 days.

- We strengthened our credit management with CARE rating our medium-term loans at BBB+ and short-term ratings at PR2.

The result: We reduced our average debt cost by 50–100 basis points in 2008-09.

- We implemented SAP, it enhanced functional efficiencies of material procurement, finance, sales and distribution and production.

The result: Strengthening access to up-to-date information and enabling quick decision-making.

- We promoted Pennar Engineered Building Systems Limited (Pebs), a subsidiary company focused on the manufacture of pre-engineering building systems with a technical know-how agreement with NCI Building Systems (USA), one of the world's largest pre-engineered building solution providers. The plant will be commissioned in September, 2009.

The result: The subsidiary is expected to generate a turnover of Rs. 200 cr in a full year's working.

Outlook

At Pennar Industries, we will seek acquisitions to plug product/market/ competency gaps, by making adequate investments at the right junctures.

We expect your Company to report Rs. 1,000 cr turnover and the subsidiary company PEBS (Pennar Engineered Building Systems) to report Rs. 200 cr turnover in 2010-11, at superior margins, leading to enhanced value to all our stakeholders.

I am happy to inform you that currently, your Company is financially stronger than ever before. I believe that your Company has a promising future as it continues to transform itself while focusing on the engineering, heavy engineering, infrastructure and construction sectors.

Sincerely,

Nrupender Rao
Chairman

Our transformation is most visible in our numbers.

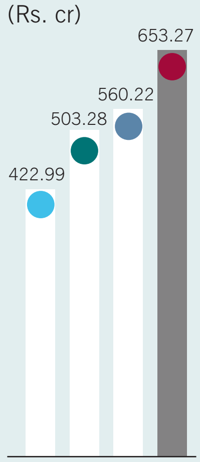
2005-06

2006-07

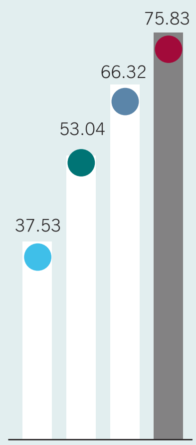
2007-08

2008-09

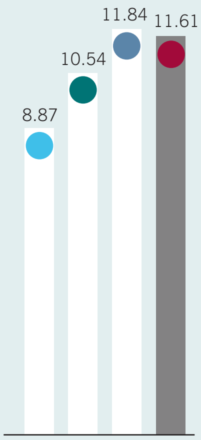
Growing income from operations (net of excise)
(Rs. cr)



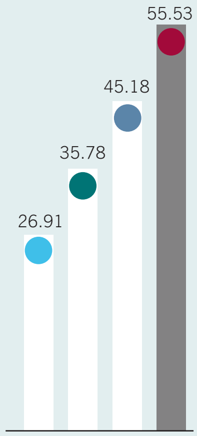
Strengthening EBIDTA
(Rs. cr)



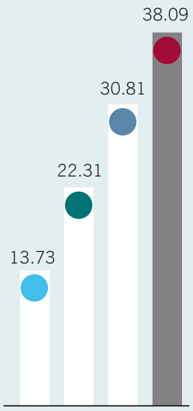
Robust EBIDTA margin (percent)



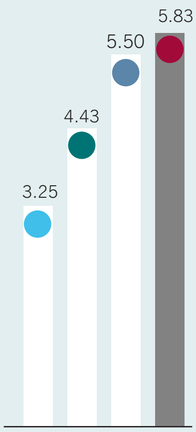
Robust cash profit (Rs. cr)



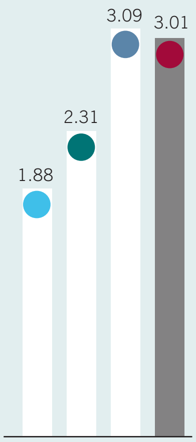
Increasing post-tax profit (Rs. cr)



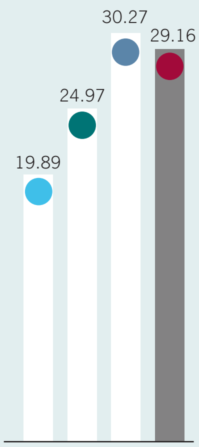
Augmenting post-tax profit margin (percent)



Attractive earnings per share (EPS), basic (Rs.)



Sound return on the employed capital (percent)



Notes:

1) Figures for 2005-06, being for 16 months, have been annualised. Also non-recurring income of Rs 23.36 crores has not been considered

2) Figures for 2006-07, being for 8 months have been annualised

Our changing profile!

Extensive value-addition

From an average realisation of Rs. 53,400 per tonne to Rs. 71,600 per tonne

At Pennar Industries, we transform hot- rolled and cold-rolled steel into specialised products for onward use in railway coaches/wagons, automobiles, industrial structures, heavy vehicles, road safety systems, electrostatic precipitators, air-conditioners, refrigerators as well as fabricated and general engineering products.

Competitive cost structure

From a capital cost per tonne of Rs. 13,260 to Rs. 13,078

At Pennar Industries, our competitiveness is derived from our attractively low capital cost of Rs. 13,078 per tonne vis-à-vis a replacement cost of Rs. 28,000 per tonne. This reinforces our industry position as among the lowest cost converters of specialised steel products, representing a strong entry barrier against emerging competition.

Rich product–customer portfolio

From 20 percent value-added products in our portfolio to 75 percent

At Pennar Industries, the major proportion of our output is required for specialised needs. In line with this reality, we have evolved from a cold-rolled strips manufacturer into a specialised engineering company. This helped us report the highest-ever topline and bottomline at Rs. 731 cr and Rs. 38 cr respectively at a time of economic uncertainty in 2008-09, which validates our business model as sure, secure and sustainable.

Knowledge extension into newer verticals

From conventional sectors to new verticals

At Pennar Industries, our rich engineering experience is reflected in a growing presence in synergic verticals. We incorporated Pennar Engineered Building Systems (subsidiary) to focus on the design, manufacture and erection of pre-engineered buildings that enjoy the advantage of lower costs (a fourth of the overall costs for a conventional building) and reduced time-to-commissioning (a twelfth of the overall time taken to erect a conventional building).

We finished 2008-09 with Rs. 731 cr sales and the prospect of a turnover of Rs. 800 cr for 2009-10. We also ventured into the manufacture of road safety barrier systems, a sector that is expected to grow rapidly over the next decade.

Stakeholder-centricity

From losses to enhanced shareholder value

At Pennar Industries, we strengthened shareholder value through margin expansions from 6.67 percent in 2004-05 to 11.61 percent in 2008-09, corresponding debt reduction from Rs. 237 cr (as on 31 March 2005) to Rs. 127 cr (31 March 2009) and proposed dividend of Re 1 per equity share (face value of Rs. 5) for 2008-09. The result was reflected in our enhanced market capitalisation from Rs. 200 cr as on 31 March 2007 to Rs. 275 cr as on 31 March 2009.

Engineered products

Revenue, 2008-09: Rs. 385.47 cr

Revenue growth: -9.68 percent

Contribution to revenue, 2008-09: 52.77 percent

Overview

This division specialises in the development of sophisticated engineered products, supported by a state-of-the-art engineering design team, modernised tool room and professionals.

Our strengths

- **Modern equipment and tools:** Equipped with a state-of-the-art 'press shop' with tool maintenance facilities that ensure high-precision products, catering to a range of industries. Reinforced by a tool room comprising more than 2,500 tools and dies, one of the largest die repositories in India
- **Diversified sectors:** Wide product mix caters to the growing needs of consumer appliances, automobile and general engineering sectors
- **Cost advantage:** Possesses a competitive cost structure through superior material planning, extensive integration, waste control and yield enhancement
- **Material planning:** Rich experience in prudent planning, procurement and inventory management for steel (principal raw material)
- **Enhanced delivery:** Enjoys a ready availability of quality raw material resources through a captive cold-rolling facility
- **Prominent clientele:** Caters to brand-enhancing customers like VE Comml Vehicles (EML), Tata Motors, Ashok Leyland, Integral Coach Factory, Texmaco, BEML, BHEL, L&T, Videocon, Godrej, Haier Appliances, Brakes India, Lloyds, Alstom Power, Thermax, HCC, Tecumseh, IFB, TVS Motors, IVRCL, Vijai Electricals and Johnson Lifts, among others
- **Talent pool:** Possesses a team of over 200 professionals, representing rich intellectual property

Outlook

The division focuses on specialised engineered products to meet customers' stringent specifications.

Our products

Automobile products

- Panels and profiles for buses and light commercial vehicles
- Bumpers and fenders for heavy commercial vehicles

Pressed steel components

Components for the following sectors:

- Refrigeration
- Air conditioning
- Office furnishing
- General engineering

Precision tubes

- Precision tubes in circular, square and rectangular cross-sections for electrical (transformer cooling), construction, furniture and general engineering sectors
- Precision tubes for buses
- Auto components made of sheet metal

Rolled steel products

- Steel strips in the form of coils and sheets for automobile, bearing, consumer durable, electrical and general engineering sectors

Heavy engineering products

Revenue, 2008-09: Rs. 176.90 cr

Revenue growth: 147.86 percent

Contribution to revenue, 2008-09: 24.22 percent

Overview

The Company created a specialised division to address the specific heavy engineering requirements of the railways sector. This division manufactures floors, side walls, end walls, roof and under-frame components for wagons and coaches. The division is poised to play a growing role in the modernisation of railways through the supply of state-of-the-art products.

Our strengths

- **Robust in-house engineering capabilities:** Equipped with modern manufacturing facilities laser cutting, plasma cutting transfer presses and CNC machines enabling the manufacture of quality customised products
- **Rich knowledge:** Possesses superior engineering and design knowledge to develop competencies for more sectors
- **Strong quality focus:** Invested in stringent multi-stage quality control from raw material selection to finished production
- **Value-engineering:** Engaged in innovative value-engineering to deliver superior products at attractive costs

Outlook

The division will move up the value chain through the enhanced manufacture of a wider range of products for railway wagons and coaches.

Our products

Formed profiles and fabricated products for the following areas:

Rail wagons and coaches

Under-frame assembly

- Longitudinal beam • Stainless steel integrated trough floor assemblies • Body bolster • Head stock • Modular frame • Lower spring beam

Side wall assembly

- Body pillar • Door corner sheet • Light spring beam

Roof

- Cant rail assembly • U-stiffner • Trough for roof mounted A/C

Shell assembly

- Partition frames

Furnishing

- Hand rails • End construction

Profiles

- Side stanchion • Stringer • Centre sill • Sole bar

LHB coaches

- Side wall assembly • Roof assembly • End wall construction

DMRC

- Cant rail • Sill side • Roof panel • Key stone

Infrastructure

Revenue, 2008-09:
Rs. 168.15 cr

Revenue growth:
17.54 percent

Contribution to revenue, 2008-09: 23.01 percent

Overview

The Company manufactures diverse products for the building sector like purlins, roofing sheets and deck plates. Pennar is a pioneer in the development of crash barriers for road safety. It also makes fabricated structural products for various engineering industries.

Our strengths

- Design capability
- Technical strength
- People with rich experience in fabrication
- Extensive manufacturing area
- Well-equipped in-house manufacturing facilities
- Numerous welding machines, laser cutting, plasma cutting

Outlook

With the Government's emphasis on the rapid development of infrastructure, this division is poised for aggressive growth.

Our products

Building products

- Primary frames
- Z and C purlins
- Roofing sheets
- Deck plates

Road safety systems

Metal crash barriers including beams and posts for safety on highways and bridges

Fabricated products

Fabrication of heavy structures for industrial buildings, conveyors, racking systems and boilers

ESP electrodes

Collecting electrodes and discharge electrodes for electrostatic precipitators, used for controlling pollution in cement and mineral industries

Building and construction

Overview

The Company promoted a subsidiary, Pennar Engineered Building Systems Limited to manufacture pre-engineered building structures (PEBS) to capitalise on the growing opportunities in the construction sector. PEBS comprises modular steel constructions of open-span built up sections, purlins, girts, roofing and wall panels. PEBS enjoys the advantages of erection speed and expansion flexibility over conventional concrete construction. This division is engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and building components for industries, warehouses, commercial centres, multi-storied buildings, aircraft hangars and stadiums, among others. Covering wide application areas, the division provides innovation, design distinction and international expertise.

Our strengths

- **Manufacturing facility:** State-of-the-art 23,000 sq. m. facility in Hyderabad equipped with high-precision CNC machines and a quality laboratory benchmarked with international standards
- **Capacity:** Equipped to build around 2.5 million sq. m. of steel buildings annually
- **Superior know-how:** Technical know-how agreement with MBCI, a division of the NCI Group, USA, a global leader in the pre-engineered building industry, offering the Double-Lock Standing Seam Roofing system
- **Relationship building:** Consultative working relationship with the client leads to desired design solutions
- **Stringent standards:** Comprehensive quality policy ensures process compliance with the requirements of the Metal Building Manufacturers Association, American Society for Testing and Materials and American Welding Society
- **Talent pool:** A rich understanding of complex structures and pre-engineered steel building design, among others

Outlook

The manufacturing facility, which is under construction, is expected to be commissioned in September 2009 and expected to generate a Rs. 200-cr turnover in 2010-11.

Our portfolio

• Industrial buildings • Warehouses
• Commercial buildings • Multistoried shopping malls • Airports and aircraft hangars • Sports complexes and stadiums
• Metro rail shelters • Agricultural storage buildings • School buildings • Healthcare centres and hospitals • Garages and bus shelters • Car parking zones

Our brands

The division possesses two high-grade products – Prime Build and Value Build – as well as a combination of brands.

Prime build

• Caters to customers desiring premium features • Weather-proof Double-Lock Standing Seam Roofing with 10 years' weather-proof warranty • Purlins/Girts/Eave struts are pre-galvanised with 275 gsm
• Primary structures shot-blasted to Swedish standard SA 2.5 with epoxy primer • Continuous on-site supervision during installation

Value build

• Perfect solution for those who need economy buildings • Standard trapezoidal roof sheeting • Purlins/Girts/Eave struts are pre-galvanised with 120 gsm • Primary structures with manual cleaning and epoxy primer • Periodic on-site supervision during installation

Enhancing shareholder value

At Pennar, we recognise that we are in business to enhance value for our shareholders, reflected in attractive returns on employed capital.

The Company fared well in this regard. Market capitalisation strengthened from Rs. 200 cr (as on 31 March 2007) to Rs. 275 cr (as on 31 March 2009). This growth was the direct result of an improvement in our performance, margins and prospects.

Pennar has a diversified shareholder base of 27,000 investors. At the end of 2008-09, foreign investments (foreign investors and FIIs) constituted 36 percent of the Company's equity, while retail investors, including domestic corporates, held 28 percent. Around 36 percent of the equity capital was in the hands of the Company's promoters.

Return on gross block (ROGB)

The gross block of a company represents its competitive edge in terms of advanced equipment, machinery and technology. The Company's ROGB enhanced from 12.63 percent in 2007-08 to 14.56 percent in 2008-09, indicating a growing return on assets.

Dividend

The Company proposed a 20 percent dividend (Re 1 per share of face value of Rs. 5 each) in 2008-09. The Company strives to achieve a balance between rewarding shareholders in the immediate term and reinvesting cash flow for enhanced long-term value.

Margins

The Company's profit before tax and profit after tax margin in 2007-08 increased from 7.13 percent and 5.49 percent to 8.08 percent and 5.83 percent respectively in 2008-09 despite escalated material cost, interest, depreciation and tax burdens. The margins are expected to improve with lower input costs, higher value-addition and robust end-user demand.

Earnings per share (EPS)

The Company's cash EPS stood at Rs. 4.39 in 2008-09 against Rs. 4.51 in 2007-08. This reduction was due to increase in equity shares consequent to the allotment of equity shares to foreign investors in January, 2008.

Corporate competitive strengths

Experience
The Company's rich industry experience spans more than three decades.

Design room
All plants possess specialised design facilities equipped with superior facilities (CAD machine, Stad Pro software, solid modelling platform and Kopra software, among others) and employ qualified professionals.

Low conversion cost
The Company has established itself among the lowest cost converters of steel into value-added engineered products.

Product mix
The Company possesses a diversified product portfolio, manufacturing over 1,000 products used by several industries.

Diversified client portfolio
The Company has over 300 customers with the top five clients contributing about 20 percent to revenues (2008-09).

Technology
The Company's facilities are equipped with modern manufacturing technologies with laser cutting, plasma cutting, transfer presses and CNC machines, facilitating customisation.

Rich knowledge bank
The Company is among the few in the business to possess intellectual capital worth a million person-days, making it a preferred partner.

Clientele
The Company's customers comprise companies like Integral Coach Factory, BEML, Texmaco, Tata Motors, Ashok Leyland, Eicher Motors, L&T, Shapoorji Pallonji, Nagarjuna Construction Company, Emerson Electric, Tecumseh, TVS Motors, IFB, Thermax, ABB, Prasad Seeds and National Highways Authority of India, among others. It caters to brand-enhancing global clients like FLSmidth.

Industries addressed
Percentage of sales, 2008-09

Engineering segment	
Auto (profiles and components)	4%
Auto (CRSS)	7%
Bearings	8%
Packaging	8%
Electrical	7%
White goods	6%
General engineering	13%
Heavy engineering segment	
Railways	24%
Infrastructure	
Building	14%
ESP and fabricated products	5%
Roads	4%

Directors' Report

Dear members

Your Directors have pleasure in presenting the 33rd Annual Report along with the audited accounts for the year ended March 31, 2009.

Financial results

Pennar's performance during the year as compared with that during the previous year is summarised below

(Rs in million)

Particulars	12 months ended March 31,2009	12 months ended March 31,2008
Gross sales	7,305.2	6,411.9
Earning before interest, Depreciation and tax (EBIDT)	758.2	663.2
Profit before tax (PBT)	528.1	399.7
MAT, deferred tax and FBT	147.2	91.7
Profit after tax (PAT)	380.9	308.1

Performance

The sales revenue (net of excise) of our Company for 2007-08 was Rs 5,602.2 million and Rs 6,532.7 million in 2008-09, registering an increase of 16.6%. Profit before tax (PBT) stood at Rs 399.7 million in 2007-08 and Rs 528.1 million in 2008-09, showing an impressive growth of 32.1%. Profit after Tax (PAT) was at Rs 308.1 million in 2007-08 and Rs 380.9 million in 2008-09, a growth of 23.6 % over the previous year.

Pennar was able to achieve excellent results despite the challenging economic conditions due to diversified product mix and increasing the sales of rail wagons and rail coach products, road safety systems and building products. The Company's long experience in the profiling industry, competitive pricing, product differentiation and timely execution of the orders from customers helped it to overcome recession.

Dividend

The Company's Board of Directors have recommended a dividend of 20% on the Company's paid-up equity share capital i.e., Re 1.00 per equity share of face value Rs 5, each for the financial year ended march 31, 2009. The Board also recommended payment of dividend at the coupon rate of 0.01% on cumulative redeemable preference shares.

New venture

The Company promoted Pennar Engineered Building Systems Limited (Pebs) ,which became a subsidiary in June,2009, for the design, manufacture and erection of pre-engineered steel buildings. Pebs has technical collaboration for manufacturing weather resistant roofing systems with NCI Building Systems (USA), one of the world's largest pre-engineered building solution providers

Buyback of equity shares

The Company's Board of Directors, at its meeting held on April 27, 2009, approved the buyback of equity shares from the open market through stock exchange mechanism, for an amount not exceeding Rs 125 million subject to a maximum of 65 million equity shares and a minimum of 31.25 million equity shares and at a price not exceeding Rs 40 per equity share. The Company awaits the approval from SEBI for commencing buyback operations.

Directors

Mr. Nrupender Rao was appointed as the Company's Chairman as Mr. A. K. Rao resigned from the chairmanship with effect from January 30, 2009. The Board of Directors places, on record, its appreciation for the significant contribution made by Mr. A. K. Rao during his tenure as the Company's Chairman.

Mr. C. Parthasarathy and Mr.B. Kamalaker Rao were appointed as the Company's Additional Directors with effect from October 30, 2008 and January 30, 2009, respectively, and would hold office up to the conclusion of the ensuing Annual General Meeting. It is proposed to appoint Mr. C. Parthasarathy and Mr. B. Kamalaker Rao as the Company's Directors.

Dr.G.Vivekanand and Mr.A.K.Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

For perusal of the shareholders , a brief resume of the directors being appointed/re-appointed along with other necessary particulars are given in the explanatory statement to the Notice. The Board of Directors recommends their appointment/ reappointment.

Mr. Tarun Gandhi resigned as a Director with effect from January 23, 2009. Dr. J. Rameswara Rao, who was appointed as the Company's Director in the Board meeting held on October 30, 2008, resigned as the Director with effect from January 8, 2009

The Board of Directors places on record its appreciation for the valuable services rendered by Mr. Tarun Gandhi and Dr. J. Rameswara Rao during their tenure as Directors.

Auditors

The Auditors, M/s Rambabu & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if reappointed.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that

i. In the preparation of the annual accounts, the applicable accounting standards were followed

ii. The Directors selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the Company's state of affairs at the end of the financial year and of the profit or loss of the Company for 2008-09.

iii. The Directors took proper and sufficient care for maintaining adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities.

iv. The Directors prepared the Company's annual accounts on a going concern basis.

Management discussion and analysis

The report, on management discussion and analysis forming part of Directors' Report, is annexed.

Corporate Governance

A separate section on Corporate Governance with a detailed compliance report thereon is annexed and forms a part of the Annual Report. The Auditor's Certificate in respect of compliance with the provisions concerning Corporate Governance, as required by Clause 49 of the Listing Agreement, is also annexed.

Public deposits

The Company settled all the public deposits for which claims were received from the deposit holders. The amount of deposits outstanding as on March 31, 2009 was Rs 1.80 million. No fresh deposits were accepted since 2000.

Personnel

Your Directors place on record, their sincere appreciation for the Company's employees whose dedication and commitment is responsible for the Company's excellent performance.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in Annexure-II to the Directors' Report.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

The Board wishes to thank the State Bank of India, Axis Bank Limited, State Bank of Patiala, Eight Capital and Spinnaker Capital, customers, suppliers and shareholders for their continued support.

For and on behalf of the Board

Place: Hyderabad
Date: July 3, 2009

Nrupender Rao
Executive Chairman

Annexure I to Directors' Report

Form A

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
A. Power and fuel consumption		
1. Electricity		
a. Purchased units	1,42,89,132	1,66,92,150
Total amount (Rs)	56423558	6,78,41,846
Rate per unit (Rs)	3.95	4.06
b. Own generation (DG set)		
1000 KVA units (KWH)	3,92,840	1,74,502
Units per litre of diesel oil	3.07	3.29
Cost of diesel per KWH (Rs.)	11.46	10.32
2. Coal		
Quantity (tonnes)	920	1,256
Total amount (Rs)	28,39,296	37,27,063
Average rate (Rs)	3,087	2,966
3. Diesel oil		
Quantity (KL)	398.25	63
Total amount (Rs)	1,46,01,517	21,32,410
Average rate (Rs)	36,664	34,010

Particulars	April 1, 2008 to March 31, 2009	April 1, 2007 to March 31, 2008
4. C IX oil		
Quantity (MT)	638	1487
Total amount (Rs)	1,91,03,763	3,20,13,513
Average rate (Rs)	29,950	21,524
B. Consumption per unit of production		
a. Product Cold Rolled Steel strips		
Unit tonnes		
Electricity (KWH)	134	139
Coal (kg)	11	14
Diesel (ltrs)	3.37	0.11
C IX (kgs)	7.95	16.75
b. Product Cold Formed Metal Profiles		
Unit tonnes		
Electricity (KWH)	69.9	77.89

Form B

1. Research & Development (R & D)

Pennar's focus is on innovating and creating state-of-the-art facilities for supplying cost-effective high-quality engineering products to its customers. Pennar works closely with the suppliers and the customers for arriving at the best economic solutions.

Keeping the long term interests of the Company and stake holders in mind, Pennar undertook the following R & D activities

1. Developed heavy-duty special sections for Railways and sheet piles
2. Developed CNC spot-welding system for manufacturing stainless steel LHB coach-parts
3. Developed rotary compressor housings

2. Benefits derived as a result of above R & D

- Increased business volume
- Increased value addition resulting in higher contributions
- Creation of wider and stable markets

3. Future plan of action

The Company continued to focus on technology for building stainless steel wagon body panels and rail coach components for both LHB and conventional coaches. Another focus area will be the development of components for various applications using the CNC- plasma, laser cutting and heavy-duty presses. The Company is setting up a heavy-duty roll forming mill for producing specialised railway profiles.

4. Expenditure on R & D - Rs15 million

R & D expenditure as a percentage of revenue 0.2%

5. Technology absorption, adaptation and innovation

The Company constantly evolves and adapts in order to take advantage of technical innovation and advancements in process technology. As a result of this, the Company is one of the premier manufacturers of engineered steel products in the country. The Company successfully implemented ERP solution (SAP) to complement and boost various process verticals including production, planning, finance, purchase, inventory and management information systems (MIS).

6. Foreign exchange earnings and outgo

The information on foreign exchange earnings and outgo is furnished in the notes on accounts.

Annexure II to Directors' Report

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956

Name of the employee	Mr. Nrupender Rao	Mr. Ch. Anantha Reddy	Mr. Aditya Rao
Designation	Executive Chairman	Executive Director	Director - Projects
Age (years)	64	62	27
Qualification	B.Tech, M.S	B.E (Metallurgical), P.G.D.M.M	B.S, M.Eng
Experience (years)	38	38	4
Remuneration (Rs)	1,02,52,119	43,91,039	24,00,000
Date of commencement of employment	September 1, 1998	January 1, 1986	May 2, 2007
Details of last employment	Vice Chairman and Wholetime Director, Pennar Aluminum Co. Ltd.	Mfg. Manager, Nagarjuna Signode Ltd.	Corporate Business Planning, Karvy Consultants

Management discussion and analysis report

(Forming part of Directors' Report)

1. The global economy

All nations in the world experienced freezing of the credit markets, crash of stock markets due to insolvencies of some financial institutions and manufacturing companies in the US, threatening the entire global financial system. Announcement of various financial incentives /concessions by Governments and efforts to inject substantial liquidity by central banks could not contain the crisis effectively. The markets continue to remain volatile across the countries and the pace of improvement in credit conditions is very slow.

Decline in capital inflows along with strict credit conditions and deteriorating global import demand point towards lower a growth in developing countries. However, countries like India and China, due to their strong fundamentals, were less affected. The GDP growth of the Indian economy was 6.7 %, down from about 9% in the preceding three fiscal years. With the prices of oil, food and metal prices having declined substantially, compared with their average levels in 2008, inflation which was lowest in three decades is likely to ease further. Steps by the Government to ease credit conditions, debt restructuring by companies and increase in real incomes, due to lower food prices, are expected to lead to eventual recovery.

2. Indian manufacturing sector

The Indian manufacturing and service sectors were affected by the global crisis. However, as the macro-economic fundamentals continue to remain strong, one can witness improvement in the business confidence of the Indian industry, even as concerns about the global economic downturn continue to weigh. The efforts by the Indian Government to contain inflation by tightening credit availability, while ensuring inclusive and equitable growth across all sections of the society, allocation of sufficient resources to complete essential infrastructure projects coupled with reduction in oil, food and commodity prices should result in India regaining a higher GDP growth earlier than other countries of the world.

3. Opportunities and threats

The expansion in core sectors like railways, infrastructure and power is likely to give a boost to the growth in demand as substantial funds have been earmarked towards the same. The Railways earmarked an outlay of Rs 230,000 crore in the 11th Five-Year-Plan, which is thrice the outlay of 10th Five-Year-Plan. Railways made a cash surplus of Rs 90,000 crore in the last five years to fund massive rail expansion and modernisation and this provides a boost to industry serving Railways.

The threats are the speed at which the projects are implemented, skilled manpower, technology and ability to fund projects. Due to intense competition, bargaining power will be reduced affecting profit margin.

However, Pennar, due to its diversified product mix, competitive pricing, rich experience as the manufacturer of value-added metal products and product differentiation, will help maintain its growth momentum.

4. Risks and concerns

The pace of recovery by manufacturing sector is slow under the impact of global financial meltdown with industry production contracting, showing that the stimulus packages - announced by the government and central bank - are yet to yield results.

The trends in the current financial year show that the worst is over for the economy and there will be revival during the coming six months.

5. Internal control systems and their adequacy

The Company has in place well-defined objectives and control systems for its operations. To strengthen the internal controls and to aid improved decision-making by making the operating information available online across the Company, the Company implemented SAP based ERP. The Company put in place proper checks and balances and control systems to safe guard its assets and ensure that all operational and financial activities were carried out under proper authorisation with necessary documentation. An internal audit by a firm of Chartered Accountants is carried out at regular intervals to validate that the internal controls are exercised properly in the day-to-day operations by the Company's employees. The internal audit reports, the quarterly and annual financial statements are placed before the Audit Committee, comprising three Directors, for their review and discussion regarding significant audit observations and follow-up actions arising from them.

6. Material developments in industrial relations / human resources

The Company has an excellent track record of cordial and harmonious industrial relations and over the years not a single man-day was lost on this account. In view of its aggressive growth plans, the Company intends to augment its manpower with experienced personnel in the technical, marketing and finance areas and also step up training activities to upgrade its human resource.

7. Financial performance

The fiscal year 2008-09 witnessed the Company reaching new peaks in sales volume, revenues, margins and profits.

To counter-balance the shrinking sales volume in auto segment and the declining margin in CRSS products, the Company shifted its emphasis to railways, roads, infrastructure sectors. This helped the Company to achieve its highest ever sales turnover at Rs. 7,305 million as against Rs 6,412 million in the previous year.

The Company was able to keep its financing costs lower despite the increase in sales volume. The debt equity ratio was lower at 0.17 in the current year as compared to 0.33 in the previous year.

Better realisations, cost controls and reduced borrowing costs enabled the Company to increase profit before tax by 95 basis points at 8.08% on net turn over as against 7.13% in the previous year.

The Company's strong financial and operational performance during 2008-09 and the optimistic outlook about the Company's continued growth in the years to come enabled the Board to declare a dividend of 20 % to its equity shareholders.

Resources

During 2008-09, the Company added Rs 175.6 million to the fixed assets of the Chennai manufacturing facility, plasma cutting machines, additional presses, welding machines forming rolls and tools

The net current assets as on March 31, 2009 increased from Rs 1,504.26 million in 2007-08 to Rs 1,813.65 million.

(Rs in million)

Particulars	2008-09 (12 M)	2007-08 (12 M)
Sources of funds		
a. Shareholders funds	1,981.8	1,881.9
b. Loan funds	1,272.0	1,195.3
Total	**3,253.8**	**3,077.2**
Application of funds		
a. Fixed assets (Net)	1,345.2	1,279.9
b. Investments	–	1.1
c. Net current assets	1,813.7	1,504.2
d. Deferred tax/ miscellaneous expense, among others	94.9	292.0
Total	**3,253.8**	**3,077.2**

The cash flow is given below (Rs in million)

Particulars	2008-09 (12 M)	2007-08 (12 M)
Profit from operations	523.0	486.6
Less: Increase in net working capital	476.8	235.1
Net cash flow from operating items (before extraordinary items)	46.2	251.5
Payments for assets acquisitions	(174.8)	(91.2)
Cash flow from financing activities	76.5	(117.5)
Net cash inflow /(outflow)	(52.0)	42.8

The Company earned Rs 523.0 million cash inflow from operations. After meeting working capital requirements, the Company earned net cash inflow of Rs 46.2 million.

The profit before non-recurring items was Rs 531.8 million and Rs 3.7 million was charged towards amortisation of preliminary and VRS expenses. After providing for tax liability, the net profit stood at Rs 380.9 million.

8. Outlook

The Indian economy grew by 6.7% in 2008-09 despite slow industrial growth. The present economic conditions continue to be challenging. The Company feels that from the second half of 2009-10, one can look forward to increased demand in auto, textile, road, infrastructure and capital equipment sectors and this will result in increased demand for Company's value-added products. The Company expects to grow its business with the railways.

Compliance report on Corporate Governance

In compliance with Clause 49 of the Listing agreement, with the stock exchanges, your Company hereby provides, to the shareholders, the report on Corporate Governance

1. Company's philosophy on Code of Corporate Governance

The Company is committed to ethical values and self-discipline through standards of good governance with transparency, efficiency, efficacy, full disclosure in its dealings and appropriate checks and balances directed at sustaining shareholders' interests and overall organisational goals.

2. Board of Directors

a) **Composition of the Board:** The Company's Board of Directors comprises ten Directors, including Executive Chairman, Executive Director and Director - Projects. The Executive Chairman and the Executive Director are responsible for the conduct of the business and the day-to-day affairs of the Company. The Director – Projects, looks after diversification and projects.

b) **Number of Board meetings held during the financial year and the dates of the Board meetings:**
During 2008-09, the Board met four times on April 23, 2008, July 16, 2008, October 30, 2008 and January 30, 2009.

c) **Attendance of each Director at Board meetings and the last Annual General Meeting**

Sl. No.	Name of the Director	Category of Directorship	Board meeting held during his Directorship	Number of Board meetings attended	Attendance at the last AGM held on September 8, 2008
1	Mr. Nrupender Rao	Promoter, Executive Chairman	4	4	Yes
2	Mr. Ravi Chachra	Non-Executive Director	4	3	No
3	Dr. J. Rameswar Rao	Independent Non-Executive Director	2	1	No
4	Mr. Tarun Gandhi	Non-Executive Director	4	–	No
5	Mr. C. Parthasarathy	Independent Non-Executive Director	2	1	No
6	Dr. G. Vivekanand	Independent Non- executive	4	3	No
7	Mr. B. Kamalaker Rao	Independent Non-Executive Director	1	1	No
8	Mr. C. Rangamani	Independent Non-Executive Director	4	3	Yes
9	Mr. A. Krishna Rao	Independent Director	4	3	Yes
10	Mr. P. Bhaskara Rao	Promoter, Non-Executive Director	4	4	Yes
11	Mr. Ch. Anantha Reddy	Promoter, Executive Director	4	4	Yes
12	Mr. Aditya Rao	Director – Projects	4	4	Yes

(i) Mr. A. Krishna Rao resigned as the Company's Chairman and Mr. Nrupender Rao was appointed as the Chairman of the company with effect from January 30, 2009

(ii) Mr. Tarun Gandhi resigned as a Director with effect from January 23, 2009

(iii) Dr. J. Rameswar Rao was appointed as a Director on October 30, 2008 and resigned as Director with effect from January 8, 2009

(iv) Mr. C. Parthasarathy was appointed as an Additional Director with effect from October 30, 2008

(v) Mr. B. Kamalaker Rao was appointed as an Additional Director with effect from January 30, 2009

d) **Number of other Boards / Board committees each Director (being a Director of the Company as at the end of the financial year) is a Director / Chairman**

Sl. No.	Name of the Director	Number of other companies in which director		Number of committee memberships held in other companies	
		Chairman	Member	Chairman	Member
1	Mr. Nrupender Rao	2	4	1	
2	Mr. Ravi Chachra	–	1	–	–
3	Mr. C. Parthasarathy				
4	Dr. G. Vivekanand	–	4	–	2
5	Mr. B. Kamalaker Rao				
6	Mr. C. Rangamani	–	2	1	–
7	Mr. A. Krishna Rao	–	–	–	–
8	Mr. P. Bhaskara Rao	–	4	–	–
9	Mr. Ch. Anantha Reddy	–	–	–	–
10	Mr. Aditya Rao	–	5	–	–

3. Audit Committee

a) **Brief description of the terms of reference**

The terms of reference of the Audit Committee are comprehensive and cover the matters specified for audit committees under the Listing Agreements with stock exchanges. The Committee provides the Board with additional assurance as to the adequacy of Company's internal control systems and financial disclosures.

b) **Composition, name of members and chairperson**

The Committee comprises

1. Mr. C. Rangamani – Chairman (Independent, Non-Executive Director)
2. Mr. A. Krishna Rao – Member (Independent, Non-Executive Director)
3. Mr. P. Bhaskara Rao – Member (Promoter, Non-Executive Director)

c) **Meetings and attendance during the year**

Sl. no.	Name of the member	Number of meetings held	Numbers of meetings attended
1	Mr. C. Rangamani	4	3
2	Mr. A. Krishna Rao	4	4
3	Mr. P. Bhaskara Rao	4	4

4. Remuneration Committee

a) **Brief description of terms of reference**

To formulate the remuneration policy and approve the remuneration or revision in the remuneration payable to Executive Directors / Wholetime Directors

b) **Composition, name of members, and chairperson**

The Company constituted a Remuneration Committee on June 11, 2004. The Remuneration Committee comprises

1. Mr. A. Krishna Rao - Chairman (Independent, Non-Executive Director)
2. Mr. C. Rangamani - Member (Independent, Non-Executive Director)
3. Mr. P. Bhaskara Rao - Member (Promoter, Non-Executive Director)

c) A meeting of the Remuneration Committee was held on July 16, 2008 in which the Remuneration Committee approved the reappointment of Executive Chairman and Executive Director. Mr. A. Krishna Rao, Mr. C. Rangamani and Mr. P. Bhaskara Rao attended the meeting.

d) **Remuneration policy**

To recommend/review the remuneration package, periodically, to the Executive Directors. The remuneration with the existing industry practice and also with the provisions of the Companies Act, 1956

e) At present, the Non-Executive Directors have not received any remuneration from the Company and are paid sitting fee for attending the meetings of the Board and Committee thereof.

The actual remuneration paid to the Executive/ Wholetime Director's for 2008-09 is given below

Name of the Director	Designation	Salary	Commission	Provident fund, Superannuation fund and other perquisites (Rs)
Mr. Nrupender Rao	Executive Chairman	27,12,000	54,53,523	20,86,596
Mr. Ch. Anantha Reddy	Executive Director	30,00,000	0	13,91,039
Mr. Aditya Rao	Director-Projects	17,76,000	0	6,24,000

5. Shareholders' / Investors' Grievances Committee

A committee of the Board, designated as 'Shareholder's / Investor's Grievances Committee' was constituted on February 1, 2002, to specifically look into the redressal of shareholder's / investor's complaints and to strengthen investor relations.

a) Name of Non-Executive Director heading the Committee: The Committee functions under the Chairmanship of Mr. C. Rangamani, a Non-Executive and Independent Director. Other members include Mr. A. Krishna Rao, Independent Director and Mr. P. Bhaskara Rao, Promoter Director.

b) Name and designation of Compliance Officer: Mr. R. Ravi, CFO and Company Secretary

c) Number of complaints received from shareholders: No complaints were received from the shareholders during the year and there were no complaints pending

d) Number of pending share transfers: Nil

e) Four meetings of the Committee were held during the year ended March 31, 2009

f) Details of meetings and attendance by the members during the year

Sl. no.	Name of the member	Number of meetings held	Number of meetings attended
1	Mr. C. Rangamani	4	3
2	Mr. A. Krishna Rao	4	4
3	Mr. P. Bhaskara Rao	4	4

6. General body meetings

a) **Details of the location and time of the General meetings**

Date	Year	Type	Venue	Time
September 8, 2008	2007-08	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	10.30 am
September 21, 2007	2006-07	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	10.30 am
October 31, 2006	2005-06	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	10.30 am
March 27, 2006	2005-06	Extraordinary General meeting	FAPCCI, Red Hills, Hyderabad	10.30 am

b) **Special resolutions**

All resolutions moved at the last Annual General Meeting were passed by a show of hands by the requisite majority of members attending the meeting. The following are the special resolutions passed at the previous General meetings held in the last three years:

AGM/EGM held on	Whether special resolution passed	Summary of the resolution
September 8, 2008	Yes	Appointment of Mr. Aditya Rao, as Director – Projects, for a period of three years with effect from January 30, 2008
September 21, 2007	Yes	1. Giving the Company's consent to voluntarily delist the Company's securities from the Hyderabad Stock Exchange Ltd, where the Company's shares are currently listed without giving an exit option to the shareholders of the region of the HSE 2. Mr. Aditya Rao appointed as a Corporate Planning Manager as per section 314 of the companies act, 1956 3. Amendment of Articles 3(b), 3(c), 24, 54, 65,81,110(i) and (ii), 132, 133, 141, 142 of Article of Association 4. Article 106(iii) and Article 151 of the Articles of Association is deleted
October 31, 2006	No	NA
March 27, 2006	Yes	1. Giving consent of the Company to offer / issue and allot not more than 50,32,700 convertible debentures (CDs) of Rs 100 each to Eight Capital and Associates 2. Giving consent of the Company to offer / issue and allot not more than 72,07,300 rupee denominated optionally convertible debentures (OCDs) of Rs 100 each to Eight Capital and Associates

c) Postal ballot: No postal ballot was conducted during 2008-09.

d) Information on Directors appointment / reappointment as required under clause 49 VI (A) of the Listing Agreement with stock exchanges is given as a note appended to the explanatory statement of the AGM notice.

7. Disclosures

a) No transaction of material nature was entered in to by the Company with the related parties i.e, Directors or the management, their subsidiaries or relatives conflicting with the Company's interest

b) Transactions with the related parties are disclosed in notes to accounts in the Annual Report

c) The Company obtained consent order CO/DRA II/857/89/2008, dated. November 5, 2008 from SEBI for compounding of delay in filing the returns under Regulation 6(3) for 1997 and Regulation 8(2) from 1998-2004 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

d) The Company adopted the Code of Conduct which is available in the Company's website.

e) The Company complied with the mandatory requirements of clause 49 of the Listing Agreement as currently applicable.

8. Means of communication

The financial results are published by the Company in Business standard and Andhra Prabha.

The results are also displayed on the Company's website www.pennarindia.com

General information

1.	Date, time and venue of Annual General Meeting	August 19, 2009 at 10.30 am at The Federation of Andhra Pradesh Chamber of Commerce and Industry (FAPCCI), K. L. N. Prasad Auditorium, 3rd Floor, House No. 11/6/841,Red Hills, Hyderabad 500014
2.	Financial calendar (Tentative)	a) Annual General Meeting : Third week of August 2009 b) Results for the quarter ending June 30, 2009: 3rd week of July 2009 c) Results for the quarter ending September 30, 2009 :Last week of October 2009 d) Results for the quarter ending December 31, 2009: Last week of January 2010 e) Results for the quarter ending March 31, 2010: Last week of April 2010
3.	Date of book closure (both days inclusive)	July 29, 2009 to July 31, 2009
3.	Dividend payment due	Dividend, approved by Shareholders, will be paid on or before September 17, 2009
4.	Listing on stock exchanges	The Bombay Stock Exchange Limited P. J. Towers, Dalal Street, Mumbai – 400001
5.	Electronic connectivity	1. The National Securities Depository Ltd. Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013 2. Central Depository Services (India) Ltd Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street, Mumbai – 400 023
6.	Registered Office (address for correspondence)	1-10-75/1/1-6, 3rd Floor, Saptagiri Towers, S.P.Road, Begumpet, Hyderabad – 500 016, A.P.India, Tel.No: +91 40 27766781 – 85 • Fax No: +91 40 27768056 E-mail: pilhyd@bsnl.in, corporatecommunications@pennarindia.com

7.	Communication regarding share transfers and other related correspondence	Dakshin Consultants (P) Ltd Registrars & Share Transfer Agents # 6-3-655/2/4, Civil Supplies Bhavan Lane, Somajiguda, Hyderabad – 500 082. Phone: +91 40 30688443, Fax: +91 40 30688441 E-mail: dakshinindia@rediffmail.com Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants
8.	Share transfer system	Shares lodged for physical transfer at the Registrar's address are normally processed within a period of 15 days from the date of lodging, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee.

9. As required under clause 49 of the Listing Agreement, a certificate duly signed by Mr. Nrupender Rao, Executive Chairman, and Mr. R. Ravi, CFO and Company Secretary was placed at the meeting of the Board of Directors held on July 3, 2009.

10. **Distribution of shareholding as on March 31, 2009 was as under**

Sl. no.	Category	Numbers of shareholders	% of shareholders	Number of shares	% of shares
1.	1 to 100	13,334	49.23	8,50,478	0.67
2.	101 to 200	5,071	18.72	8,66,273	0.68
3.	201 to 300	2,398	8.85	6,51,860	0.52
4.	301 to 400	743	2.74	2,80,763	0.22
5.	401 to 500	1,827	6.75	9,01,316	0.71
6.	501 to 1,000	1,983	7.32	16,99,745	1.34
7.	1,001 to 2,000	818	3.02	12,79,722	1.01
8.	2,001 to 5,000	515	1.91	18,13,456	1.43
9.	5,001 to 10,000	157	0.58	12,48,179	0.99
10.	10,001 to 1,00,000	184	0.68	57,16,316	4.52
11.	1,00,001 and above	53	0.20	1,11,169,371	87.91
	Total	**27,083**	**100**	**12,64,77,479**	**100**

11. Dematerialisation of shares

a) **Equity shares:**

The Company's equity shares are in compulsory demat list. The International Securities Identification Number (ISIN) allotted to the Company's scrip is INE932A01024.

b) **Preference shares**

The Company's 0.01% cumulative redeemable preference shares issued as per the scheme of reconstruction and arrangement approved by Hon'ble High court of Andhra Pradesh are listed on the Bombay Stock Exchange. International Securities Identification Number (ISIN) allotted to these preference shares is INE932A04010

12. Plant locations

a) Patancheru unit	:	IDA, Patancheru, Medak (Dist.), A.P.
b) Isnapur unit	:	Isnapur Village, Medak (Dist.), A.P.
c) Tarapur unit	:	MIDC, Tarapur, Maharashtra
d) Chennai unit	:	Kannigaipair Village, Thiruvellore Dist, T.N.
e) Hosur unit	:	SIDCO Industrial Estate, Hosur, T.N.

13. Market price data

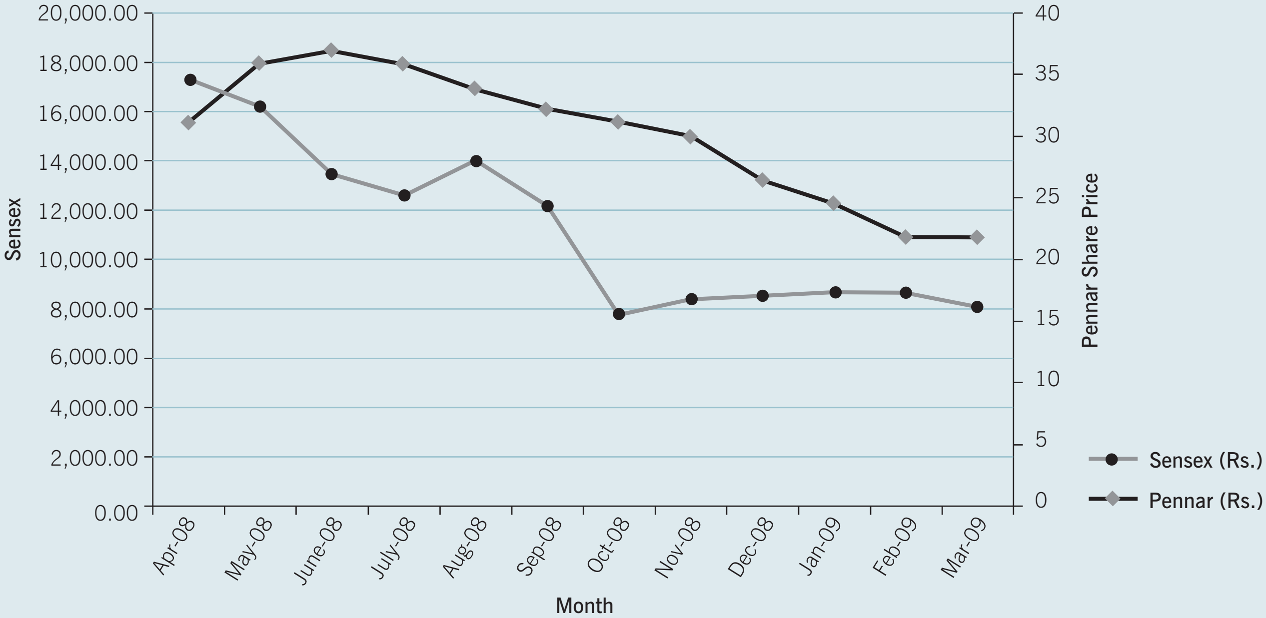
The Company's shares are traded on The Bombay Stock Exchange.

Monthly high and low quotations and volume of equity shares traded on Bombay Stock Exchange Limited (BSE) for 2008-09 were as follows

Month	High (Rs)	Low (Rs)	Volume
April 2008	36.25	30.50	15,75,102
May 2008	36.00	27.00	25,14,936
June 2008	37.80	24.25	25,12,408
July 2008	37.0	27.50	12,42,236
August 2008	35.50	30.05	2,09,50,472
September 2008	34.00	26.50	23,61,659
October 2008	31.80	18.15	19,39,524
November 2008	31.80	23.25	1,08,57,062
December 2008	29.50	24.30	4,43,681
January 2009	26.40	21.65	7,28,691
February 2009	24.00	20.20	2,66,988
March 2009	22.30	15.50	1,39,29,971

(Source: www.bseindia.com)

Share prices at BSE



Declaration of Code of Conduct

The Board of Directors of Pennar Industries Limited, at their meeting held on January 31, 2006, adopted the Code of Conduct for the Directors and also for the Company's senior management personnel, which was posted on the Company's website.

In accordance with Clause 49 I (D) of the Listing Agreement with the stock exchanges, I hereby confirm that, all the Directors and the senior management personnel of the Company have affirmed compliance with the aforesaid Code of Conduct as applicable to them for the financial year ended March 31, 2009.

For **Pennar Industries Limited**

Place : Hyderabad
Date : July 3, 2009

Nrupender Rao
Executive Chairman

Auditors' Certificate on Compliance with the Provisions of Corporate Governance Pursuant to Clause 49 of the Listing Agreement

To
The Members of
PENNAR INDUSTRIES LIMITED
HYDERABAD.

We have examined the compliance of conditions of Corporate Governance by PENNAR 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 has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof adopted by the company for ensuring compliance with the conditions 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 explanations given to us, and based on our reliance upon the representations made by the management, we certify that the company has complied in all material respects with the conditions of the Corporate Governance as stipulated in the Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders / Investor's 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 **RAMBABU & CO.,**
Chartered Accountants

Place : Hyderabad
Date : 3rd July, 2009

Ravi Rambabu
Partner
M. No : 18541

Auditors' Report

To
The Members
Pennar Industries Limited
Hyderabad.

We have audited the attached Balance Sheet of PENNAR INDUSTRIES LIMITED, Hyderabad, as at March 31, 2009 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We believe that our audit provides a reasonable basis for our opinion.

1. 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 give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the annexure referred to in paragraph 1 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 purpose 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, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

   iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   v) In our opinion and based on written representation received from directors, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2009 from being appointed as a Director in terms of Clause (g) of sub-section (1) to 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 read with significant accounting policies and other notes thereon, 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 so far as it relates to Balance Sheet, of the state of affairs of the Company as at March 31, 2009

      b) In so far as it relates to Profit and Loss Account, of the Profit of the Company for the year ended on that date.

         And

      c) In so far as it relates to Cash Flow Statements, of the cash flows of the Company for the year ended on March 31, 2009.

For **Rambabu & Co.,**
Chartered Accountants

Ravi Rambabu
Partner
M. No : 18541

Place : Hyderabad
Date : 3rd July, 2009

Annexure to the Auditors' Report

Referred to as in Paragraph 1 of our report of even date

1. In respect of its Fixed assets:
   (a) The company has maintained proper records showing full particulars including details and situation of fixed assets.
   (b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
   (c) During the year, the company has not disposed of substantial part of the Assets. According to the information and explanations given to us, we are of the opinion that no transactions are effected involving disposal of assets so as to affect going concern status of the company.
2. In respect of its Inventories:
   (a) As explained to us, inventories have been physically verified during the year by the management at regular intervals. In our opinion, the frequency of verification is reasonable.
   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
   (c) The company has maintained proper records of inventories. In our opinion and according to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material, have been properly dealt with in the books of account.
3. In respect of loans secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies act, 1956:
   (a) During the year the company has not taken loans from parties covered in the register maintained under section 301 of the Companies act, 1956. The company has not granted any loans to the parties covered in the register maintained under section 301 of the Companies act, 1956.
   (b) The company has granted interest – free advances to Pennar Engineered Building Systems Ltd. listed in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved was Rs. 1040.00 lakhs.
   (c) According to the information and explanations given to us, we are of the opinion, the rate of interest and other terms and conditions on which advance granted by the company to such parties listed in the register maintained under section 301 of the companies act, 1956 are not, prima facie, prejudicial to the interest of the company.
   (d) There is no overdue amount of loans granted to parties listed in the register maintained under Sec.301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, based on our audit procedures applied, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. In respect of transactions covered under section 301 of the Companies act,1956:
   (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of Rs. 5,00,000/- with parties covered above during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and the Company is regular in filing compliance reports with the Company Law Board.
7. In our opinion, the company has independent internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where , pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub section (1) of section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

Annexure to the Auditors' Report (Contd.)

9. In respect of statutory dues:
   (a) According to the records of the company and as per the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed Statutory dues including Provident fund, Investor education & protection fund, Employee's state insurance, Wealth tax, Custom duty, Income tax, Excise duty, Cess and other material statutory dues applicable to it barring few instances.
   (b) According to the information and explanations given to us, no disputed amounts payable in respect of Wealth tax, Income tax, Sales tax, Customs duty, Excise duty and Cess were outstanding, as at March 31, 2009 for a period of more than six months from the date they became payable.
   (c) According to the information and explanations given to us, an amount of Rs. 43.74 millions of Sales tax, Income tax, Customs duty, Wealth tax, Excise duty and Cess which have not been deposited on account of dispute.

S. No.	Nature of the Statute	Nature of Dues	Forum where dispute is pending	Amount (Rs.in Millions)
1.	Customs Act, 1962	Customs Duty & Interest	The Commissioner of Customs (Exports)	6.23
2.	Customs Act, 1962	Interest on Customs Duty Paid	The Commissioner of Customs (Appeals)	4.47
3.	Customs Act, 1962	Customs Duty & Interest	The Supreme Court of India	16.51
4.	A.P. VAT Act, 2005	Entry Tax on Cix	The Supreme Court of India	16.53
			Total	**43.74**

10. In our opinion, the company neither has accumulated losses at the end of the year exceeding fifty percent of its net worth, nor incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11. As per the records of the Company and according to the information and explanations given to us, we are of the opinion the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12. According to the information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of Shares, debentures and other securities.

13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Accordingly the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

14. In our opinion, the company is not dealing in or trading in shares, securities, and debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

15. In our opinion, according to the information and explanations given to us, the Company has given Corporate Guarantee for loan amount of Rs. 8.10 millions taken by Nagarjuna Coated Tubes Limited from banks / financial institutions.

16. In our opinion, during the year the company has not taken any fresh term loans.

17. In our opinion, according to the information and explanations given to us and on an overall examination of statements and records of the company, that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

18. According to the information and explanations given to us, the Company has not issued debentures during the period covered by our report. Hence, the Company is not required to create/register/modify any Security /Charge.

19. In our opinion, the Company has not raised money by way of public issue for any specific purpose during the year.

20. In our opinion, the Company has not made any preferential allotment of shares/securities during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

21. According to the information and explanations given to us and based on audit procedures performed, no fraud on or by the Company has been noticed during the year.

For **Rambabu & Co.,**
Chartered Accountants

Ravi Rambabu
Partner
M. No : 18541

Place : Hyderabad
Date : 3rd July, 2009

Balance Sheet As at 31st March 2009

(Amount in Rupees)

S.No	Particulars	Schedule No	As at 31.03.2009	As at 31.03.2008
I	SOURCES OF FUNDS			
1	**Shareholders' Funds**			
a	Share Capital	1	720,153,890	720,153,890
b	Reserves & Surplus	2	1,261,602,280	1,161,702,678
2	**Loan Funds**			
a	Secured Loans	3	1,067,867,241	1,015,213,041
b	Unsecured Loans	4	204,144,600	180,162,547
	Total of 1 & 2		**3,253,768,011**	**3,077,232,156**
II	APPLICATION OF FUNDS			
1	**Fixed Assets**	5		
a	Gross Block		2,615,565,562	2,439,913,002
b	Less : Depreciation		1,270,343,782	1,160,043,377
c	Net Block		1,345,221,780	1,279,869,625
2	**Investments**	6	26,890	1,096,875
3	**Deferred Tax Asset**		86,526,212	279,992,680
4	**Current Assets, Loans and Advances**			
a	Inventories	7	726,823,103	729,396,454
b	Sundry Debtors	8	958,602,834	806,948,737
c	Cash & Bank Balances	9	73,525,218	111,925,174
d	Loans & Advances	10	464,748,388	268,280,473
			2,223,699,543	1,916,550,838
	Less : Current Liabilities & Provisions	11		
a	Current Liabilities		169,924,377	380,203,466
b	Provisions		240,129,737	32,081,942
			410,054,114	412,285,408
	Net Current Assets		1,813,645,429	1,504,265,430
5	**Miscellaneous Expenditure** (to the extent not written off / adjusted)	12	8,347,700	12,007,546
	Total of 1 to 5		**3,253,768,011**	**3,077,232,156**
6	**Notes on Accounts**	19		
	Schedules 1 to 19 annexed form part of accounts			

As per our report of even date

For Rambabu & Co.,
Chartered Accountants

Ravi Rambabu
Partner
M. No : 18541

Place : Hyderabad
Date : July 3, 2009

R Ravi
CFO and Company Secretary

For and on behalf of the Board

Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Executive Director

Profit and Loss Account For the year ended 31st March 2009

(Amount in Rupees)

S.No	Particulars	Schedule No	Year Ended 31.03.2009	Year Ended 31.03.2008
1	**INCOME**			
a	Sales			
	Domestic Sales		7,301,525,895	6,225,131,319
	Export Sales		3,639,656	186,868,539
			7,305,165,551	6,411,999,858
	Less : Excise Duty		772,436,020	809,808,053
	Net Sales		6,532,729,531	5,602,191,805
b	Other Income	13	3,179,536	5,960,307
	Total Income		**6,535,909,067**	**5,608,152,112**
2	**EXPENDITURE**			
a	Raw Material Consumed	14	4,693,449,086	3,963,963,532
b	Personnel Cost	15	209,865,361	147,328,051
c	Other Manufacturing costs	16	353,644,442	346,224,381
d	Administrative & Selling Expenses	17	520,748,308	487,477,676
			5,777,707,197	4,944,993,640
3	**Profit before Interest, Depreciation & Tax**		758,201,870	663,158,472
e	Financing Costs	18	141,445,813	179,243,545
f	Depreciation		84,987,032	80,481,986
g	Preliminary Expenditure written off		3,659,846	3,685,812
			230,092,691	263,411,343
4	**Profit before Tax**		**528,109,179**	**399,747,129**
5	**Taxes**			
a	Deferred Tax Liability		85,800,000	59,600,000
b	M A T		59,800,000	30,700,000
c	Fringe Benefit Tax		1,620,190	1,381,942
6	**Net Profit after Tax**		**380,888,989**	**308,065,187**
7	**Profit / (Loss) brought Forward**		**17,488,591**	**(290,576,596)**
8	**Profit available for Appropriations**		**398,377,580**	**17,488,591**
9	**APPROPRIATIONS**			
a	Equity Dividend		126,477,479	–
b	Preference Dividend		31,813	–
c	Dividend Distribution Tax		21,500,255	–
d	General Reserve		50,000,000	–
e	Profit carried forward		200,368,033	17,488,591
			398,377,580	**17,488,591**
10	**Notes on Accounts**	19		
	Schedules 1 to 19 annexed form part of accounts			

As per our report of even date

For Rambabu & Co.,
Chartered Accountants

Ravi Rambabu
Partner
M. No : 18541

Place : Hyderabad
Date : July 3, 2009

R Ravi
CFO and Company Secretary

For and on behalf of the Board

Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Executive Director

Cash Flow Statement For the year ended 31st March 2009

(Rs in Millions)

S.No	Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
A	**Cash Flow from operating activities :**		
a	Net Profit before Interest & Depreciation		
	(EBIDT)	758.20	663.40
b	MAT & FBT	90.16	1.38
c	Loss from Investments	0.20	0.37
d	Operating Profit before working capital changes	668.24	662.39
	Adjustments for :		
e	Trade and other receivables	(151.65)	(13.78)
f	Inventories	2.57	(255.35)
g	Loans and Advances	(121.29)	(148.19)
h	Trade payables	(206.54)	182.23
i	Cash generated from operations	191.33	427.30
j	Less : Interest paid	(145.20)	(175.74)
k	**Net Cash from operating activities " A "**	**46.13**	**251.56**
B	**Net Cash from Investing activities :**		
a	(Purchase) / Sale of fixed assets	(175.65)	(91.23)
b	(Purchase) / Sale of Investments	0.87	
c	**Net cash used in investing activities " B "**	**(174.78)**	**(91.23)**
C	**Cash Flow from financing activities**		
a	Share Capital / Share Premium	–	503.27
b	Proceeds from short term borrowings	23.98	53.83
c	Proceeds from long term borrowings -		
	(Net of payments)	52.66	(674.65)
d	**Net Cash used in financing activities " C "**	**76.64**	**(117.55)**
D	**Net (Decrease) / Increase in Cash and**		
	Cash Equivalents (A + B + C)	**(52.01)**	**42.78**
	Cash and Cash Equivalents at the beginning	80.52	37.74
	Cash and Cash Equivalents at the end	28.51	80.52

As per our report of even date

For and on behalf of the Board

For Rambabu & Co.,
Chartered Accountants

Nrupender Rao
Executive Chairman

Ravi Rambabu
Partner
M. No : 18541

R Ravi
CFO and Company Secretary

Ch. Anantha Reddy
Executive Director

Place : Hyderabad
Date : July 3, 2009

Schedules forming part of the Balance Sheet

(Amount in Rupees)

		As at 31.03.2009	As at 31.03.2008
SCHEDULE 1 SHARE CAPITAL			
AUTHORISED			
Equity			
15,00,00,000	Equity Shares of Rs. 5/- each (previous year 15,00,00,000 equity shares of Rs. 5/- each)	750,000,000	750,000,000
Preference			
Series - A : 5,00,000	Cumulative Redeemable Preference Shares of Rs. 100/- each (previous year 5,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each)	50,000,000	50,000,000
Series - B : 4,00,00,000	Cumulative Redeemable Preference Shares of Rs. 5/- each (previous year 4,00,00,000 Cumulative Redeemable Preference Shares of Rs. 5/- each)	200,000,000	200,000,000
		1,000,000,000	**1,000,000,000**
ISSUED			
Equity			
12,64,77,479	Equity Shares of Rs. 5/- each (previous year 12,64,77,479 equity shares of Rs. 5/- each)	632,387,395	632,387,395
Preference - Series B			
1,75,53,299	Cumulative redeemable Preference Shares of Rs. 5/- each	87,766,495	87,766,495
		720,153,890	**720,153,890**
SUBSCRIBED & PAID UP			
Equity			
12,64,77,479	Equity Shares of Rs. 5/- each (previous year 12,64,77,479 equity shares of Rs. 5/- each)	632,387,395	632,387,395
Preference - Series B			
1,75,53,299	Cumulative redeemable Preference Shares of Rs. 5/- each	87,766,495	87,766,495
Total		**720,153,890**	**720,153,890**

	Balance on 01.04.2008	Additions during 2008 - 09	Deductions during 2008 - 09	Balance on 31.03.2009
SCHEDULE 2 RESERVES & SURPLUS				
I. Reserves				
a. Share Premium	633,297,813	–	–	633,297,813
b. Profit on forfeiture of shares	618,209	–	–	618,209
c. General Reserve	107,666,468	50,000,000	107,666,468	50,000,000
d. Profit & Loss Account	17,488,591	182,879,442	–	200,368,033
Sub Total - 1	**759,071,081**	**232,879,442**	**107,666,468**	**884,284,055**
II. Revaluation Reserve	402,631,597	–	25,313,372	377,318,225
Total	**1,161,702,678**	**232,879,442**	**132,979,840**	**1,261,602,280**

Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2009	As at 31.03.2008
SCHEDULE 3 SECURED LOANS		
Term Loans		
Axis Bank	240,000,000	360,000,000
I F C I	26,252,500	29,992,500
	266,252,500	**389,992,500**
Cash Credit from Banks		
State Bank of India	589,968,338	484,768,040
Axis Bank	137,953,294	140,322,738
State Bank of Patiala	70,875,765	225,280
Bank of Rajasthan	–	(95,517)
	798,797,397	**625,220,541**
Lease Liability on assets	2,817,344	–
Total	**1,067,867,241**	**1,015,213,041**

SCHEDULE 4 UNSECURED LOANS		
Fixed Deposits	1,801,400	3,291,564
Sales Tax Deferment Loan	193,548,238	163,788,702
Unsecured Loans - Others	8,794,962	13,082,281
Total	**204,144,600**	**180,162,547**

SCHEDULE 5 FIXED ASSETS

Particulars	Gross Block			Depreciation			Net Block	
	Gross as on 01.04.2008	Additions 2008 - 09	Gross as on 31.03.09	As on 01.04.2008	For the Year	As on 31.03.09	As on 31.03.2009	As on 01.04.2008
Freehold Land	76,186,077	11,084,167	87,270,244	–	–	–	87,270,244	76,186,077
Roads	8,781,651	10,160,120	18,941,771	830,110	143,141	973,251	17,968,520	7,951,541
Buildings	410,729,622	46,621,282	457,350,904	124,475,052	13,300,198	137,775,250	319,575,654	286,254,570
Plant & Machinery	1,764,740,010	52,878,858	1,817,618,868	954,571,393	83,668,402	1,038,239,795	779,379,073	810,168,617
Factory Equipments	141,674,965	28,556,850	170,231,815	53,624,967	10,710,310	64,335,277	105,896,538	88,049,998
Furniture & Fixtures	5,088,627	618,093	5,706,720	3,688,014	107,225	3,795,239	1,911,481	1,400,613
Office Equipments	14,548,142	3,453,162	18,001,304	9,981,837	247,317	10,229,154	7,772,150	4,566,305
Computers	16,085,990	15,076,828	31,162,818	11,868,801	664,277	12,533,078	18,629,740	4,217,189
Vehicles	2,077,918	3,165,795	5,243,713	1,003,203	113,733	1,116,936	4,126,777	1,074,715
Sub Total - 1	**2,439,913,002**	**171,615,155**	**2,611,528,157**	**1,160,043,377**	**108,954,603**	**1,268,997,980**	**1,342,530,177**	**1,279,869,625**
Leased Assets								
Computer Accessories	–	4,037,405	4,037,405	–	1,345,802	1,345,802	2,691,603	–
Total	**2,439,913,002**	**175,652,560**	**2,615,565,562**	**1,160,043,377**	**110,300,405**	**1,270,343,782**	**1,345,221,780**	**1,279,869,625**
Previous Year	2,194,354,691	245,558,311	2,439,913,002	1,054,248,019	105,795,358	1,160,043,377	1,279,869,625	1,140,106,672

Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2009	As at 31.03.2008
SCHEDULE 6 INVESTMENTS		
Quoted		
UTI - US64 Bonds (previous year 39888.929 units) of Rs. 10/- each fully paid	–	610,273
SBI Bonds (previous year 260 Nos) of Rs. 1000/- each fully paid	–	259,712
Unquoted		
2689 Equity Shares of Rs. 10/- each fully paid in Patancheru Enviro-Tech Limited	26,890	26,890
20000 Equity Shares of Rs. 10/- each fully paid in Nagarjuna Investors Services Limited.	–	200,000
Total	**26,890**	**1,096,875**

	As at 31.03.2009	As at 31.03.2008
SCHEDULE 7 INVENTORIES (As valued and certified by Management)		
Raw Material	106,797,205	174,782,226
Stores & Spares	215,593,710	185,226,595
Work in Progress	374,770,292	312,430,303
Finished Goods	26,065,253	50,929,940
Scrap	3,596,643	6,027,390
Total	**726,823,103**	**729,396,454**

	As at 31.03.2009	As at 31.03.2008
SCHEDULE 8 SUNDRY DEBTORS (Unsecured and Considered good)		
Outstanding for more than 6 months	42,710,848	58,764,761
Outstanding for less than 6 months	915,891,986	748,183,976
Total	**958,602,834**	**806,948,737**

	As at 31.03.2009	As at 31.03.2008
SCHEDULE 9 CASH AND BANK BALANCES		
Cash & Cheques in hand	1,055,036	11,737,115
Bank Balances with scheduled banks		
Money in Transit	19,136,784	64,548,178
In Current Accounts	8,322,452	4,231,075
Margin Money accounts	45,010,946	31,408,806
Total	**73,525,218**	**111,925,174**

Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2009	As at 31.03.2008
SCHEDULE 10 LOANS & ADVANCES		
(Unsecured, considered good, recoverable in cash or in kind for value to be received)		
Loans & Advances to Staff	1,894,011	6,001,410
Advances to Suppliers	219,295,649	175,936,253
Advance to associate companies	104,000,000	2,390,000
Advances to Others	35,008,502	63,209,151
Other Deposits	14,392,773	16,002,778
Prepaid Taxes	90,157,453	4,740,881
Total	**464,748,388**	**268,280,473**

SCHEDULE 11 CURRENT LIABILITIES & PROVISIONS		
a. Current Liabilities		
Sundry Creditors	113,144,254	322,617,708
Other Liabilities	56,780,123	57,585,758
	169,924,377	**380,203,466**
b. Provisions		
Provision for M A T	90,500,000	30,700,000
Provision for F B T	1,620,190	1,381,942
Provision for Equity Dividend	126,477,479	–
Provision for Preference Dividend	31,813	–
Provision for Dividend Distribution Tax	21,500,255	–
	240,129,737	**32,081,942**
Total	**410,054,114**	**412,285,408**

SCHEDULE 12 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
a. Preliminary & Share Issue Expenses		
Opening Balance	2,135,478	2,466,444
Less : Written off during the year	305,000	330,966
	1,830,478	**2,135,478**
b. Deferred Revenue Expenditure		
Opening Balance	9,872,068	13,226,914
Less : Written off during the year	3,354,846	3,354,846
	6,517,222	**9,872,068**
Total	**8,347,700**	**12,007,546**

Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	Year Ended 31.03.2009	Year Ended 31.03.2008
SCHEDULE 13 OTHER INCOME		
Miscellaneous Income	606,495	1,790,773
Rent received {Gross, inclusive of TDS of Rs. 257,960 (previous year - Rs. 239,770)}	1,104,000	1,034,733
Interest Income {Gross, inclusive of TDS of Rs. 144,303 (previous year - Rs. 219,362)}	1,213,613	1,712,820
Gain on Exchange Fluctuations	255,428	1,421,981
Total	**3,179,536**	**5,960,307**

SCHEDULE 14 RAW MATERIAL CONSUMED		
(a) Raw Material consumed		
Opening Stocks	174,782,226	52,581,791
Add : Purchases	4,660,508,620	4,181,556,849
	4,835,290,846	**4,234,138,640**
Less : Closing Stocks	106,797,205	174,782,226
Raw Material consumed - (1)	**4,728,493,641**	**4,059,356,414**
(b) (Increase) / Decrease in Stocks (other than raw material)		
Opening Stocks		
Work in Progress	312,430,303	187,323,685
Finished Goods	50,929,940	84,694,809
Scrap	6,027,390	1,976,257
	369,387,633	**273,994,751**
Closing Stocks		
Work in Progress	374,770,292	312,430,303
Finished Goods	26,065,253	50,929,940
Scrap	3,596,643	6,027,390
	404,432,188	369,387,633
(Increase) / Decrease in Stocks - (2)	**(35,044,555)**	**(95,392,882)**
Total Material consumed	**4,693,449,086**	**3,963,963,532**

SCHEDULE 15 PERSONNEL COST		
Salaries & Wages	171,903,030	119,875,712
Contribution to PF & Super Annuation	18,547,689	8,846,813
Staff Welfare Expenses	19,414,642	18,605,526
Total	**209,865,361**	**147,328,051**

Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	Year Ended 31.03.2009	Year Ended 31.03.2008
SCHEDULE 16 OTHER MANUFACTURING EXPENSES		
Sub Contract Expenses	92,935,983	75,851,745
Stores & Spares	191,054,123	182,758,155
Power	56,423,558	67,841,846
Repairs & Maintenance		
Buildings	259,405	1,921,390
Plant & Machinery	4,505,495	10,128,242
Others	531,810	608,171
Miscellaneous manufacturing expenses	7,934,068	7,114,832
Total	**353,644,442**	**346,224,381**

SCHEDULE 17 ADMINISTRATIVE & SELLING EXPENSES		
Insurance	2,596,452	1,122,788
Sales Tax	240,283,805	226,461,222
Travelling & Conveyance	23,970,497	20,680,381
Rent	2,325,806	1,051,006
Rates & Taxes	3,048,227	1,392,733
Advertisement & Sales Promotion Expenses	5,743,036	3,330,889
Sales Commission	17,225,748	11,774,039
Communication Expenses	3,559,371	3,891,682
Bank Charges	54,111,161	35,790,819
Freight Outward	117,836,181	123,695,855
Technical, Legal & Professional Charges	10,103,827	12,467,157
Managerial Remuneration	17,043,158	6,410,481
Directors' Fees & Expenses	574,567	112,768
Printing & Stationery	2,288,378	2,686,569
Bad Debts written off	3,453,919	19,881,818
Investments written off	200,000	373,750
Auditors' Remuneration	1,250,000	1,000,000
Miscellaneous Expenses	15,134,175	15,353,719
Total	**520,748,308**	**487,477,676**

SCHEDULE 18 FINANCING COST		
Interest on Term Loans & Debentures	41,240,671	116,403,864
Interest on Working Capital	100,205,142	62,839,681
Total	**141,445,813**	**179,243,545**

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

1. **Accounting Conventions:**

   The financial statements have been prepared under the historical cost conventions in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

2) **Revenue Recognition:**

   Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

   Revenue from Works Contracts is recognized by reference to the completion of the contract activity at the reporting date, where the contract activity extended beyond the reporting date, on the basis of percentage of completion method.

3) **Expenditure:**

   Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

4) **Fixed Assets:**

   Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective fixed assets.

   Fixed Assets which are revalued are stated at the amounts revalued as reduced by the depreciation.

5) **Depreciation:**

   Depreciation on Fixed Assets including on the additions on account of revaluation has been provided on a straight-line method at the rates specified in the Schedule XIV to the Companies Act, 1956.

   Depreciation on the additional value due to revaluation has been charged to the Revaluation Reserve account.

6) **Investments**

   Long term Investments are stated at cost. Provision, if any, is made for permanent diminution in the value of investments. Current investments are stated at lower of cost or market value.

7) **Inventories:**

   Inventories have been valued as under:

   i) Raw materials, work-in-progress and stores and spares have been valued at cost.

   ii) Finished goods has been valued at cost or net realizable value whichever is lower.

8) **Leases**

   Operating Lease

   Lease rentals in respect of assets taken on operating lease are charged to the profit and loss account.

   Finance Lease

   Assets acquired on finance lease which transfer risk and rewards of ownership to the Company are capitalized as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments. Amortization of the capitalized leased assets is computed on the straight line method over the primary lease period. Lease rentals payable is apportioned between principal and finance charges . The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

9) **Sales Tax Deferment Loan:**

   The Sales tax collected on domestic sales of Company's products from eligible units is treated as interest free sales tax loan from Govt. of A P in accordance with the State Govt. incentive Scheme. The amount credited to the loan account is based on the amounts collected as sales tax.

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

10) **Employee Benefits:**

The company has taken a Group Gratuity Policy for accruing liability for gratuity under the Payment of Gratuity Act with the Life Insurance Corporation of India.

Company's contribution towards provident fund and pension fund are charged to profit and loss account.

Leave encashment is accounted on payment basis and charged to profit and loss account.

11) **Foreign Exchange Transactions:**

All the foreign exchange transactions entered into during the current period are accounted at the exchange rate prevailing on the date of contract / documentation. Foreign Exchange fluctuations on transactions entered into during the period and received / paid during the period are accounted in the current financial year. The outstanding accounts in foreign currency are restated at the end of the year at the foreign currency rate prevailing on that date and any fluctuation on the same is recognized and accounted at the end of the period.

12) **Excise Duty:**

Excise duty on closing stock of finished goods has been provided in the accounts and considered for valuation of closing stock. A corresponding liability is created for the same amount.

13) **Miscellaneous Expenditure:**

Preliminary and issue expenses, deferred revenue expenditure and R & D Expenditure have been written off over a period of 10 years.

14) **Income Tax**

Income tax liability for the year is calculated in accordance with the relevant tax laws and regulations applicable to the Company.

The deferred tax for the timing difference between book profits and tax profits for the year is accounted for, using the tax rates and laws that have been substantially enacted as of Balance Sheet date.

II. NOTES ON ACCOUNTS

(Amounts expressed in Indian Rupees & in Millions unless otherwise stated).

1. **Contingent Liabilities :** *(Rs. in Millions)*

		As at 31.03.2009	As at 31.03.2008
i)	Bills Discounted and Counter Guarantee given to Banks	–	–
ii)	Bank Guarantees given by Banks	26.14	22.37
iii)	*Claims contested by the company	8.10	8.10
iv)	Claims by Customs & Sales Tax	43.74	27.21
v)	Estimated amount of Contracts remaining to be executed on Capital account and not provided for (net of advances)	–	15.75

* The claims contested by the company amounting to Rs.8.10 millions relate to Corporate Guarantee given by erstwhile NSL Limited (which was merged with this company vide the order of the Hon'ble High Court of Andhra Pradesh dated 18.06.1998) to the working capital bankers for the loans taken by Nagarjuna Coated Tubes Limited, the then associate concern of NSL Limited.

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

2. **Preference Shares Series B**
   (a) Cumulative Redeemable Preference Shares of Rs. 5/- each fully paid up and carrying 0.01% rate of interest are redeemable at par in three equal annual installments of Rs. 1.66, Rs. 1.67 and Rs. 1.67 per share respectively commencing from the year 2013 – 14 and ending in the year 2015 – 16.
   (b) Cumulative Redeemable Preference Shares of Rs. 5/- each issued to I F C I on conversion of Funded Interest Term Loans and carrying interest rate of 0.01% are redeemable at par in 10 quarterly installments from 01.10.2013 to 01.01.2016.
   (c) Dividend has been provided on the cumulative preference shares for the year 2008 – 09 along with the accumulated dividend from 2005 – 06.

3. **Secured Loans:**
   a) Term Loans by Axis Bank and IFCI Limited are secured by joint equitable mortgage by deposit of title deeds of all immovable properties and first charge by way of hypothecation of all movable properties both present and future.
   b) Working Capital facilities sanctioned by State Bank of India, Axis Bank and State Bank of Patiala are secured by hypothecation of raw materials, stock in process, finished goods, stores and spares and book debts both present and future. These are further secured by way of second charge on the fixed assets of the Company.
   c) The above loans as mentioned in (a) and (b) are guaranteed by a director of the company in his personal capacity.

4. **Investments**
   During the year unquoted investments in Nagarjuna Investor Services Limited has been written off since the company has initiated liquidation proceedings .

5. **The details of the disputed dues to Customs & Sales Tax are given below :**

Sl no	Nature of the Statute	Nature of the dues	Forum where dispute is pending	Amount (Rs. Millions)
1	Customs Act, 1962	Customs duty & Interest	The Commissioner of Customs (Exports)	6.23
2	Customs Act, 1962	Interest on Customs duty paid	The Commissioner of Customs (Appeals)	4.47
3	Customs Act, 1962	Customs duty & Interest	The Supreme Court of India	16.51
4	AP VAT Act	Entry Tax on Cix	The Supreme Court of India	16.53
Total				**43.74**

The sales tax department had raised a demand for entry tax on C9 for the years 2005 – 06, 2006 – 07 and 2007 – 08 for Rs. 21.87 Millions. The company appealed in the High Court against the demand and as per the High Court directive, deposited an amount of Rs. 5.33 Millions which is included in Advances to Others under Schedule 10. The High Court decided the case in favour of the company. The department has appealed to Supreme Court against the high court order. So an amount of Rs. 16.53 Millions has been disclosed as a contingent liability.

6. **Dues to Micro, Small and Medium Enterprises**
   The company has put in place a suitable system for identifying the vendors coming under the purview of the Micro, Small and Medium Enterprises Development Act, 2006. Since the company has not received any information, in this regard, from the vendors, disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act could not be ascertained.

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

7. **Particulars of Managerial Remuneration** *(Rs. in Millions)*

	Year Ended 31.03.2009	Year Ended 31.03.2008
Salary	7.49	3.54
Perquisites	3.38	2.47
Provident Fund	0.72	0.40
Commission	5.45	–
	17.04	**6.41**
Computation of net profits in accordance with Sections 198 & 309 (5) of the Companies Act, 1956 and commission payable to directors :		
Net Profit after tax		528.11
Add : Directors' Remuneration & commission	17.04	
Investments written off	0.20	17.24
Net Profit for Section 349 of the Companies Act, 1956		**545.35**
Maximum Remuneration payable to whole time directors @ 10%		54.54
Commission payable to Executive Chairman		
Net Profit as above		545.35
Commission @ 1 %		5.45

8. **Auditors' Remuneration :** *(Rs. in Millions)*

	Year Ended 31.03.2009	Year Ended 31.03.2008
Audit Fees	1.00	0.80
Tax Audit Fees	0.20	0.10
Certification & others	0.05	0.10
	1.25	**1.00**

9. **Related Party Disclosures :**

a) **Names of Related Parties**

i) Associate Companies : Pennar Chemicals Limited
: Pennar Engineered Building Systems Limited

ii) Key Management personnel : Mr. Nrupender Rao
: Mr. Ch. Anantha Reddy
: Mr Aditya N Rao

iii) Relatives of Key Management Personnel : Mrs J Rajya Lakshmi -Spouse of Mr. N. Rao
: Mrs Ch. Prabha -Spouse of Mr. Anantha Reddy

b) **Aggregated related party transactions:** *(Rs in Millions)*

Sl no	Particulars	Associate Companies	Key Management Personnel	Relatives of Key Management personnel
1	Purchases made during the year	4.00	–	–
2	Sales during the year	13.58	–	–
3	Advances made	94.06	–	–
4	Remuneration	–	17.04	–
5	Rent	–	0.72	1.50
6	Other Services	–	–	0.30
7	Balance on 31.03.2009	96.12	–	–

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

10. **Finance Lease :**

During the year the company has taken computer accessories under lease arrangement. The minimum lease rentals outstanding as on 31.03.2009 is Rs. 3.13 Millions which is detailed below :

(Rs. in Millions)

	Total Minimum Lease Rentals Outstanding as on 31.03.2009	Future Interest on Outstanding Lease Payments as on 31.03.2009	Present Value of MLPs as on 31.03.2009
Within one year	1.57	0.23	1.34
Later than one year but not later than 5 years	1.56	0.08	1.48
Total	**3.13**	**0.31**	**2.82**

11. **Additional information pursuant to the provision of paragraphs 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956.**

	Year Ended 31.03.2009	Year Ended 31.03.2008
a) **Licensed capacity:**	Delicensed	Delicensed
b) **Installed capacity** (as certified by the Management)		
(i) Cold Rolled Steel Strips (Tonnes per annum)	104,000	104,000
(ii) Cold Formed Metal Profiles & Pressed Components (Tonnes per annum)	96,000	80,000

	As on 31.03.2009		As on 31.03.2008	
	Quantity (Tonnes)	Value (Rs. Millions)	Quantity (Tonnes)	Value (Rs. Millions)
c) **Opening Stock of Finished Goods**				
(i) Cold Rolled Steel Strips	686	31.09	938	37.06
(ii) Cold Formed Metal Profiles	380	19.84	947	47.64
	1066	**50.93**	**1885**	**84.70**
d) **Closing Stock of Finished Goods**				
(i) Cold Rolled Steel Strips	233	8.60	686	31.09
(ii) Cold Formed Metal Profiles	410	17.47	380	19.84
	643	**26.07**	**1066**	**50.93**

	Year Ended 31.03.2009	Year Ended 31.03.2008
e) **Production** (Tonnes)		
(i) Cold Rolled Steel Strips	70,583	88,978
{including captive consumption of 35950 tonnes and jobwork of 903 tonnes for Press Shop and Cold Formed Metal Profiles (Previous period 28056 mt & 251 mt respectively)}		
(ii) Cold Formed Metal Profiles and Pressed Components	66,442	55,900
{including jobwork of 3595 tonnes (Previous period 3701 tonnes)}		

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

		As on 31.03.2009		As on 31.03.2008	
		Quantity (Tonnes)	Value (Rs. Millions)	Quantity (Tonnes)	Value (Rs. Millions)
f)	**Sales**				
	i) Cold Rolled Steel Strips	34183	1,913.74	60923	2,757.07
	ii) Cold Formed Metal Profiles and Pressed Components	62817	5,033.75	52766	3,307.65
	iii) Product Scrap	–	269.70	–	266.31
	iv) Conversion	–	87.97	–	80.96
			7,305.16		**6,411.99**
g)	**Raw Materials consumed**	108335	4,728.49	128922	4,059.36
h)	**Raw Materials consumed**	%		%	
	Imported	0.27	12.59	0.08	3.41
	Indigenous	99.73	4,715.90	99.92	4,055.95
		100.00	**4,728.49**	**100.00**	**4,059.36**

12. **Segment Details :**

The company is engaged in manufacture of steel products, viz Cold Rolled Steel Strips (CRSS) and Cold Formed Metal Profiles which in the context of Accounting Standard -17 issued by the Institute of Chartered Accountants of India is considered as a single segment.

13. **Foreign Currency Transactions** *(Rs. in Millions)*

Sl No	Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
(a)	Outflow in foreign currency		
	i) Foreign Travel Expenses	0.37	0.68
	ii) Raw Material	–	6.93
	iii) Capital Equipment & Components	35.81	9.77
	iv) Repayment of Loan & Interest	–	803.58
	v) Others	0.00	0.02
(b)	Inflow in foreign currency		
	i) FOB value of exports	19.91	186.87
	ii) Others	–	5.03

14. **Deferred Tax Asset :**

		31.03.2009	31.03.2008
a.	**Deferred Tax Liability**		
	On a/c of Accumulated Tax Losses	146.59	94.80
	Deferred Tax Asset		
	On a/c of Depreciation	9.29	7.70
	On A/c of MAT Credit available	51.50	27.50
		60.79	**35.20**
	Net Deferred Tax Liability	**85.80**	**59.60**
b.	**General Reserve adjusted against**		
	Deferred Tax Asset	107.67	–

Deferred tax asset created during transitional period by crediting General Reserve by Rs. 107.67 Millions has been adjusted during the year by debiting general reserve account as the said losses were adjusted during the earlier years.

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS *(Contd.)*

15. Unsecured Loans

a. Fixed Deposits

No fresh deposits were accepted during the year. The amount of Rs. 1.80 Millions outstanding at the year end is against claims yet to be received.

b. Sales Tax Deferment Loan

During the year, the Company has availed an amount of Rs.29,759,536/- under sales tax deferment Scheme and the sales tax deferment availed till the current accounting period is due for repayment as under.

Sl no	Year of repayment	Amt. in Millions
1	2011-12	7.79
2	2012-13	7.69
3	2013-14	2.67
4	2018-19	25.84
5	2019-20	37.48
6	2020-21	39.27
7	2021-22	43.05
8	2022-23	29.76
	Total	193.55

16. Earnings per Share:

	31.03.2009	31.03.2008
1. Net Profit for basic EPS (Rupees in Millions)	380.89	308.07
2. Weighted Average No. of Shares	126,477,479	99,804,987
3. Annualised Basic Earnings per Share	3.01	3.09

17. Raw materials purchases includes carriage inwards of Rs.24.99 Millions, material handling charges and clearing & forwarding charges of Rs. 3.01 Millions.

18. Confirmations are still to be received in respect of the amounts relating to Debtors, Creditors and Loans & Advances.

19. The sundry debtors above 180 days include receivables of Rs. 8.48 Millions from customers on whom legal action has been initiated.

20. In respect of Gratuity benefit pertaining to employees and with reference to accounting standard – 15, the company has taken a Group gratuity Policy for accruing liability for gratuity under the Payment of Gratuity Act with the LIC of India and the liability amount has been calculated on the basis of actuarial valuation. Leave encashment is accounted on payment basis and charged to profit and loss account.

21. Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest rupee.

Signatures to Schedules 1 to 19

As per our report of even date

For Rambabu & Co.,
Chartered Accountants

Ravi Rambabu
Partner
M. No : 18541

Place : Hyderabad
Date : July 3, 2009

R Ravi
CFO and Company Secretary

For and on behalf of the Board

Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Executive Director

Additional information as required under Part-IV of Schedule VI to the Companies Act, 1956

Balance sheet abstract and Company's general business profile

I. Registration details

Registration numbers	1919	State Code	01
Balance Sheet Date	31 03 2009		

II. Capital raised during the year *(Rs in thousands)*

Public issue	NIL	Rights issue	NIL
Bonus issue	NIL	Private placement	NIL

III. Position of Mobilisation and deployment of Funds *(Rs in thousands)*

Total liabilities		Total assets	
Source of funds		**Application of funds**	
Paid-up capital	720154	Net fixed assets	1345222
Reserves and surplus	1261602	Investments	27
Secured loans	1067867	Net current assets	1813645
Unsecured loans	20414 5	Deferred tax asset	86526
		Miscellaneous Expenditure	8348
Total	3253768	Total	3253768

IV. Performance of the Company *(Rs in thousands)*

Turnover (including other income)	6535909	Total expenditure	6007800
Profit / (loss) before tax	528109	Deferred tax / fringe benefit tax / MAT	147220
Profit / (loss) after tax	380889	Earnings per share in Rs	3.01
Dividend (%)			
Preference share	0.01%		
Equity share	20%		

V. Generic names of three principal products / services of Company *(as per monetary terms)*

Item code numbers (ITC Code)	Product description
72093200	Cold Rolled Steel strips of a thickness exceeding 1 mm but less than 3 mm
72093300	Cold Rolled Steel Strips of a thickness of 0.5 mm or more but not exceeding 1mm
72165000	Other angles, shapes and sections, not further worked then hot-rolled, hot-drawn or extruded

Disclaimer

Certain expectations and projections regarding the future performance of the company referenced in the Annual Report constitute forward-looking statements. These expectations and projections are based on currently available competitive, financial and economic data along with the company's operating plans and are subject to certain future events and uncertainties, which could cause actual results to differ materially from those indicated by such statements.

A TRISYS PRODUCT
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