

Pennar Industries Limited  
Annual Report 2009-10



Pennar makes it possible.

# 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 (*Managing Director*)

Shri Aditya Rao (*Director - Projects*)

## V.P. Finance 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

Karvy Computershare Pvt. Ltd.

Plot no.17-24, Vithalrao Nagar,

Madhapur, Hyderabad - 500081

## 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

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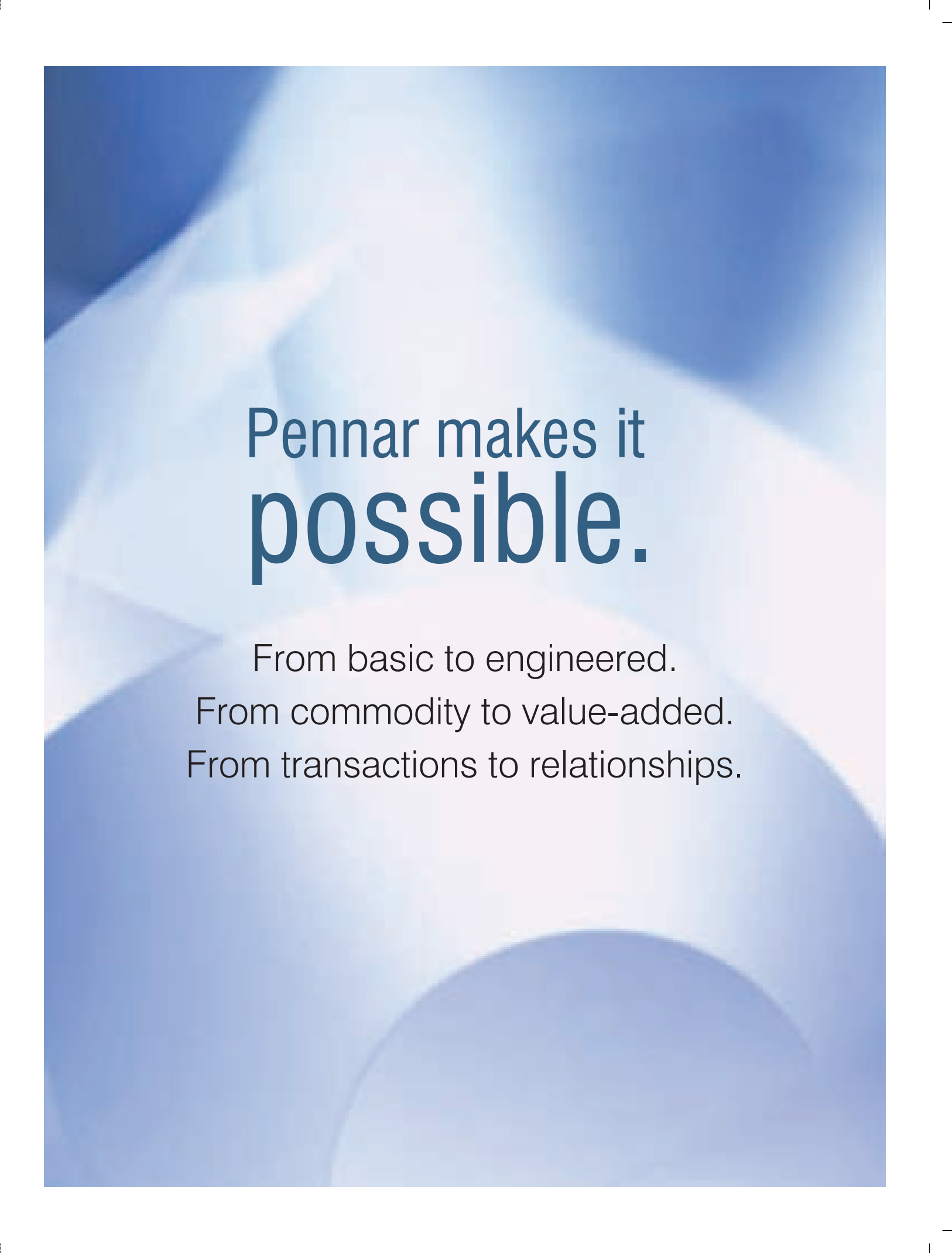
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# Pennar makes it **possible.**

From basic to engineered.  
From commodity to value-added.  
From transactions to relationships.

# The Pennar Support System

## **Vision**

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

## **Credentials**

One of India's leading industrial companies engaged in the production and marketing of specialised and engineered steel solutions

## **Presence**

Headquartered in Hyderabad with a pan-India manufacturing and marketing presence

## **Intellectual strength**

1,300+ people team driving our corporate brand

## **Listing**

Equity shares are listed on the Bombay Stock Exchange.



## Clientele

Market segments	Customers
Railway products	Integral Coach Factory (ICF), BEML, Texmaco, Railway Divisions
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
Pressed steel components	Emerson Electric, Tecumseh, TVS 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, Antenna
Cold-rolled steel strips	Automobile, white goods, electrical and engineering companies

## Key financial highlights, 2009-10

798

Net turnover  
(Rs. crores)

109

EBITDA  
(Rs. crores)

50

Profit after tax  
(Rs. crores)

13.76

Operating profit  
(%)

24.99

Return on capital  
employed (%)

4

Earnings for  
Rs. 5/- share

1.25

Dividend per  
share (Rs.)

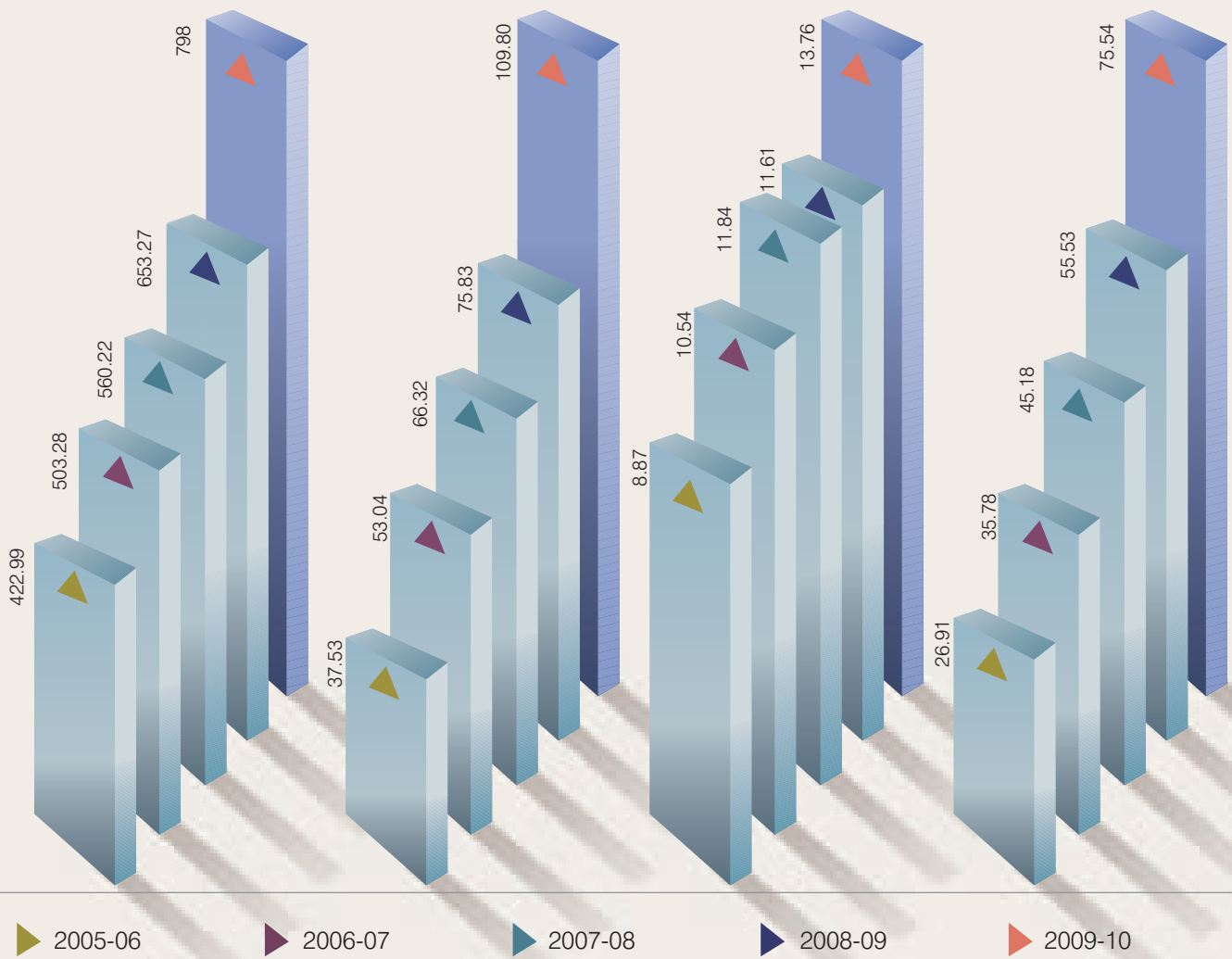
# How Pennar made it possible.

**Income from operations (net of excise) (Rs. crores)**

**EBITDA (Rs. crores)**

**EBITDA margin (%)**

**Cash profit (Rs. crores)**

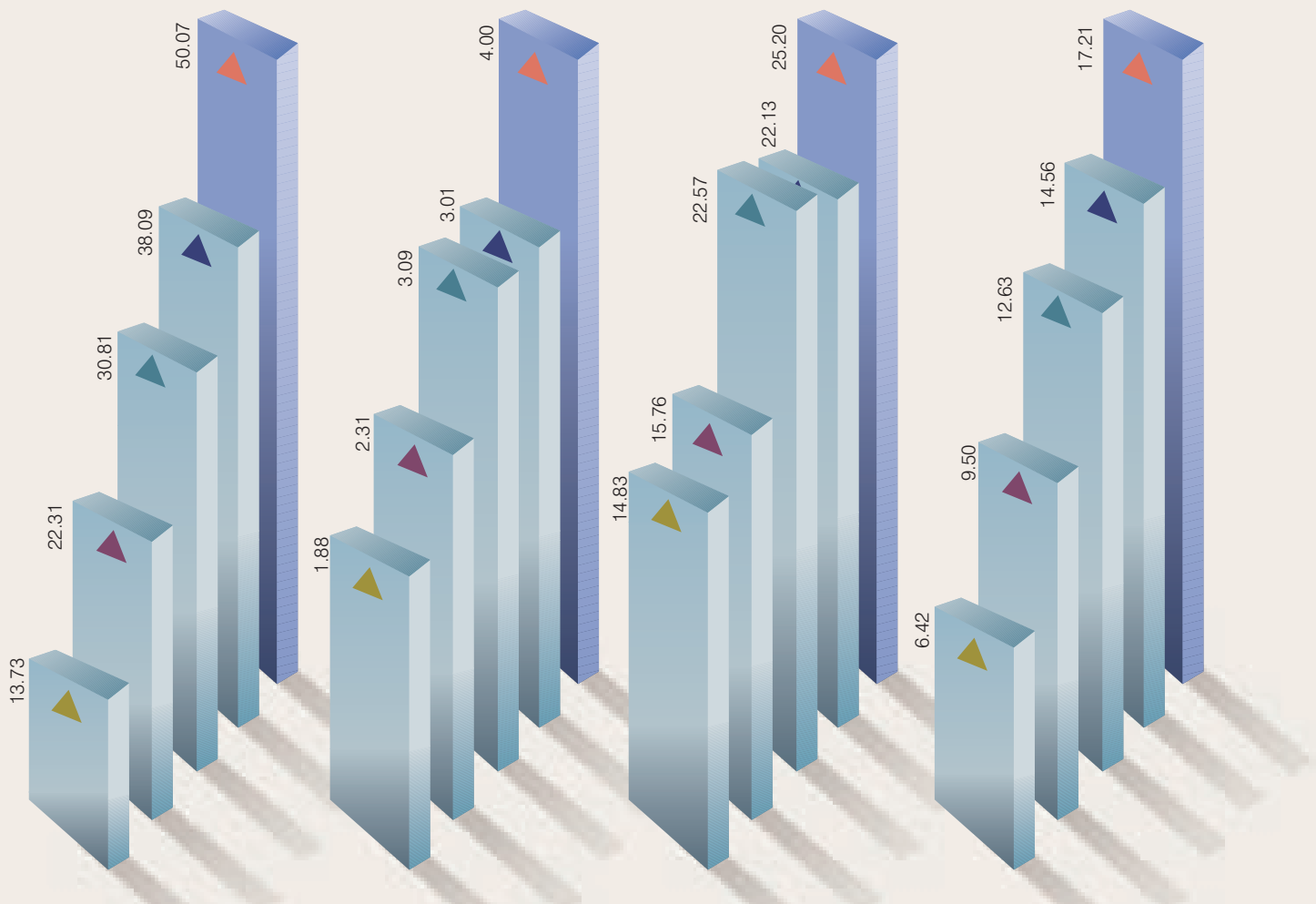


**Net profit**  
(Rs. crores)

**Earnings per share  
(EPS), basic**  
(Rs)

**Return on  
employed capital**  
(%)

**Return on  
gross block**  
(%)



**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.

“How Pennar will continue to make it possible: We expect to achieve Rs. 1,000-crores sales in FY'11. What we achieved in 32 years we now expect to replicate in just five.”

## *Dear Shareholders,*

In my overview in last year's annual report, I indicated sweeping transformational initiatives at Pennar Industries.

I am happy to report that despite a challenging economy, Pennar Industries graduated to the next level and is poised to emerge as a leading engineering company.

The performance of 2009-10 is evidence.

- Consolidated turnover for the year was Rs. 890 crores
- Consolidated EBIDTA for the year was Rs. 112 crores
- Consolidated post-tax profit for the year was Rs. 50 crores
- Consolidated earnings per share for the year was Rs. 3.98
- Consolidated cash profit for the year was Rs. 76 crores
- Dividend payout was 25%, amounting to Rs. 1.25 per equity share (face value Rs. 5 per share)

### **Solid performance**

During the year under review, Pennar stepped up its production volume by a significant 39%. However, as steel prices (our raw materials) dropped during the year, sales value increased by 18%. The increase in volume was achieved by capacity expansion at our Chennai and Patancheru plants.

Some of the salient features during the year were:

The pre-engineered building systems project, setup by its subsidiary, Pennar Engineered Building Systems Limited (PEBS) was successfully completed. PEBS started commercial production in January 2010 and now provides turnkey engineered building solutions encompassing



design, component manufacture, procurement and site erection. A modern, state-of-the-art facility for the manufacture of building components was commissioned with equipment from the US, Europe, Korea and China. A technical collaboration with NCI Group Inc. helped the Company offer world-class, weather-proof buildings. Customers include L&T, Ultratech Cement, Dr. Reddy's Labs, Core Green, My Home Cements and a customer in Tanzania, Africa.

I am happy to inform you that in the very first three months of our production, the Company reported a net profit. The orders procured so far crossed Rs. 130 crores and the plant is running at good capacity. The Company intends to double capacity to 50,000 MT by January 2011.

The Company established a heavy-duty forming mill, one of the only two mills in the country to make profiles of 12 mm thickness and 1.5 m width. These profiles will be used as load bearing chassis members in the under carriage of railway wagons and will also enable productivity improvements in wagon assembly.

We commissioned India's first rotary compressor housing manufacturing line at our Isnapur plant.

### **Growing financial and operational metrics**

We made a number of strategic and in-plant innovations to optimise costs.

- Increased our capacity utilisation
- Increased the proportion of value-added and margin accretive products in our product basket from 72% to 74%
- Reduced our term debt through

judicious cash management from Rs. 26.62 crores in FY'09 to Rs. 19.9 crores in FY'10 and cost of funds from 13.58% to 9.78%

- Maintained our debtors' cycle at 45 days even through challenging times
- Witnessed our return on capital employed, a critical profitability metric, jump 400 basis points to 26.13% in FY'10.
- Strengthened our market capitalisation from Rs. 275 crores on 1st April, 2009 to Rs. 454 crores on 31st March, 2010
- Received upgradation from CARE, the rating agency for long-term funds to A- (single A Minus) from BBB + (Triple B plus) and short-term funds to PR2+ (PR Two Plus) from PR 2 (PR Two)

### **Dividend**

We stepped up our commitment to shareholders by proposing a total dividend of 25% and also by buying back some of the shares, thereby increasing shareholder value.

### **Corporate social responsibility**

Your Company believes that it is important to be recognised in society as a good and impressive corporate citizen. I am glad to inform you that we made a beginning in this regard, supporting underprivileged villages in the areas of sanitation, drinking water and education.

### **Way ahead**

Going forward, we expect to widen our pre-engineered buildings market by increasing our installed capacity and putting up a second beam line. We expect revenues from the subsidiary to be about Rs. 170 crores, during FY'11. We will offer Turnkey Green Building

Solutions to our customers.

Production at Chennai and Isnapur plants, where expansion is underway, will be stepped up for enhanced supply to railways, building and pollution control sectors.

We will leverage our engineering strengths and customer relationship to penetrate deeper into the precision engineering space (defence, aero space and nuclear power).

We expect over 20% growth during the current financial year resulting in the Company achieving a sales of Rs. 1,000 crores on a standalone basis and over Rs. 1,200 crores on a consolidated basis.

### **Closing thoughts**

At Pennar, we are conscious of our objective to strengthen our financial performance. We will do this by increasing sales, adopting new technologies, developing new products, enriching the product mix, optimising production cost, upgrading our human resources and providing complete customer satisfaction.

At Pennar, we find ourselves at an interesting inflexion point: Go with the usual flow of growth or attempt the daring. We are opting for the latter. The result is that we expect to add Rs. 1,000 crores to our topline by 2016. This implies that we are planning to replicate what we achieved in 32 years in only five years. In doing so, we expect to enhance value in the hands of those who own shares in our Company.

Sincerely,

**Nrupender Rao**  
*Chairman*

# Suresh Joshi is proud to inaugurate his 40,000 sq. ft. factory in Wada Industrial Area on schedule.

1

## Pennar makes it possible.

**Our clients demand highly cost-effective buildings that are completed in the fastest possible time frame.**

### **Pennar makes it possible.**

Pennar Engineered Building Systems Limited (PEBS), a subsidiary of Pennar Industries, manufactures and constructs pre-engineered buildings that are cost-effective and can be erected in a quarter of the time compared with conventional construction time frames.

PEBS goes beyond this to deliver outstanding customer and consumer value:

- Makes construction hassle-free. Provides turnkey solutions from design and manufacture to erection and commissioning
- Enhances structural quality. Collaborates with the world's largest pre-engineered buildings player (NCI Group, USA) to offer a state-of-the-art Double-Lok standing seam roofing system
- Customises building structures as per consumer needs. Works closely with reputed customers like Dr. Reddy's Laboratories, P&G, JSW Steel, Ultratech Cement, MyHome Cement and Nuziveedu Seeds, among several others
- Provides Green Building solutions and LEED® points under the globally accepted LEED® 2.0 rating system. PEBS Pennar is a member of the Indian Green Building Council

This is how the Company's credibility translated into value:

- The subsidiary turned profitable at the net level in its first three months of operation in FY'10.
- The subsidiary emerged as one of the largest Indian pre-engineered building players (capacity 30,000 MTPA, and implementing expansion to 50,000 MTPA).

This is what the subsidiary now expects going ahead: projected Rs. 170 crores in 2010-11.

### **Did you know?**

The pre-engineered building sector represents a Rs. 5,000 crores opportunity in India with the sector growing at 20%.



# Amit Karnad turns to the air-conditioner for respite. The cool draught breezes across his face...

## 2

### Pennar makes it possible

**In India, an industrial products manufacturer is always seeking solutions to reduce cost, weight and inefficiency.**

**Pennar makes it possible.**

Pennar Industries manufactures rotary compressor housings used in the air conditioners that are half the size of the conventional equivalent and twice as energy-efficient.

Pennar enhances the customer's experience through a singular reality: the company is India's first manufacturer of rotary compressor housings at our Isnapur factory.



# Exporter Aravinda Prathap is happy to find his rail cargo delivered on schedule to the port at a lower cost...

3

**Pennar makes it possible.**

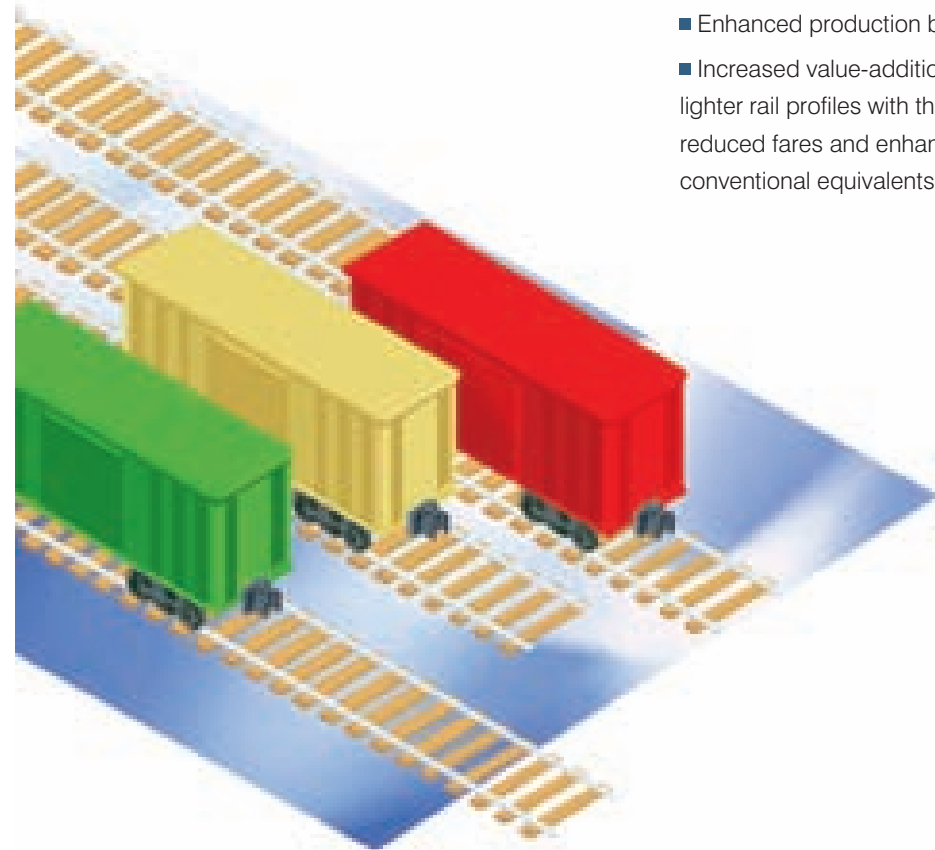
The big objective in India's industry is to have an access to rail wagons to deliver cargo on schedule and at a lower cost.

**Pennar makes it possible.**

Pennar Industries was the first in India to commission a state-of-the-art forming mill at its Patancheru unit. This unit is capable of producing 12 mm thick and 1.2 mm wide stainless steel profiles.

The advantages of the installation:

- Enhanced production by 20%
- Increased value-addition in under-carriages with lighter rail profiles with the trickle-down possibility of reduced fares and enhanced payload by 15% over conventional equivalents



## An MNC customer received products two days after ordering when the normal cycle is five days...

4

### Pennar makes it possible.

A number of our customers not only demand quality products; they also need them delivered on time to their shop floors. Every time.

#### Pennar makes it possible.

Pennar made long-term investments in extending beyond product manufacture. In proactively investing in infrastructure to enhance its quality of service.

- Invested in modern warehousing in 2009-10
- Built a storage rack system with a side loader (Patancheru unit), capable of taking 12 metre products up to a storage height of 4.5 metres
- Constructed a 5,000 sq. m. building with two 10-ton EOT cranes (Chennai) to decongest and enhance operations and storage
- Strengthened product service to gain an entry into the Defence, nuclear engineering and aerospace sectors

The result is that Pennar caters to all India's top automotive customers, servicing their periodic and frequent inventory replenishment needs with dependable accuracy.



# Brief look at our business lines

Division	Revenue, 2009-10 (Rs. cr)	Revenue growth, 2009-10 (%)	Manufacturing facilities location	Principal customers	Key forward-looking initiatives
<b>A.</b> Engineered products	455.10	18.06	<ul style="list-style-type: none"> <li>■ Patancheru, Andhra Pradesh</li> <li>■ Chennai, Tamil Nadu</li> <li>■ Isnapur, Andhra Pradesh</li> <li>■ Tarapur, Maharashtra</li> <li>■ Hosur, Tamil Nadu</li> </ul>	<ul style="list-style-type: none"> <li>■ Tata Motors</li> <li>■ Ashok Leyland</li> <li>■ Emerson Electric</li> <li>■ TVS Motors</li> <li>■ IFB</li> <li>■ Bus body builders</li> </ul>	<ul style="list-style-type: none"> <li>■ Expand volumes and enhance realisations in our core markets through strengthening capacity utilisation levels</li> <li>■ Increase capacity utilisation at the new rotary compressor housing manufacturing line at the Isnapur unit near Hyderabad (capacity utilisation of 7 lac units annually)</li> <li>■ Scout for acquisitions in the precision engineering segment and build internal capacities to cater to customers in the Defence, nuclear energy and aerospace industries</li> <li>■ Cater to the growing demand for value-added products, especially from the automobile sector</li> <li>■ Expect to earn around Rs. 540 crores revenues</li> </ul>
<b>B.</b> Heavy engineered products	210.74	19.13	<ul style="list-style-type: none"> <li>■ Patancheru, Andhra Pradesh</li> <li>■ Chennai, Tamil Nadu</li> </ul>	<ul style="list-style-type: none"> <li>■ Integral Coach Factory (ICF)</li> <li>■ BEML</li> <li>■ Texmaco</li> </ul>	<ul style="list-style-type: none"> <li>■ Optimise production at the forming mill to cater to the growing demand for 12 mm thickness and 1200 mm width for railway wagons</li> <li>■ Focus on moving up the value chain in specialised heavy engineering products</li> <li>■ Look to forward integrate into the manufacture of complete railway wagons and coaches</li> <li>■ Expect to earn Rs. 280 crores revenues</li> </ul>
<b>C.</b> Infrastructure	157.04	(6.60)	<ul style="list-style-type: none"> <li>■ Patancheru, Andhra Pradesh</li> <li>■ Chennai, Tamil Nadu</li> </ul>	<ul style="list-style-type: none"> <li>■ L&amp;T</li> <li>■ Nagarjuna Construction</li> <li>■ Shapoorji Pallonji</li> <li>■ National Highways Authority of India</li> <li>■ Thermax</li> <li>■ ABB</li> <li>■ Prasad Seeds</li> </ul>	<ul style="list-style-type: none"> <li>■ Real-estate and infrastructure growth will drive the demand for infrastructure products</li> <li>■ Growing importance of pollution control is expected to continue to drive the demand for ESP electrodes (electrostatic precipitators)</li> <li>■ Climb up the value chain to manufacture ESPs</li> <li>■ Augment tonnage and EBITDA margins</li> <li>■ Expect to earn around Rs. 180 crores revenue</li> </ul>

Division	Revenue, 2009-10 (Rs. cr)	Revenue growth, 2009-10 (%)	Manufacturing facilities location	Principal customers	Key forward-looking initiatives
D. Building construction	34.01	N.A.	<ul style="list-style-type: none"> <li>■ Sadashivpet, Andhra Pradesh</li> </ul>	<ul style="list-style-type: none"> <li>■ Ultratech Cement</li> <li>■ Core Green Sugars</li> <li>■ MyHome Cement</li> <li>■ Bombay Rayon</li> <li>■ Nuziveedu Seeds</li> <li>■ HBL Nife</li> <li>■ White Hose</li> <li>■ Archid Ply</li> <li>■ Radiant Cables</li> <li>■ Dr Reddy's</li> <li>■ P&amp;G</li> <li>■ JSW Steel</li> </ul>	<ul style="list-style-type: none"> <li>■ Grow the order book with pre-engineered buildings</li> <li>■ Expand presence in export markets, especially those of South Africa, Russia and the Middle East</li> <li>■ Grow annual installed capacity by 100%</li> <li>■ Current capacity (30,000 tonne) to be upgraded to 50,000 tonne</li> <li>■ Pre-engineered building market is nascent and with NCI's technical know-how PEBS intends to tap a large market share</li> <li>■ Expect to generate EBITDA margins of around 15%; expect to earn around Rs. 160–180 crores revenue</li> </ul>

**Note:** Figures for building construction division are for three months period since commercial production commenced on 1st January 2010.

# 1

## Business segment review

# Engineered products

Revenue, 2009-10: Rs. 455.10 crores

Revenue growth: 18.06%

Percentage contribution to revenue, 2009-10: 55%

### Overview

The Company's engineered products are designed by a skilled team supported by proactive investments in advanced state-of-the-art equipment.

### Strengths

**Technology edge:** Pennar's modern equipment and indigenous tools cater to specific client requirements and help reduce product weight, while enhancing quality and strength. The tool room comprises a wide basket of 2,500 tools and dies, a big competitive advantage.

**Cost competitiveness:** Efficient resource utilisation, prudent raw material management and extensive

integration minimised costs and wastage.

**Multi-sectoral footprint:** A multi-sectoral footprint enhanced visibility, derisking the business from specific sectoral downturns.

**Prudent procurement:** Robust procurement ensured continuous raw material availability.

**Engineering pool:** Around 400-plus qualified professionals drive the organisation's growth in engineering and construction sectors.

**Valued clientele:** A diversified client portfolio comprising Tata Motors, Ashok Leyland, Integral Coach Factory, Texmaco, BEML, BHEL, L&T, Videocon, Godrej, Haier Appliances,

Brakes India, Lloyds and Alstom Power, among others marked by repeat engagement.

### Prospects

- Produce a larger basket of automobile sector components
- Penetrate unexplored value-added segments (Defence, nuclear engineering, heavy fabrication and aerospace)
- Augment storage through a multi-storage racking system with a side loader – can load 12 metre products at heights of 4.5 metres – to reduce despatch delays, improve finished goods management and facilitate better space utilisation

## Products offered

### Automobile products

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

### New developments

- Zinc spray in automobile tubes enhanced shelf-life
- Fabricated products catered to the growing automobile demand
- New components were manufactured to cater to downstream automobile requirements

### Pressed steel components

- Refrigeration

- Air conditioning
- Office furniture
- General engineering

### New developments

- Installed rotary compressor housing manufacturing facility to enhance product efficiency, lower weight and improve aesthetics
- Established tool room with CNC machines to manufacture customised tools

### Precision tubes

- Circular, square and rectangular tubes are used in construction, furniture, engineering and electronic sectors

- Precision tubes are used in buses, playground furniture and antenna frames.

### New developments

- Commenced the use of galvanised steel to make precision tubes

### Rolled steel products

- Steel strips are made in the form of coils and sheets for automobiles, bearings, consumer durables, electrical and general engineering sector

### New developments

- Started the rolling of razor blades material (stainless steel) for a reputed razor blade manufacturer



# Heavy engineering products

Revenue, 2009-10: Rs. 210.74 crores

Revenue growth: 19.13%

Percentage contribution to revenue, 2009-10: 26%

## Overview

Pennar reinforced its facilities and product range to address the growing need for heavy engineered products for the country's railways. This division manufactured floors, side walls, roofs, end walls, doors and also under-frame parts for railway wagons and coaches. It developed the technology to produce profiles for rail wagons, which reduce product weight by over 1 MT/wagon.

## Strengths

**Enhanced quality:** Designed equipment to produce steel profiles (12 mm thickness); state-of-the-art welding equipment improved product quality. Other equipment comprised automated plasma cutting press, laser cutting and CNC machines.

**Value-added products:** Designed and produced products to move up the value chain, increasing margins and profitability.

**Quality control:** Ensured in-process raw material quality for consistent quality excellence.

**Added equipment:** The division made the following additional investments to strengthen the business:

- Installed a spot welding machine to weld 2 mm and 4 mm sheets automatically with the help of computerised programmes; these are used for making the side walls and roofs of rail wagons; increased its capacity from 2 sets per month to 8 sets per month
- Added a new forming mill to

execute forming of 12 mm thickness and 1.2 metres width high strength material use in wagons. This enables production of sheet piles for pile foundation and other critical applications.

- Increased capacity by 10-15%
- Catered to the growing needs of India's automobile and railway sectors

## Prospects

- Climb the value chain to produce value-added premium products
- Create a downstream-focussed products (railways, automobiles and fabricated products), enhancing integration
- Widen the offering of railway products, enhancing overall margins

## Products offered

### Rail wagons and coach components

- **Under-frame assembly:** Longitudinal beam, stainless steel integrated trough floor assemblies, body bolster, head stock, modular frame and lower spring beam
- **Side wall assembly:** Body pillar, door corner sheet and light spring beam
- **Roof:** Cant rail assembly, U-stiffener

and trough for roof mounted air-conditioners

- **Shell assembly:** Partition frames
- **Furnishing:** Hand rails and other end-construction products
- **Profiles:** Side stanchion, stringer, centre still and sole bar

### New developments

- Established 12 mm profile rolling mills, which would reduce the weight

of the wagons and coaches by 10-15%

- Developed new products for railway coaches and wagons

### LHB coaches

- Side wall assembly, roof assembly and end wall construction

### DMRC

- Cant rail, sill side, roof panel and key stone

# Infrastructure

Revenue, 2009-10: Rs. 157.04 crores

Revenue growth: (6.60)%

Percentage contribution to revenue, 2009-10: 19%

## Overview

Following the growth of India's real estate and road infrastructure sectors, the Company diversified into the production of building products (purlins, roofing sheets and deck plates), road safety equipment and fabricated products for the engineering sector.

## Strengths

- Ability to manufacture varied design products with the help of automated machines
- Technical strength and know-how
- Experienced people with expert knowledge in fabrication
- Extensive manufacturing area
- Various high-tech machines

## Prospects

- Enhance product tonnage through 90% capacity utilisation
- Achieve higher EBITDA margins

## Products offered

### Building products

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

### New developments

- Manufactured sheet piles for the construction industry
- Developed new value-added products

- Commenced building construction in Africa

- Exported products to Tanzania

### 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

### New developments

- Acquired a number of skilled welders

### ESP electrodes

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

# Pre-engineered buildings

A subsidiary company of Pennar Industries Limited

Revenue, 2009-10: Rs. 34.01 crores

## Overview

PEBS Pennar (subsidiary of Pennar Industries Limited) was created to tap growing opportunities in the construction sector as pre-engineered buildings make it possible to create energy-efficient, cost-effective buildings at a quicker construction speed. In pre-engineered buildings, the entire building layout is designed first, following which modular steel structures and building components are manufactured. They comprise modular steel construction of open-span built-up sections, purlins, girts, roofing and wall panels. These components are then assembled on site to deliver a finished building to our customers.

PEBS is dedicated to all processes: from designing to procuring raw materials, manufacturing the modular steel structures to delivering and installing them within three-to-six months. PEBS engages itself in design, manufacture and installation of pre-engineered buildings for industries, warehouses, commercial centres, multi-storied buildings,

aircraft hangars, malls and stadia. PEBS Pennar buildings incorporate designs that match and exceed international standards in innovation and quality.

PEBS Pennar's revenue in 2009-10 was Rs. 34.01 crores; this is expected to grow to Rs. 170 crores in 2010-11. PEBS bagged contracts from JSW Steel, Dr. Reddy's, Ultratech Cement and P&G, among others.

## Strengths

**Modern manufacturing facility:** PEBS possesses a 230,000-square foot manufacturing facility near Hyderabad. It is equipped with CNC machines and quality laboratory to meet international standards.

**Technical collaboration:** PEBS' technical collaboration with NCI Group, USA, a global leader in the manufacture of pre-engineered buildings, helped it supply state-of-the-art products.

**Capacity:** PEBS possesses an annual installed capacity of around 2.5 million sq. metres of pre-engineered steel buildings.

**Quality measures:** PEBS ensures comprehensive quality compliance in

line with the requirements of the Metal Buildings Manufacturer Associations (MBMA), American Society for Testing and American Welding Society (AWS).

**Talent pool:** PEBS possesses the expertise to investigate complex operational processes, design pre-engineered steel buildings that are tailor-made to their end use and meet demanding client requirements; a 170-member workforce comprises over 40 highly-trained structural designers.

**Forward integration:** PEBS provides customers with turnkey building solutions covering design, manufacture and erection.

**Exclusive modern software:** PEBS provides customer-specific building designs in less than 30 minutes through an automated platform.

**Leak-proof:** PEBS provides Double-Lok standing seam roofing systems (technology incorporated from NCI) which result in a weather-tight, leak-proof structures.

**Certifications for commissioning projects:** PEBS provides US-GBC and IGBC certified LEED points to our customers for the use of our building

systems; these buildings to provide active rainwater harvesting and with solar panels on roofs will enhance energy efficiency.

**Effective robust raw material leverage:** PEBS enjoys strong raw material resource procurement through its parent company, reducing raw material holding costs.

### Prospects

- Enter new markets (northern and eastern India to derisk geographical risks), as nearly 40% of revenues are presently derived from southern India
- Extend mandate with tensile structures, high rise buildings and civil works
- Expand annual installed capacity by 20,000 MT

- Tap export contracts for better margins across Africa, the Middle East and Russia
- Reduce power consumption of buildings and construction costs by 10-15% over conventional buildings; provide green buildings
- Spread marketing and sales distribution across India

### Sectors with a market for pre-engineered buildings

- Industries
- Warehouses
- Commercial centres
- Multi-storied buildings
- Aircraft hangars

- Malls
- Stadiums and sports complex
- Metro rail shelters
- Agricultural storage
- School buildings

- Healthcare centres
- Hospitals
- Car parking zones

### Our pre-engineered building brands

**Prime Build:** These buildings offer premium features, which comprise the following:

- Weather-proof, Double-Lok standing seam roofing, which prevents water leaks with a 10-year warranty
- Purlins/girts/eave struts galvanised to a 275-plus GSM thickness to enhance durability

- Primary structures shot-blasted to Swedish standard SA 2.5 with epoxy primer
- Continuous onsite supervision during installation

**Value Build:** These buildings provide value-for-money with the following features:

- Standard trapezoidal roof sheeting
- Purlins/girts/eave struts are pre-galvanised with 120 GSM thickness
- Primary structure with manual cleaning and epoxy primer
- Periodic on-site supervision during installation

The global market for green buildings is worth around USD 60 billion; every day green building constructions worth over USD 500 million are registered with the

US-GBC. The nascent market for pre-engineered buildings in India is worth USD 1 billion and expected to grow 15% annually. The market for such buildings will comprise

warehouses, factories, logistics, railways, stacking installations, stadiums, aeroplane hangars and commercial establishments.

# Our business enablers



## **Innovation**

Investments in product-process innovations remain one of the Company's priorities. Customer needs, evolving markets, new technologies and the expertise and ideas of our people are what drive our innovation.

## **Customer-driven**

At Pennar, we understand customer needs, improve upon all aspects of existing research projects, offer innovative products and emerge integral to customer existence. Accuracy, sound methodology, excellent customer service, flexibility, timely delivery and cost-effectiveness ensure that we meet and exceed customer expectations. We build long-term partnerships with our customers, contributing to their success.

## **Global expertise and local knowledge**

We learn from local business operations and practices and provide knowledge-oriented products to meet these critical needs. Our pan-India network comprises teams, tools and products to provide OEM (original equipment manufacturers) clients with consistent products and services. As proud members of the Pennar Group, we share expertise to continuously improve all business aspects.

## **People-centric**

People represent our principal assets. Our people have the freedom to explore and develop their talents and are empowered to achieve our common goals. We encourage and reward initiative, dedication and hard work. Fairness, good communication and working relationships at all levels and locations represent the key to our success.

## **Profitability-oriented**

Profitable growth results in greater opportunities. As individuals, teams and business units, we are aware of the impact of our decisions and actions at all levels. We use financial and non-financial measurements to review and improve performance on an ongoing basis. Our profitability-oriented growth model provides investors with a fair return on their financial resources.

# Social engineering is a million-mile journey

At Pennar, we realise that business sustainability is closely linked with community uplift, workplace safety and environment protection. The result is that we embarked upon multiple initiatives to ensure that our people and the planet they inhabit remain safe.



## Eco-pragmatism

The standard company policy reconciles a close monitoring of energy and water consumption. Besides, the senior management places sustainability at the forefront of its strategic planning, in harmony with employees, customers and community commitment. This is perhaps best expressed in the growing percentage of eco-friendly products and processes in our portfolio and our increasing emphasis on meeting important societal needs – healthcare, water purification, food and energy, especially in emerging markets – with our products.



## Workplace safety

A safe workplace represents an enduring priority at Pennar. The corporate focus revolves around safer processes and minimises the potential for effluent discharge. Regardless of the inherent hazards of our operations, we remain committed to the ideal of zero workplace injuries.



## Community uplift

We are socially aware and encourage the following initiatives: providing social infrastructure, enriching human capabilities and regularly organising welfare camps. We actively contributed and invested quality man-hours in relief work following the floods in Andhra Pradesh in 2009.



## Education

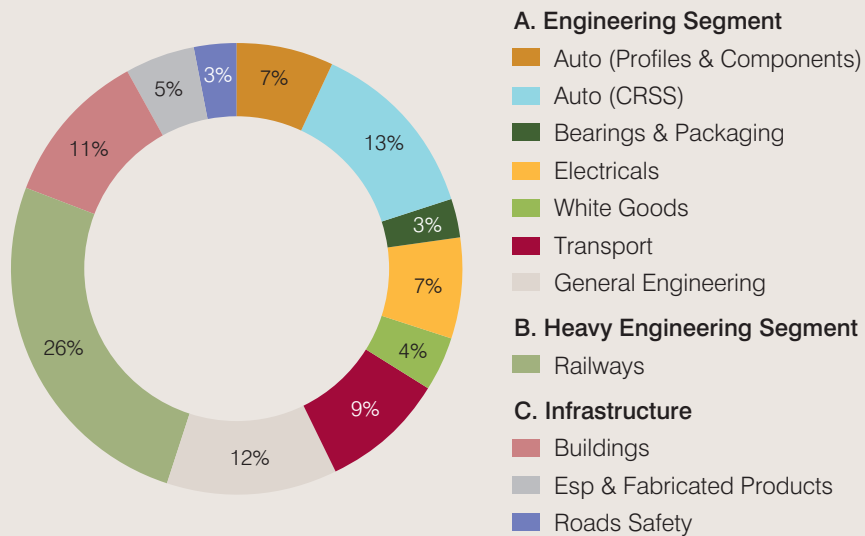
We believe quality education accelerates integrated social development and provide educational facilities – infrastructure creation, distribution of books and teaching aids – across some of the most backward areas (Medak and Adilabad) of Andhra Pradesh. Besides, we are also helping schools in Jharkhand.



## Ethical governance

At Pennar, integrity in business practices represents a core corporate value and demands the highest ethical standards from all stakeholders. The Board of Directors and senior management oversees governance processes, which involve organising investor meets and sharing information to enhance our transparency.

## Industries addressed



# Director's Report

*Dear members*

Your Directors have pleasure in presenting the 34th Annual Report along with the audited accounts for the year ended March 31, 2010. The financial highlights of the Company are as follows:

## Financial results

(Rs. in Lacs)

Particulars	12 months ended March 31, 2010	12 months ended March 31, 2009
Gross sales	86,114	73,051
Operating profit (PBIDT)	10,980	7,582
Profit before tax (PBT)	8,567	5,281
Income Tax and deferred tax	3,560	1,472
Profit after tax (PAT)	5,007	3,809
Profit brought forward from previous year	2,004	175
Surplus available for appropriation	7,011	3,984
Appropriations		
Proposed dividend	1,532	1,265
Corporate tax on proposed Dividend	260	215
Transfer to General Reserve	505	500
Transfer to Capital Redemption Reserve	223	–
Balance of profit carried to Balance Sheet	4,491	2,004

## Performance

For the financial year 2009-10, your Company reported its highest annual sales revenue of Rs. 861.14 crores against Rs. 730.51 crores recorded in 2008-09, registering an increase of 17.88%. This increase in sales was achieved despite a reduction in the price of steel. The increase in the sales tonnage was 37.60% over that of last year. The Company recorded an operating profit (PBIDT) of Rs. 109.80 crores against Rs. 75.82 crores in the previous year and a net profit of Rs. 50.07 crores compared with Rs. 38.09 crores reflecting a growth of 44.81% and 31.45% respectively over the previous year.

The above excellent results were due to the Company's strategy

to transform itself into an engineering company by manufacturing products for rail wagons and coaches, automobiles, buildings, pollution control, and road safety systems. The Company's continued focus on speciality profiles, sub-assemblies and fabricated components for transportation and infrastructure companies contributed to the increase in the Company's top line and bottom line.

## Pennar Engineered Building Systems Limited (PEBS)

Your Company commissioned the Building Systems Project set up by its Subsidiary, Pennar Engineered Building Systems Limited (PEBS). PEBS is engaged in the business of design,



manufacture and erection of pre-engineered steel buildings. Commercial production commenced effective January 1, 2010. The subsidiary 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.

### **Consolidated result**

Pursuant to the Accounting Standards AS-21 issued by the Institute of Chartered Accountants of India, the consolidated financial statements presented by the Company include financial information of its subsidiary, Pennar Engineered Building Systems Limited. Pennar Industries Limited holds 74% stake in the subsidiary.

For the year ended March 31, 2010, Pennar achieved on consolidated basis Gross Sales of Rs. 890.11 crores, gross profit (EBIDTA) of Rs. 111.77 crores, Profit before Tax (PBT) of Rs. 85.57 crores and net profit of Rs. 49.77 crores. Cash EPS for the year was Rs. 6.06 and the basic EPS was Rs. 3.98 per share of Rs. 5 each.

### **Dividend**

Your Directors declared interim dividend of 10% i.e. Re. 0.50 per equity share on January 29, 2010 and recommended a final dividend of 15% i.e., Re. 0.75 per equity share. Thus, the total dividend for the year was 25% amounting to Rs. 1.25 per equity share of Rs. 5 each. The confirmation of the members for dividend shall be sought during the ensuing Annual General Meeting.

### **Buyback of equity shares**

Pursuant to the approval of the members at the last Annual General Meeting for the buyback of equity shares from the open market through stock exchange mechanism, the Company bought back 44,53,479 equity shares which were extinguished, and the reduced share capital was 12,20,24,000 shares as on March 31, 2010.

### **Directors**

Mr. Ravi Chachra, Mr. C Rangamani and Mr. P. Bhaskara 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 re-appointed along with other necessary particulars are given in the explanatory statement to the notice. The Board of Directors recommend their reappointment.

### **Auditors**

The Auditors, M/s Rambabu & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and 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 2009-10.
- 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, 2010 was only Rs. 16.31 lacs. No fresh deposits have been accepted since 2000.

## Personnel

Your Directors place on record, their sincere appreciation for the Company's employees whose dedication and commitment are 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, customers, suppliers and shareholders for their continued support.

For and on behalf of the Board

Place: Hyderabad  
Date: May 27, 2010

**Nrupender Rao**  
*Executive Chairman*

# Annexure I to Directors' Report

## Form A

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b>A. Power and fuel consumption</b>		
<b>1. Electricity</b>		
a. Purchased units	17,868,536	14,289,132
Total amount (Rs.)	70,013,279	56,423,558
Rate per unit (Rs.)	3.92	3.95
b. Own generation (DG set)		
1000 KVA units (KWH)	1,197,856	392,840
Units per litre of diesel oil	3.21	3.07
Cost of diesel per KWH (Rs.)	10.95	11.46

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
<b>2. Coal</b>		
Quantity (tonnes)	1,208.88	920
Total amount (Rs.)	3,301,271	2,839,296
Average rate per tonne (Rs.)	2,731	3,087
<b>3. Diesel oil</b>		
Quantity (KL)	494.39	398.25
Total amount (Rs.)	17,252,123	14,601,517
Average rate per tonne (Rs.)	34,896	36,664
<b>4. C IX oil</b>		
Quantity (MT)	1066	638
Total amount (Rs.)	26,094,164	19,103,763
Average rate per tonne (Rs.)	24,479	29,950
<b>B. Consumption per unit of production</b>		
a. Product cold rolled steel strips (tonnes)		
Electricity (KWH)	127	134
Coal (kg)	12	11
Diesel (ltrs)	1.16	3.37
C IX (kgs)	10.27	7.95
b. Product cold formed metal profiles (tonnes)		
Electricity (KWH)	67.43	69.9

## Form B

### 1. Research and development (R&D)

For activities of research and development Pennar installed automated precision machineries like CNC lathe, CNC milling, CNC wire cutting machines. Pennar has engineers with knowledge of machine and product. Many new products have been developed and additional manufacturing facilities have been put up at various manufacturing plants of Pennar, viz., Chennai, Isnapur, Patancheru and Tarapur, which have resulted in better quality of products and increase in the business as well as reduction in manufacturing costs. The various developments are as follows:

### A. Tooling developed for various profiles are detailed below:

#### 1. Chennai plant

- 300 Z- purlin for M/s Samsung
- LHB corrugated sheet floor for Railways

#### 2. Isnapur Plant

Rotary compressor housings

#### 3. Patancheru plant

##### CRFS

- 10 mm thick Z-section for railway BOXNHL wagon
- LHB Solebar for Railways

- c. 4 mm thick angle for BCNHL wagon for Railways
- d. 107 and 83 mm door sections for BCNHL wagon for Railways
- e. 6 mm thick hat section for BCNHL wagon for Railways
- f. 10 mm thick x 327 depth hat section for BOXNHL WCCR model
- g. Deck plate for Thyssen Krupp

#### 4. Tarapur plant

- a. Z-purlin for building segment
- b. Panels for TML
- c. Collecting electrodes for Thermax

#### B. Improvements were effected to various machines and processes resulting in:

- a. Products with high precision
- b. Increased Business Volume
- c. Increased value addition resulting in higher contribution

## 2. Initiatives for cleaner and greener environment

- a. Sewerage plant was put into operation for treating waste water and the treated water is used for developing green belt inside the premises.
- b. Ultra filtration, reverse osmosis, multiple effect evaporator

and vertical evaporator (UF/RO and MEE, VE) for zero discharge plant has been set at Patancheru works.

### 3. New facility at Patancheru works

24 passes heavy duty cold roll forming mill for forming thickness up to 12mm with high strength material YS between 500 and 700Mpa. The machine was designed in-house by the Company's engineers and has been done for the first time in India.

Spectro meter is procured to enhance the in-house testing facility for Fe and Cu based materials including Stainless Steel, which facilitates faster and accurate planning for different profiles/grades.

### 4. Future plan of action

To improve productivity and quality, faster delivery of the product, Pennar is focusing on research and development to strengthen "Q C D S E" parameters i.e., quality, cost, delivery, safety, environment.

### 5. Expenditure on R&D – Over Rs. 6.5 crores

### 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 N Rao
Designation	Executive Chairman	Managing Director	Director - Projects
Age (years)	65	63	28
Qualification	B.Tech, M.S	B.E (Metallurgical), P.G.D.M.M	B.S., M. Eng
Experience (years)	42	39	5
Remuneration (Rs.)	13,575,000	4,688,838	2,400,000
Date of commencement of employment as a Director	September 1, 1998	January 1, 1986	May 2, 2007
Details of last employment	Executive Vice Chairman Pennar Aluminum Co. Ltd.	General Manager, Pennar Steels	Corporate Planning Manager, Kary Consultants

# Management discussion and analysis report

(Forming part of Directors' Report)

## 1. The global economy

The world weathered the deepest recession since 1939 with the proactive support from various Governments who have injected liquidity into banking and manufacturing sectors. The stimulus packages announced by the various countries to prop up economic growth and generate employment opportunities helped in the quick recovery of the economy. The recovery in the global economy is well under way and the predictions are that one can expect a positive growth of 3% to 4% in 2010-11. Many emerging countries have experienced the availability of cheap foreign funds. The revision in expected global growth rates by various monetary agencies supported by the increase in capital inflows and the strong rebound in global trade shows that the global economy has rebounded faster than expected.

Mature economies like US, Europe and Japan are likely to experience slow growth. However, China is back with high growth rate of 9% to 10%. The growth in domestic demand in China depends on the structural changes in the areas of Intellectual Property rights and patents to assure the global trade entities that their long term business interests are safe in China.

## 2. Indian manufacturing sector

Indian manufacturing performed well in the global recession period by registering a positive growth of 6% to 7%. The GDP growth in India for FY11 is projected to be around 7.5 %. The auto industry's growth rate is expected to be 30% to 35%. This is supported by high liquidity with high saving rates. Even with the gradual withdrawal of stimulus packages by Government of India, growth is accelerating with the increase in demand for consumer durables.

The down turn in the global market made Indian companies to focus on the domestic market and re-engineer their production process which enabled them to be competitive. Due to cash

inflows from global investors, the Indian manufacturing sector has access to capital at low cost. This has encouraged various Indian companies to look for growth opportunities both within and outside India. In line with growth projections, the Indian steel industry is expanding the existing steel production by putting up new steel plants and enhancing the capacities of existing plants. Indian steel production is expected to touch 110 million tonnes per year by 2012-13, which means doubling its production in three years.

## 3. Opportunities and threats

The domestic macroeconomic fundamentals continue to remain strong. With abundant liquidity in the market, with reasonable interest rates, the potential for growth is very high. With the government encouraging Public Private partnership in infrastructure, nuclear power generation and defence sector, Indian companies operating in these segments are looking to an era of rapid growth.

With the aggressive growth plans of Indian Railways for expansion, modernisation and replacement of old coaches and wagons, railways continue to provide exciting opportunities to companies like Pennar engaged in supply of products for railway wagons and coaches. The bounce back by the Indian auto industry is good news for your Company which is already supplying profiles, precision tubes, cold rolled steel strips and components for auto industry. With growth of automobile industry, Pennar will have good growth. However, the competition in the field of our activities is also growing. Any slowdown in infrastructure due to delay in projects or increase in the lending rates by banks may lead to slow down in business segment.

## 4. Risks and concerns

Pennar products are diverse and cater to a variety of segments which reduces the risk even in times of recession. The

diversified product mix helps Pennar to sustain growth. Our commodity product, cold rolled strips is under threat from the integrated steel plants which have put up service centres all across the country to deliver the products in small quantities. We are constantly looking for niche markets in this segment. Our strength has been to service thicker gauges and narrow widths as most of the service centres cannot meet this requirement.

### **5. Internal control systems and their adequacy**

The Company has in place effective internal controls 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. The internal audit reports, the quarterly and annual financial statements are placed before the Audit Committee of the Board, comprising three Directors, for their review, discussion and follow-up actions.

### **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 account of labour unrest. In view of its aggressive growth plans, the Company, during the year, augmented its manpower with experienced personnel in the technical, marketing and finance areas. The Company also took

steps for upgrading the knowledge base of the employees by continuous training. The Company continues to take care of the welfare of the employees. The Company organised camps to check the health of operatives and staff by ESI and other medical agencies.

### **7. Financial performance and internal controls**

During fiscal year 2009-10, the Company achieved new peaks in sales volume, revenues, margins and profits. With a view to achieve better results, your Company is focussing on value added products: profiles, engineering components, sub-assemblies for railway, infrastructure sector projects. Due to aggressive marketing efforts, aided by market growth, Pennar increased the sales volume from 97,000 metric tonnes to 1,33,473 metric tonnes, an increase of 37.60%. This helped the Company to achieve its highest ever sales turnover at Rs. 861.14 crores against Rs. 730.51 crores in the previous year. With its financial planning and tight control on account receivables, the Company is able to keep its financing cost low. The prudent finance management by the Company also helped to reduce the interest rates on working capital and term lending.

The long-term debt to equity ratio was brought down to 0.11 from previous year's figure of 0.17. With prudent product planning, cost control, reduced operating costs and optimum inventory controls, your Company is able to increase profit before tax by 265 basis points at 10.73 % on the net turnover as against 8.08 % for the previous year.

The Company's strong financial and operational performance during 2009-10 and the optimistic outlook about the Company's continued growth in the years to come enabled the Board to declare a dividend of 25% to its equity shareholders.

## Resources

The net current assets as on March 31, 2010 increased from Rs. 181.37 crores in 2008-09 to Rs. 200.42 crores.

(Rs. in lacs)

Particulars	2009-10 (12 M)	2008-09 (12 M)
<b>Sources of funds</b>		
a. Shareholders' funds	21,533	19,817
b. Loan funds	14,898	12,720
c. Deferred tax liability	407	–
<b>Total</b>	<b>36,838</b>	<b>32,537</b>
<b>Application of funds</b>		
a. Fixed assets (net)	14,899	13,452
b. Investments	1,850	–
c. Net current assets	20,042	18,137
d. Deferred tax/ miscellaneous expense, among others	47	948
<b>Total</b>	<b>36,838</b>	<b>32,537</b>

## The cash flow is given below

(Rs. in lacs)

Particulars	2009-10 (12 M)	2008-09 (12 M)
Profit from operations	7,703	5,230
Less: Increase in net working capital	1,318	4,769
Net cash flow from operating items (before extraordinary items)	6,385	461
Payments for assets acquisitions/investment	(4,789)	(1,747)
Cash flow from financing activities	(1,268)	766
Net cash inflow / (outflow)	328	(520)

The Company earned Rs. 77.03 crores cash inflow from operations. After meeting working capital requirements, the Company earned net cash inflow of Rs. 63.85 crores.

The profit before non-recurring items was Rs. 86.04 crores and Rs.0.37 crore was charged towards amortisation of preliminary expenses. After providing for tax liability, the net profit stood at Rs. 50.07 crores

## 8. Outlook

The country is expected to have a GDP growth of 8% to 9% in this year with focus on infrastructures and industrial production. Pennar's customers are in infrastructure and in the manufacturing sectors like automobile, railways and buildings. These segments are in growth phase. With diverse product range and established market, Pennar has bright prospects for growth during this year. Pennar is optimistic that it will have continuous and sustainable growth in the years to come.

# 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, Managing Director and Director - Projects. The Executive Chairman and the Managing 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 2009-10, the Board met seven times on April 27, 2009, July 3, 2009, July 18, 2009, October 30, 2009, December 18, 2009, January 18, 2010 and January 29, 2010.

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 August 19, 2009
1	Mr. Nrupender Rao	Promoter, Executive Chairman	7	6	Yes
2	Mr. Ravi Chachra	Non-Executive Director	7	5	No
3	Mr. C. Parthasarathy	Independent Non-Executive Director	7	2	Yes
6	Dr. G. Vivekanand	Independent Non-executive	7	2	Yes
7	Mr. B. Kamalaker Rao	Independent Non-Executive Director	7	7	Yes
8	Mr. C. Rangamani	Independent Non-Executive Director	7	5	Yes
9	Mr. A. Krishna Rao	Independent Director	7	7	Yes
10	Mr. P. Bhaskara Rao	Non-Executive Director	7	5	Yes
11	Mr. Ch. Anantha Reddy	Promoter, Managing Director	7	7	Yes
12	Mr. Aditya N Rao	Director – Projects	7	6	Yes



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	Director	Chairman	Member
1	Mr. Nrupender Rao	2	6	1	–
2	Mr. Ravi Chachra	–	1	–	–
3	Mr. C. Parthasarathy	6	12	–	–
4	Dr. G. Vivekanand	–	3	–	1
5	Mr. B. Kamalaker Rao	–	1	–	–
6	Mr. C. Rangamani	–	2	1	–
7	Mr. A. Krishna Rao	–	–	–	–
8	Mr. P. Bhaskara Rao	–	3	–	–
9	Mr. Ch. Anantha Reddy	–	–	–	–
10	Mr. Aditya N 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. B Kamalaker Rao- Member (Independent, Non-Executive Director)
3. Mr. A. Krishna Rao - Member (Independent, Non-Executive Director)
4. Mr. P. Bhaskara Rao - Member (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	6	5
2	*Mr. B Kamalaker Rao	2	2
3	Mr. A. Krishna Rao	6	6
4	Mr. P. Bhaskara Rao	6	5

\*Mr. B Kamalaker Rao was appointed as member of the Audit Committee with effect from January 18, 2010

**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 Remuneration Committee comprises

1. Mr. A. Krishna Rao - Chairman (Independent, Non-Executive Director)
2. \*Mr. B Kamalaker Rao- Member (Independent, Non-Executive Director)
3. Mr. C. Rangamani - Member (Independent, Non-

Executive Director)

4. Mr. P. Bhaskara Rao - Member (Non-Executive Director)

\*Mr. B Kamalaker Rao was appointed as member of the Remuneration Committee with effect from January 18, 2010

c) **Remuneration policy**

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

- d) 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 all the Director's for 2009-10 is given below

(Amount in Rupees)

Name of the Director	Designation	Salary	Commission	Provident fund, Superannuation fund and other perquisites	Sitting Fee	Total
Mr. Nrupender Rao	Executive Chairman	2,720,400	87,75,000	2,079,600	-	13,575,000
Mr. Ch. Anantha Reddy	Managing Director	3,008,400	-	1,680,438	-	4,688,838
Mr. Aditya N Rao	Director-Projects	1,776,000	-	624,000	-	2,400,000
Mr. Ravi Chachra	Non-Executive Director	-	-	-	17,500	-
Mr. C. Parthasarathy	Independent Non-Executive Director	-	-	-	7,000	-
Dr. G. Vivekanand	Independent Non-Executive Director	-	-	-	7,000	-

Name of the Director	Designation	Salary	Commission	Provident fund, Superannuation fund and other perquisites	Sitting Fee	Total
Mr. B. Kamalaker Rao	Independent Non-Executive Director	–	–	–	30,500	–
Mr. C. Rangamani	Independent Non-Executive Director	–	–	–	33,500	–
Mr. A. Krishna Rao	Independent Director	–	–	–	44,500	–
Mr. P. Bhaskara Rao	Non-Executive Director	–	–	–	–	–

## 5. Shareholders' / Investors' Grievances Committee

A committee of the Board, designated as 'Shareholder's/ Investor's Grievances Committee' has been 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, Independent Director. Other members include Mr. A. Krishna Rao, Independent Director,

Mr. P. Bhaskara Rao, Non-Executive Director and Mr. B Kamalaker Rao Independent Director.

b) Name and designation of Compliance Officer: Mr. R. Ravi, V.P Finance 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, 2010

### f) Details of meetings and attendance 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. B Kamalaker Rao	1	1
3	Mr. A. Krishna Rao	4	4
4	Mr. P. Bhaskara Rao	4	3

\*Mr. B Kamalaker Rao was appointed as member of the Shareholders' / Investors' Grievances Committee with effect from January 18, 2010

## 6. General body meetings

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

Date	Year	Type	Venue	Time
August 19, 2009	2008-09	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	10.30 am
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

### 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
August 19, 2009	No	-NA-
September 8, 2008	Yes	Appointment of Mr. Aditya N Rao, as Director – Projects, for a period of three years with effect from January 30, 2008
September 21, 2007	Yes	<ol style="list-style-type: none"><li>1. Giving the consent to voluntarily delist the Company's securities from the Hyderabad Stock Exchange Ltd, where the Company's shares were listed without giving an exit option to the shareholders of the region of the HSE</li><li>2. Appointment of Mr. Aditya N Rao as Corporate Planning Manager as per section 314 of the companies act, 1956</li><li>3. Amendment of Articles 3(b), 3(c), 24, 54, 65,81,110(i) and (ii), 132, 133,141, 142 of Article of Association</li><li>4. Article 106(iii) and Article 151 of the Articles of Association is deleted</li></ol>

c) Postal ballot: No postal ballot was conducted during 2009-10.

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

## 8. Means of communication

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

The results are also displayed on the Company's website [www.pennarindia.com](http://www.pennarindia.com)

### General information

1. Date, time and venue of Annual General Meeting	July 29, 2010 at 4.00 pm 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 : 29.7.2010 b) Results for the quarter ending June 30, 2010: Last week of July 2010 c) Results for the quarter ending September 30, 2010: Last week of October 2010 d) Results for the quarter ending December 31, 2010: Last week of January 2011 e) Results for the quarter ending March 31, 2011: Last week of April 2011
3. Date of book closure (both days inclusive)	July 28, 2010 to July 29, 2010 (both days inclusive)
4. Dividend payment due	28.08.2010
5. Listing on stock exchanges	The Bombay Stock Exchange Limited P. J. Towers, Dalal Street, Mumbai – 400001
6. Stock Code	Equity- 513228 0.01% cumulative redeemable preference shares- 700107
7. 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
8. 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
9. Communication regarding share transfers and other related correspondence	Karvy Computershare Pvt. Ltd. Plot no.17-24, Vithalrao Nagar, Madhapur, Hyderabad - 500081, Phone: 040 23420818 – 828, Fax: 040 23420814 E-mail: mailmanager@karvy.com / ksreddy@karvy.com Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants
10. 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, V P Finance and Company Secretary was placed at the meeting of the Board of Directors held on May 27, 2010.

#### 10. Distribution of shareholding as on March 31, 2010 was as under

Sl. no.	Category	Numbers of shareholders	% of shareholders	Number of shares	% of shares
1.	1 to 5000	28,218	90.69	6,440,244	5.28
2.	5001-10000	1,237	3.98	1,979,433	1.62
3.	10001-20000	672	2.16	1,972,995	1.62
4.	20001-30000	344	1.10	1,733,530	1.42
5.	30001-40000	97	0.31	694,455	0.57
6.	40001-50000	134	0.43	1,293,687	1.06
7.	50001-100000	169	0.54	2,525,270	2.07
8.	100001 & Above	245	0.79	105,384,386	86.36
	<b>Total</b>	<b>31,116</b>	<b>100.00</b>	<b>122,024,000</b>	<b>100.00</b>

#### Shareholding Pattern as on March 31, 2010 was as under

Sl. no.	Particulars	No. of Shares	% to total shares
1	Promoter and Promoter Group	45,665,030	37.42
2	Mutual Funds/ UTI	6,904	0.01
3	Financial Institutions / Banks	858	0.00
4	Insurance Companies	1,249,005	1.02
5	Foreign Institutional Investors	20,050,659	16.43
6	Foreign Funds	8,711,200	7.14
7	Bodies Corporate	19,306,088	15.82
8	Individuals	25,955,147	21.28
9	NRI	1,079,109	0.88
	<b>Total</b>	<b>122,024,000</b>	<b>100.00</b>

#### 11. Dematerialisation of shares and Liquidity

##### 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. 97.74% of equity shares are held in dematerialized form as on 31.03.2010.

## 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. 82.49 % of 0.01% cumulative redeemable preference shares are held in dematerialised form as on 31.03.2010.

## 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

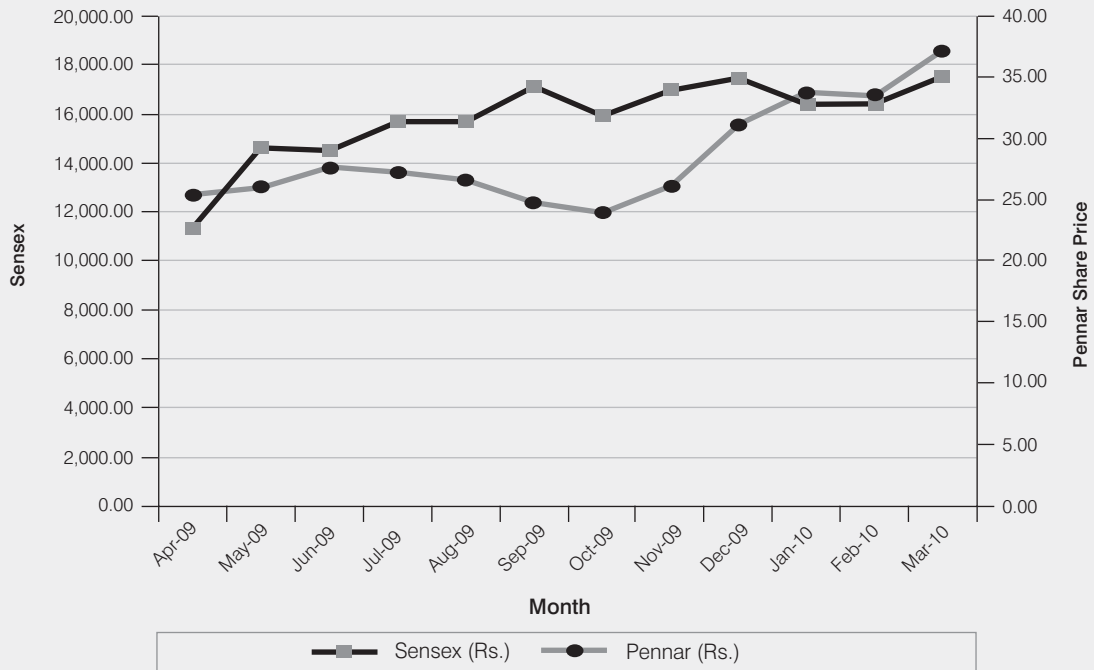
The Company's shares are traded on The Bombay Stock Exchange.

Monthly high and low quotations and volume of equity shares traded on Bombay Stock Exchange Limited (BSE) for 2009-10 were as follows

Month	High (Rs)	Low (Rs)	Volume
April 2009	25.35	19.1	495,130
May 2009	28.9	22.65	1,167,710
June 2009	28.75	21.1	1,271,449
July 2009	29.6	22.55	1,264,281
August 2009	30.9	24	11,228,844
September 2009	28.5	23.25	31,906,443
October 2009	26.1	22.5	6,297,445
November 2009	26.5	23	5,994,818
December 2009	32.9	25.65	15,891,310
January 2010	36.9	27.7	23,666,687
February 2010	38.65	31.25	11,651,751
March 2010	39.9	33.1	8,343,745

(Source: [www.bseindia.com](http://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, 2010

For Pennar Industries Limited

Place: Hyderabad  
Date: May 27, 2010

**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, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been 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*  
*Registration No. 002976S*

Place : Hyderabad  
Date : 27th May, 2010

**Ravi Rambabu**  
*Partner*  
M. No : 18541



# Financial sections

# Auditors' Report

To  
The Members  
**Pennar Industries Limited**  
Hyderabad

We have audited the attached Balance Sheet of PENNAR INDUSTRIES LIMITED, HYDERABAD, as at 31st March, 2010 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 31st March, 2010 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 31st March, 2010
  - 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 31st March, 2010.

For **Rambabu & Co.**,  
*Chartered Accountants*  
Registration No. 002976S

**Ravi Rambabu**  
*Partner*

Place : Hyderabad  
Date : 27th May, 2010

Membership No: 18541



## 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) The Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
  - (b) As the Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the rate of interest and other terms and conditions on which Company has taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 does not arise.
  - (c) As the Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the regular payment/receipt of the principal and interest amounts as stipulated does not arise.
- (d) As the Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the steps taken for recovery/payment of the Principal and interest on overdue amount of more than one lakh does not arise.
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 and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

## 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.
- (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 31st March, 2010 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. 437.4 lakhs of Sales tax, Customs duty, and interest which have not been deposited on account of dispute as given below:

S. No.	Nature of the Statute	Nature of Dues	Forum where dispute is pending	Amount (Rs. in Lakhs)
1	Customs Act, 1962	Customs Duty & Interest	The Commissioner of Customs (Exports)	62.3
2	Customs Act, 1962	Interest on Customs Duty Paid	The Commissioner of Customs (Appeals)	44.7
3	Customs Act, 1962	Customs Duty & Interest	The Supreme Court of India	165.1
4.	A.P. VAT Act, 2005	Entry Tax on Cix	The Supreme Court of India	165.3
<b>Total</b>				<b>437.4</b>

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. According to the information and explanations given to us, the Company has given corporate guarantee for securing loans taken by the Pennar Engineered Building Systems Ltd (PEBSL) from State Bank of India to the tune of Rs. 61.00 crores and further the company has provided collateral security by way of lien on fixed deposits of Rs. 200 lakhs and pledge of 61,50,000 shares of Pennar Engineered Building Systems Ltd amounting to Rs. 615 Lakhs for securing the said loan.
16. In our opinion, during the year the company has raised fresh term loans upto an amount of Rs.1000 lakhs from Axis Bank and the same were applied for the purpose for which the loans were obtained.
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. 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.
19. In our opinion, the Company has not raised money by way of public issue for any specific purpose during the year.
20. 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
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  
Registration No. 002976S

**Ravi Rambabu**  
Partner

Place : Hyderabad  
Date : 27th May, 2010

Membership No: 18541

**Balance Sheet** As at 31st March 2010

(Amount in Rupees)

S.No	Particulars	Schedule No	As at 31.03.2010	As at 31.03.2009
<b>I</b>	<b>SOURCES OF FUNDS</b>			
<b>1</b>	<b>Shareholders' Funds</b>			
a	Share Capital	1	697,886,495	720,153,890
b	Reserves & Surplus	2	1,455,496,438	1,261,602,280
<b>2</b>	<b>Loan Funds</b>			
a	Secured Loans	3	1,256,886,035	1,067,867,241
b	Unsecured Loans	4	232,921,008	204,144,600
<b>3</b>	<b>Deferred Tax Liability</b>		40,673,788	–
	<b>Total of 1 to 3</b>		<b>3,683,863,764</b>	<b>3,253,768,011</b>
<b>II</b>	<b>APPLICATION OF FUNDS</b>			
<b>1</b>	<b>Fixed Assets</b>	5		
a	Gross Block		2,823,181,568	2,615,565,562
b	Less : Depreciation		1,419,575,930	1,270,343,782
c	Net Block		1,403,605,638	1,345,221,780
d	Add : C W I P		86,298,326	–
e			1,489,903,964	1,345,221,780
<b>2</b>	<b>Investments</b>	6	185,026,890	26,890
<b>3</b>	<b>Deferred Tax Asset</b>		–	86,526,212
<b>4</b>	<b>Current Assets, Loans and Advances</b>			
a	Inventories	7	1,180,612,146	726,823,103
b	Sundry Debtors	8	1,166,365,746	958,602,834
c	Cash & Bank Balances	9	109,492,238	73,525,218
d	Loans & Advances	10	434,118,115	464,748,388
			2,890,588,245	2,223,699,543
	<b>Less : Current Liabilities &amp; Provisions</b>	11		
a	Current Liabilities		457,968,233	169,924,377
b	Provisions		428,374,956	240,129,737
			886,343,189	410,054,114
	Net Current Assets		2,004,245,056	1,813,645,429
<b>5</b>	<b>Miscellaneous Expenditure</b> (to the extent not written off / adjusted )	12	4,687,854	8,347,700
	<b>Total of 1 to 5</b>		<b>3,683,863,764</b>	<b>3,253,768,011</b>
<b>6</b>	<b>Notes on Accounts</b>	19		
	Schedules 1 to 19 annexed form part of accounts			

As per our report of even date

For Rambabu &amp; Co.,

Chartered Accountants

Registration No. 002976S

For and on behalf of the Board

Nrupender Rao

Executive Chairman

Ch. Anantha Reddy

Managing Director

Ravi Rambabu

Partner

Membership No. 18541

Place : Hyderabad

Date : May 27, 2010

R Ravi

V.P. Finance and Company Secretary

Aditya N Rao

Director - Projects

## Profit and Loss Account For the year ended 31st March 2010

(Amount in Rupees)

S.No	Particulars	Schedule No	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>1</b>	<b>INCOME</b>			
a	Sales			
	Domestic Sales		8,603,252,025	7,301,525,895
	Export Sales		8,136,246	3,639,656
			8,611,388,271	7,305,165,551
	Less : Excise Duty		631,785,189	772,436,020
	Net Sales		7,979,603,082	6,532,729,531
b	Other Income	13	4,172,743	3,179,536
	<b>Total Income</b>		<b>7,983,775,825</b>	<b>6,535,909,067</b>
<b>2</b>	<b>EXPENDITURE</b>			
a	Raw Material Consumed	14	5,502,073,071	4,693,449,086
b	Personnel Cost	15	257,567,461	209,865,361
c	Other Manufacturing costs	16	505,509,303	353,644,442
d	Administrative & Selling Expenses	17	620,607,874	520,748,308
			6,885,757,709	5,777,707,197
<b>3</b>	<b>Profit before Interest, Depreciation &amp; Tax</b>		<b>1,098,018,116</b>	<b>758,201,870</b>
a	Financing Costs	18	113,710,993	141,445,813
b	Depreciation		123,904,921	84,987,032
c	Preliminary Expenditure written off		3,659,846	3,659,846
			241,275,760	230,092,691
<b>4</b>	<b>Profit before Tax</b>		<b>856,742,356</b>	<b>528,109,179</b>
<b>5</b>	<b>Taxes</b>			
a	Deferred Tax Liability		127,200,000	85,800,000
b	Income Tax			
	2009-10		226,587,000	-
	2008-09		2,253,621	59,800,000
c	Fringe Benefit Tax		-	1,620,190
<b>6</b>	<b>Net Profit after Tax</b>		<b>500,701,735</b>	<b>380,888,989</b>
<b>7</b>	<b>Profit / ( Loss ) brought Forward</b>		<b>200,368,033</b>	<b>17,488,591</b>
<b>8</b>	<b>Profit available for Appropriations</b>		<b>701,069,768</b>	<b>398,377,580</b>
<b>9</b>	<b>APPROPRIATIONS</b>			
a	Equity Dividend		153,182,576	126,477,479
b	Preference Dividend		8,777	31,813
c	Dividend Distribution Tax		26,034,872	21,500,255
d	General Reserve		50,500,000	50,000,000
e	Capital Redemption Reserve		22,267,395	-
f	Profit carried forward		449,076,148	200,368,033
			701,069,768	398,377,580
<b>10</b>	<b>Notes on Accounts</b>	19		
	Schedules 1 to 19 annexed form part of accounts			

As per our report of even date

For Rambabu & Co.,  
Chartered Accountants  
Registration No. 002976S

Ravi Rambabu  
Partner  
Membership No. 18541

Place : Hyderabad  
Date : May 27, 2010

R Ravi  
V.P. Finance and Company Secretary

For and on behalf of the Board

Nrupender Rao  
Executive Chairman

Ch. Anantha Reddy  
Managing Director

Aditya N Rao  
Director - Projects

**Cash Flow Statement** For the year ended 31st March 2010

(Rupees in Lacs)

S.No	Particulars	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>A</b>	<b>Cash Flow from operating activities :</b>		
a	Net Profit before Interest & Depreciation (EBIDT)	10,980.18	7,582.00
b	Income Tax	2,139.54	901.60
c	Loss from Investments	-	2.00
d	Operating Profit before working capital changes	8,840.64	6,682.40
	<b>Adjustments for :</b>		
e	Trade and other receivables	(2,077.63)	(1,516.50)
f	Inventories	(4,537.89)	25.70
g	Loans and Advances	2,454.52	(1,212.90)
h	Trade payables	2,842.94	(2,065.40)
i	Cash generated from operations	7,522.58	1,913.30
j	Less : Interest paid	(1,137.11)	(1,452.00)
k	<b>Net Cash from operating activities " A "</b>	<b>6,385.47</b>	<b>461.30</b>
<b>B</b>	<b>Net Cash from Investing activities :</b>		
a	(Purchase) / Sale of fixed assets	(2,939.14)	(1,756.50)
b	(Purchase) / Sale of Investments	(1,850.00)	8.70
c	<b>Net cash used in investing activities " B "</b>	<b>(4,789.14)</b>	<b>(1,747.80)</b>
<b>C</b>	<b>Cash Flow from financing activities</b>		
a	Share Capital / Share Premium	(1,245.22)	-
b	Proceeds from short term borrowings	287.76	239.80
c	Proceeds from long term borrowings - (Net of payments)	1,890.19	526.60
d	Dividends paid	(2,201.55)	-
e	<b>Net Cash used in financing activities " C "</b>	<b>(1,268.82)</b>	<b>766.40</b>
<b>D</b>	<b>Net ( Decrease ) / Increase in Cash and Cash Equivalents ( A + B + C )</b>	<b>327.51</b>	<b>(520.10)</b>
	Cash and Cash Equivalents at the beginning	285.10	805.20
	Cash and Cash Equivalents at the end	612.61	285.10

As per our report of even date

**For Rambabu & Co.,**  
Chartered Accountants  
Registration No. 002976S

**Ravi Rambabu**  
Partner  
Membership No. 18541  
Place : Hyderabad  
Date : May 27, 2010

**R Ravi**  
V.P. Finance and Company Secretary

For and on behalf of the Board

**Nrupender Rao**  
Executive Chairman

**Ch. Anantha Reddy**  
Managing Director

**Aditya N Rao**  
Director - Projects



## Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
<b>Equity</b>		
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
<b>Preference</b>		
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
	<b>1,000,000,000</b>	<b>1,000,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
<b>Equity</b>		
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
Less: Buy back of 4453479 shares of Rs. 5/- each Refer Note 2 of Schedule 19 (II)	22,267,395	-
12,20,24,000 (previous year 12,64,77,479) Equity Shares of Rs. 5/- each		
	<b>610,120,000</b>	<b>632,387,395</b>
<b>Preference - Series B</b>		
1,75,53,299 Cumulative redeemable Preference Shares of Rs. 5/- each	87,766,495	87,766,495
<b>Total</b>	<b>697,886,495</b>	<b>720,153,890</b>

	Balance on 01.04.2009	Additions during 2009 - 10	Deductions during 2009 - 10	Balance on 31.03.2010
<b>SCHEDULE 2 RESERVES &amp; SURPLUS</b>				
<b>I. Reserves</b>				
a. Share Premium*	633,297,813	-	102,254,125	531,043,688
b. Profit on forfeiture of shares	618,209	-	-	618,209
c. General Reserve	50,000,000	50,500,000	-	100,500,000
d. Capital Redemption Reserve*	-	22,267,395	-	22,267,395
e. Profit & Loss Account	200,368,033	248,708,115	-	449,076,148
<b>Sub Total - 1</b>	<b>884,284,055</b>	<b>321,475,510</b>	<b>102,254,125</b>	<b>1,103,505,440</b>
<b>II. Revaluation Reserve</b>	377,318,225	-	25,327,227	351,990,998
<b>Total</b>	<b>1,261,602,280</b>	<b>321,475,510</b>	<b>127,581,352</b>	<b>1,455,496,438</b>

\*Refer Note 2 of Schedule 19 (II)



## Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 3 SECURED LOANS</b>		
<b>Term Loans</b>		
Axis Bank	177,255,561	240,000,000
I F C I	21,802,500	26,252,500
	<b>199,058,061</b>	<b>266,252,500</b>
<b>Cash Credit from Banks</b>		
State Bank of India	689,856,633	589,968,338
Axis Bank	251,201,716	137,953,294
State Bank of Patiala	115,322,281	70,875,765
	<b>1,056,380,630</b>	<b>798,797,397</b>
Lease Liability on assets	1,447,344	2,817,344
<b>Total</b>	<b>1,256,886,035</b>	<b>1,067,867,241</b>

### SCHEDULE 4 UNSECURED LOANS

Fixed Deposits	1,631,446	1,801,400
Sales Tax Deferment Loan	227,077,309	193,548,238
Unsecured Loans - Others	4,212,253	8,794,962
<b>Total</b>	<b>232,921,008</b>	<b>204,144,600</b>

### SCHEDULE 5 FIXED ASSETS

Particulars	Gross Block			Depreciation			Net Block	
	Gross as on 01.04.2009	Additions 2009-10	Gross as on 31.03.2010	As on 01.04.2009	For the year 31.03.2010	As on 31.03.2010	As on 31.03.2010	As on 01.04.2009
Freehold Land	87,270,244	–	87,270,244	–	–	–	87,270,244	87,270,244
Roads	18,941,771	987,779	19,929,550	973,251	309,516	1,282,767	18,646,783	17,968,520
Buildings	457,350,904	12,157,362	469,508,266	137,775,250	13,986,884	151,762,134	317,746,132	319,575,654
Plant & Machinery	1,817,618,868	169,916,722	1,987,535,590	1,038,239,795	115,173,071	1,153,412,866	834,122,724	779,379,073
Factory Equipments	170,231,815	15,048,899	185,280,714	64,335,277	12,516,966	76,852,243	108,428,471	105,896,538
Office Equipments	18,001,304	2,081,125	20,082,429	10,229,154	889,835	11,118,989	8,963,440	1,911,481
Computers	31,162,818	5,021,460	36,184,278	12,533,078	3,983,800	16,516,878	19,667,400	7,772,150
Furniture & Fittings	5,706,720	259,250	5,965,970	3,795,239	477,573	4,272,812	1,693,158	18,629,740
Vehicles	5,243,713	2,143,409	7,387,122	1,116,936	548,701	1,665,637	5,721,485	4,126,777
<b>Sub Total-1</b>	<b>2,611,528,157</b>	<b>207,616,006</b>	<b>2,819,144,163</b>	<b>1,268,997,980</b>	<b>147,886,346</b>	<b>1,416,884,326</b>	<b>1,402,259,837</b>	<b>1,342,530,177</b>
Leased Assets (Computer Accessories)	4,037,405	–	4,037,405	1,345,802	1,345,802	2,691,604	1,345,801	2,691,603
<b>Total</b>	<b>2,615,565,562</b>	<b>207,616,006</b>	<b>2,823,181,568</b>	<b>1,270,343,782</b>	<b>149,232,148</b>	<b>1,419,575,930</b>	<b>1,403,605,638</b>	<b>1,345,221,780</b>
Previous Year	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

## Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 6 INVESTMENTS</b>		
<b>Unquoted (at cost)</b>		
1,85,00,000 Equity Shares of Rs. 10/- each fully paid in Pennar Engineered Building Systems Limited	185,000,000	–
2689 Equity Shares of Rs. 10/- each fully paid in Patancheru Enviro-Tech Limited	26,890	26,890
<b>Total</b>	<b>185,026,890</b>	<b>26,890</b>

### SCHEDULE 7 INVENTORIES (As valued and certified by Management)

Raw Material	254,441,809	106,797,205
Stores & Spares	272,141,824	215,593,710
Work in Progress	460,611,787	374,770,292
Finished Goods	186,822,307	26,065,253
Scrap	6,594,419	3,596,643
<b>Total</b>	<b>1,180,612,146</b>	<b>726,823,103</b>

### SCHEDULE 8 SUNDRY DEBTORS (Unsecured and considered good)

Outstanding for more than 6 months	20,954,000	42,710,848
Outstanding for less than 6 months	1,145,411,746	915,891,986
<b>Total</b>	<b>1,166,365,746</b>	<b>958,602,834</b>

### SCHEDULE 9 CASH AND BANK BALANCES

Cash & Cheques in hand	950,632	1,055,036
Bank Balances with scheduled banks		
In Current Accounts	6,342,059	8,322,452
Collection account	53,968,037	19,136,784
Margin Money accounts	28,231,510	45,010,946
Fixed Deposit	20,000,000	–
<b>Total</b>	<b>109,492,238</b>	<b>73,525,218</b>

## Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 10 LOANS &amp; ADVANCES</b>		
<b>(Unsecured, considered good, recoverable in cash or in kind for value to be received)</b>		
Loans & Advances to Staff	791,127	1,894,011
Advances to Suppliers	90,424,278	219,295,649
Advance to associate companies	-	104,000,000
Advances to Others	8,150,653	35,008,502
Other Deposits	26,530,532	14,392,773
Prepaid Taxes	308,221,525	90,157,453
<b>Total</b>	<b>434,118,115</b>	<b>464,748,388</b>

### SCHEDULE 11 CURRENT LIABILITIES & PROVISIONS

<b>a. Current Liabilities</b>		
Sundry Creditors	351,343,937	113,144,254
Unclaimed Dividend	2,333,339	-
Other Liabilities	104,290,957	56,780,123
	<b>457,968,233</b>	<b>169,924,377</b>
<b>b. Provisions</b>		
Provision for Income Tax	321,293,202	90,500,000
Provision for F B T	-	1,620,190
Provision for Equity Dividend	91,518,000	126,477,479
Provision for Preference Dividend	8,777	31,813
Provision for Dividend Distribution Tax	15,554,977	21,500,255
	<b>428,374,956</b>	<b>240,129,737</b>
<b>Total</b>	<b>886,343,189</b>	<b>410,054,114</b>

### SCHEDULE 12 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

<b>a. Preliminary &amp; Share Issue Expenses</b>		
Opening Balance	1,830,478	2,135,478
Less : Written off during the year	305,000	305,000
	<b>1,525,478</b>	<b>1,830,478</b>
<b>b. Deferred Revenue Expenditure</b>		
Opening Balance	6,517,222	9,872,068
Less : Written off during the year	3,354,846	3,354,846
	<b>3,162,376</b>	<b>6,517,222</b>
<b>Total</b>	<b>4,687,854</b>	<b>8,347,700</b>

## Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	Year ended 31.03.2010	Year ended 31.03.2009
<b>SCHEDULE 13 OTHER INCOME</b>		
Miscellaneous Income	1,407,255	606,495
Rent received {Gross, inclusive of TDS of Rs. 185,190 (previous year - Rs. 257,960)}	1,171,897	1,104,000
Interest Income {Gross, inclusive of TDS of Rs. 141,823 (previous year - Rs. 144,303)}	1,583,435	1,213,613
Gain on Exchange Fluctuations	10,156	255,428
<b>Total</b>	<b>4,172,743</b>	<b>3,179,536</b>

### SCHEDULE 14 RAW MATERIAL CONSUMED

<b>(a) Raw Material consumed</b>		
Opening Stocks	106,797,205	174,782,226
Add : Purchases	5,899,314,000	4,660,508,620
	<b>6,006,111,205</b>	<b>4,835,290,846</b>
Less : Closing Stocks	254,441,809	106,797,205
<b>Raw Material consumed - ( 1 )</b>	<b>5,751,669,396</b>	<b>4,728,493,641</b>
<b>(b) (Increase) / Decrease in Stocks (other than raw material)</b>		
<b>Opening Stocks</b>		
Work in Progress	374,770,292	312,430,303
Finished Goods	26,065,253	50,929,940
Scrap	3,596,643	6,027,390
	<b>404,432,188</b>	<b>369,387,633</b>
<b>Closing Stocks</b>		
Work in Progress	460,611,787	374,770,292
Finished Goods	186,822,307	26,065,253
Scrap	6,594,419	3,596,643
	<b>654,028,513</b>	<b>404,432,188</b>
<b>Increase) / Decrease in Stocks - ( 2 )</b>	<b>(249,596,325)</b>	<b>(35,044,555)</b>
<b>Total Material consumed</b>	<b>5,502,073,071</b>	<b>4,693,449,086</b>

### SCHEDULE 15 PERSONNEL COST

Salaries & Wages	209,062,428	179,690,179
Contribution to PF & Super Annuation	20,546,296	10,760,540
Staff Welfare Expenses	27,958,737	19,414,642
<b>Total</b>	<b>257,567,461</b>	<b>209,865,361</b>



## Schedules forming part of the Profit and Loss Account

*(Amount in Rupees)*

	Year ended 31.03.2010	Year ended 31.03.2009
<b>SCHEDULE 16 OTHER MANUFACTURING COSTS</b>		
Sub Contract Expenses	118,715,170	92,935,983
Stores & Spares	283,695,740	191,054,123
Power	70,013,279	56,423,558
Repairs & Maintenance		
Buildings	7,746,654	259,405
Plant & Machinery	14,917,309	4,505,495
Others	965,982	531,810
Miscellaneous manufacturing expenses	9,455,169	7,934,068
<b>Total</b>	<b>505,509,303</b>	<b>353,644,442</b>

**SCHEDULE 17 ADMINISTRATIVE & SELLING EXPENSES**

Insurance	546,030	2,596,452
Sales Tax	266,673,491	240,283,805
Travelling & Conveyance	29,894,122	23,970,497
Rent	2,566,880	2,325,806
Rates & Taxes	1,263,472	3,048,227
Advertisement & Sales Promotion	10,276,789	5,743,036
Sales Commission	51,751,603	17,225,748
Communication Expenses	3,614,773	3,559,371
Bank Charges	44,740,175	54,111,161
Freight Outward	147,234,722	117,836,181
Technical, Legal & Professional	17,444,656	10,103,827
Managerial Remuneration	20,663,838	17,043,158
Directors' Fees & Expenses	647,132	574,567
Printing & Stationery	2,596,806	2,288,378
Bad Debts written off	1,359,824	3,453,919
Investments written off	-	200,000
Auditors' Remuneration	1,500,000	1,250,000
Miscellaneous Expenses	17,833,561	15,134,175
<b>Total</b>	<b>620,607,874</b>	<b>520,748,308</b>

**SCHEDULE 18 FINANCING COST**

Interest on Term Loans & Debentures	25,112,995	41,240,671
Interest on Working Capital	88,597,998	100,205,142
<b>Total</b>	<b>113,710,993</b>	<b>141,445,813</b>

## 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, stores and spares have been valued at cost.
- ii) Finished goods have 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.

##### 10) Employee Benefits:

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

The company provides for retirement benefits in the form of gratuity and leave encashment based on valuations, as at the balance sheet date, made by independent actuaries.



## Schedules forming part of the Accounts

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

#### 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 Lacs unless otherwise stated).

### 1. Contingent Liabilities:

(Rs. in Lacs)

	As at 31.03.2010	As at 31.03.2009
i) Bank Guarantees given by Banks	292.3	261.4
ii) Corporate Guarantee given for Loans taken by subsidiary	6100.0	-
iii) Claims by Customs & Sales Tax	437.4	437.4
iv) Estimated amount of Contracts remaining to be executed on Capital account and not Provided for (net of advances)	481.4	-
v) *Claims Contested by the company	-	81.0

\* The claims contested by the company amounting to Rs. 81 lacs 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. During the year, the company received discharge certificate from the working capital banker as the matter has been settled by the original promoters of NSL Limited.

### 2. Buyback of equity shares:

Pursuant to the Board of Directors approval for buyback of equity shares under section 77A of the Companies Act, 1956, the Company has bought back 44,53,479 equity shares of Rs. 5/- each through open market transactions for an aggregate amount of Rs. 12,45,21,520/-. Out of the said Rs. 12,45,21,520/-, an amount of Rs. 10,22,54,125/- has been debited to share premium account and the balance amount of Rs. 2,22,67,395/- has been reduced from share capital account.

The Capital Redemption Reserve has been created out of current year profits for Rs. 2,22,67,395/- being the nominal value of shares bought back in terms of section 77AA of the Companies Act, 1956.

### 3. 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.



## Schedules forming part of the Accounts

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

(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 2009-10.

#### 4. Secured Loans:

a) Term Loans by Axis Bank and IFCL 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) A Term Loan of Rs. 767 Lacs has been availed from Axis Bank during the year.

d) The above loans as mentioned in (a) to (c) are guaranteed by a director of the company in his personal capacity.

#### 5. Corporate Guarantee:

Corporate guarantee to the tune of Rs. 61 crores has been given to State Bank of India for loans taken by its subsidiary M/s Pennar Engineered Building Systems Limited (PEBS). The company also provided a collateral security, a lien on fixed deposit of Rs. 2 crores and pledge of shares of Pennar Engineered Building Systems Limited to the extent of 61,50,000 shares amounting to Rs. 6.15 crores.

#### 6. Investments:

During the year the company has been allotted 185 Lacs equity shares of Rs. 10/- each at par in Pennar Engineered Building Systems Limited, a subsidiary.

#### 7. 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	Rs. in Lacs
1	Customs Act, 1962	Customs duty & Interest	The Commissioner of Customs (Exports)	62.3
2	Customs Act, 1962	Interest on Customs duty paid	The Commissioner of Customs (Appeals)	44.7
3	Customs Act, 1962	Customs duty & Interest	The Supreme Court of India	165.1
4	AP VAT Act	Entry Tax on Cix	The Supreme Court of India	165.3
<b>Total</b>				<b>437.4</b>

#### 8. 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.

#### 9. Particulars of Managerial Remuneration:

(Rs. in Lacs)

Name of the Director	Designation	Salary	Provident fund, Superannuation fund and other perquisites	Commission
Mr. Nrupender Rao	Executive Chairman	27.20	20.80	87.75
Mr. Ch. Anantha Reddy	Managing Director	30.08	16.80	-
Mr. Aditya N Rao	Director-Projects	17.76	6.24	-



## Schedules forming part of the Accounts

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

(Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
<b>Computation of net profits in accordance with Sections 198 &amp; 309 (5) of the Companies Act, 1956 and commission payable to directors:</b>		
Net Profit before tax	8,567.42	5,281.10
Add : Directors' Remuneration & commission & Sitting fees	208.03	170.40
Investment written off	–	2.00
<b>Net Profit for Section 349 of the Companies Act, 1956</b>	<b>8,775.45</b>	<b>5,453.50</b>
Maximum Remuneration payable to whole time directors @ 10%	877.54	545.35
<b>Commission payable to Executive Chairman</b>		
Net Profit as above	8,775.45	5,453.50
Commission @ 1 %	87.75	54.53

#### 10. Auditors' Remuneration (Excluding Service Tax): (Rs. in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
Audit Fees	12.5	10.0
Tax Audit Fees	2.0	2.0
Certification & others	0.5	0.5
	<b>15.0</b>	<b>12.5</b>

#### 11. Related Party Disclosures:

##### a) Names of Related Parties

- |  |   |  |
|--|---|--|
| i) Associate Companies                     | : | Pennar Engineered Building Systems Limited |
|  | : | Pennar Chemical Limited                    |
|  | : | Pennar Aluminium Company Limited           |
|  | : | Karvy Computershare Private Limited        |
| ii) Key Management personnel               | : | Mr. Nrupender Rao                          |
|  | : | Mr. Ch. Anantha Reddy                      |
| iii) Relatives of Key Management Personnel | : | Mr. Aditya N Rao                           |
|  | : | Mrs J Rajya Lakshmi -Spouse of             |
|  | : | Mr. Nrupender Rao                          |
|  | : | Mrs. Ch.Prabha - Spouse of                 |
|  | : | Mr. Anantha Reddy                          |

##### b) Aggregated related party transactions

(Rs. in Lacs)

Sl no	Particulars	Associate Companies	Key Management Personnel	Relatives of Key Management personnel
1	Purchases made during the year	269.19	–	–
2	Sales during the year	1245.18	–	–
3	Advances made	–	–	–
4	Remuneration	–	199.43	–
5	Rent	–	7.20	15.00
6	Other Services received	53.94	–	3.12
7	Other Services done	38.55	–	–
8	Balance on 31.03.2010	123.34	–	–

## Schedules forming part of the Accounts

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

#### 12. Finance Lease:

With regard to the finance lease entered into by the company, in respect of computer accessories, the minimum lease rentals outstanding as on 31.03.2010 is Rs. 15.27 Lacs which is detailed below: (Rs. in Lacs)

	Total Minimum Lease Rentals Outstanding as on 31.03.2010	Future Interest on Outstanding Lease Payments as on 31.03.2010	Present Value of MLPs as on 31.03.2010
Within one year	15.27	0.80	14.47
Later than one year but not later than 5 years	-	-	-
<b>Total</b>	<b>15.27</b>	<b>0.80</b>	<b>14.47</b>

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

	Year ended 31.03.2010	Year ended 31.03.2009
a) Licenced capacity:	Delicensed	Delicensed
b) Installed capacity (as certified by the Management)		
(i) Cold Rolled Steel Strips (Tonnes per annum)	110,000	104,000
(ii) Cold Formed Metal Profiles & Pressed Components (Tonnes per annum)	105,000	96,000

	As on 31.03.2010		As on 31.03.2009	
	Quantity (Tonnes)	Value (Rs. Lacs)	Quantity (Tonnes)	Value (Rs. Lacs)
c) Opening Stock of Finished Goods				
(i) Cold Rolled Steel Strips	233	86.0	686	310.9
(ii) Cold Formed Metal Profiles	410	174.7	380	198.4
	<b>643</b>	<b>260.7</b>	<b>1,066</b>	<b>509.3</b>
d) Closing Stock of Finished Goods				
(i) Cold Rolled Steel Strips	818	365.4	233	86.0
(ii) Cold Formed Metal Profiles	1,976	1,502.8	410	174.7
	<b>2,794</b>	<b>1,868.2</b>	<b>643</b>	<b>260.7</b>

	Year ended 31.03.2010	Year ended 31.03.2009
e) Production (Tonnes)		
(i) Cold Rolled Steel Strips	1,03,749	70,583
{Including captive consumption of 51,127 tonnes and jobwork of 2002 tonnes for Press Shop and Cold Formed Metal Profiles (Previous period 35950 mt & 903 mt respectively)}		
(ii) Cold Formed Metal Profiles and Pressed Components	86,760	66,442
{including jobwork of 1756 tonnes (Previous period 3595 tonnes)}		



## Schedules forming part of the Accounts

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

	As on 31.03.2010		As on 31.03.2009	
	Quantity (Tonnes)	Value (Rs. Lacs)	Quantity (Tonnes)	Value (Rs. Lacs)
<b>f) Sales</b>				
i) Cold Rolled Steel Strips	50035	21546.8	34183	19137.4
ii) Cold Formed Metal Profiles and Pressed Components	83438	60741.3	62817	50337.5
iii) Product Scrap	-	2698.7	-	2697.0
iv) Conversion	-	1127.0	-	879.7
		<b>86113.8</b>		<b>73051.6</b>
<b>g) Raw Materials consumed</b>	152,700	57591.0	108335	47284.9
<b>h) Raw Materials consumed</b>	%		%	
Imported	0.05	28.3	0.27	125.9
Indigenous	99.95	57562.7	99.73	47159.0
	<b>100.00</b>	<b>57591.0</b>	<b>100.00</b>	<b>47284.9</b>

#### 14. 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.

#### 15. Foreign Currency Transactions:

(Rs. in Lacs)

SI No	Particulars	Year ended 31.03.2010	Year ended 31.03.2009
(a)	Outflow in foreign currency		
i)	Foreign Travel Expenses	7.3	3.7
ii)	Raw Material	19.6	-
iii)	Capital Equipment & Components	129.2	358.1
(b)	Inflow in foreign currency		
i)	FOB value of exports	85.1	199.1

#### 16. Deferred Tax Liability:

(Rs. in Lacs)

	31.03.2010	31.03.2009
<b>a. Deferred Tax Liability</b>		
On a/c of Depreciation	1272	1373
On A/c of MAT Credit available	-	515
<b>Net Deferred Tax Liability</b>	<b>1272</b>	<b>858</b>

#### 17. Unsecured Loans:

##### a. Fixed Deposits

No fresh deposits were accepted during the year. The amount of Rs. 16.3 Lacs (Previous year Rs. 18.1 Lacs) outstanding at the year end is against claims not received by the company

## Schedules forming part of the Accounts

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

#### b. Sales Tax Deferment Loan

During the year, the Company has availed an amount of Rs. 335.3 Lacs 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	Rs. in Lacs
1	2011-12	77.9
2	2012-13	76.9
3	2013-14	26.7
4	2018-19	258.4
5	2019-20	374.8
6	2020-21	392.7
7	2021-22	430.5
8	2022-23	297.6
9	2023-24	335.3
	<b>Total</b>	<b>2270.8</b>

#### 18. Earnings per Share:

	31.03.2010	31.03.2009
1. Net Profit for basic EPS (Rupees in Lacs)	5,007.01	3,808.9
2. Weighted Average No. of Shares	125,098,565	126,477,479
3. Annualised Basic Earnings per Share	4.00	3.01

19. Raw materials purchases includes carriage inwards of Rs. 69.3 Lacs, material handling charges and clearing & forwarding charges of Rs. 37.1 Lacs.
20. Confirmations are still to be received in respect of the amounts relating to Debtors, Creditors and Loans & Advances.
21. The sundry debtors above 180 days receivables of Rs. 77.4 Lacs are from customers on whom legal action has been initiated.
22. 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 has been provided for on the basis of actuarial valuation.
23. 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  
Registration No. 002976S

**Ravi Rambabu**  
Partner  
Membership No. 18541  
Place : Hyderabad  
Date : May 27, 2010

**R Ravi**  
V.P. Finance and Company Secretary

For and on behalf of the Board

**Nrupender Rao**  
Executive Chairman

**Ch. Anantha Reddy**  
Managing Director

**Aditya N Rao**  
Director - Projects



## 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	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	State Code	<input type="text"/>	<input type="text"/>
Balance Sheet Date	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>			

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

Public issue	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Rights issue	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Bonus issue	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Private placement	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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

Total liabilities	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Total assets	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Source of funds</b>												<b>Application of funds</b>							
Paid-up capital	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Net fixed assets	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Reserves and surplus	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Investments	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Secured loans	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Net current assets	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Unsecured loans	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Deferred tax asset	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Deferred tax liability	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Miscellaneous Expenditure	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Total	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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

Turnover (including other income)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Total expenditure	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Profit / (loss) before tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Deferred tax / fringe benefit tax / MAT	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Profit / (loss) after tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Earnings per share in Rs.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Dividend (%)																			
Preference share	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>								
Equity share	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>								

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

Item code numbers (ITC Code)	Product description
<input type="text"/>	<input type="text"/>
<input type="text"/>	Flat rolled products of width less than 600 mm
<input type="text"/>	Parts of railways – Coach works of railway running stock
<input type="text"/>	Other angles, shapes and sections, not further worked then hot-rolled, hot-drawn or extruded

# Subsidiary accounts

(Pennar Engineered Building Systems Limited)

# Directors' Report

*Dear members*

The Directors are pleased to present the Annual Report along with the audited accounts for the year ended 31st March, 2010.

## Financial Results:

The performance of the Company for the period under review is summarized below:

Particulars	Year ended March 31, 2010
Gross Sales	3404.46 Lakhs
Profit before interest, depreciation and tax (EBIDTA)	242.59 Lakhs
Profit before Tax (PBT)	34.46 Lakhs
MAT, Deferred tax and FBT	12.99 Lakhs
Profit after tax (PAT)	21.47 Lakhs

## Project Implementation:

The Company has successfully implemented the project to manufacture 30,000 MT of pre-engineered steel buildings in a record time of one year. After procuring 26 Acres of land located in Sadashivpet, Medak District of Andhra Pradesh, major construction work commenced in January of 2009. A fully trained engineering team for the design and detailing of pre engineered buildings was developed by August 2009. Commercial production started in January 2010.

## Operations:

The company recorded sales of Rs. 34 crores during the financial year ending 31st March 2010. The value of the orders procured to date is in excess of Rupees 120 crores and the orders have been obtained from reputed customers across a wide number of sectors viz. Ultratech Cements, Dr. Reddy Labs, Proctor and Gamble, My Home Cements etc. The company has also exported its products to Tanzania in Africa.

The projects executed by the Company have been well accepted by the customers and the Company is confident of further growth in the first 12 month operating period from April 2010 to March 2011.

The Company has become a member of the Indian Green Building Council. Due to various factors such as inherent design optimization, special reflective roof panel coatings, decreased raw material usage and other factors the Company can offer LEED points under the Green Building Council's LEED© 2.0 rating system. The Company intends to offer turn-key green building solutions to our customers.

## Expansion:

The Company intends to expand capacity at the Sadashivpet plant to 50,000MT. The planning exercise for this expansion has been completed and the equipment that will comprise the second beam line has been ordered. This capacity expansion will be implemented over the next six months with the second beam line starting commercial production from January 2011.

## Technical Collaboration:

The Company has entered into a technical collaboration agreement with NCI Building Systems, one of the largest and internationally reputed metal building systems manufacturing company in the world. The Company will produce the 'Double lok©' Standing Seam Roofing System with technical know-how from NCI Building Systems.



### Future Outlook:

The Indian economy has experienced a decade of unprecedented growth. Current macro-economic indicators suggest that the impact of the global economic recession of 2008-2009 notwithstanding, several of the core sectors such as infrastructure, industry and logistics are poised to achieve high rates of growth over the next decade. Thus, the Company expects to see a continuing rise in the demand for pre-engineered building systems in India.

### Credit Rating:

The Company has received a rating of 'CARE A- (SO)', from Credit Analysis and Research Ltd. As per this rating, the long term bank facilities are considered to offer adequate safety for timely servicing of debt obligations and carry low credit risk.

### Industrial Relations:

Industrial relations between the management and the employees were cordial for the period under review.

### Directors:

Mr. Aditya N Rao was appointed as the Executive Director with effect from 30th June 2009.

Mr. A.K. Rao was appointed as Director with effect from 1st May 2009.

### Dividend:

In order to conserve resources the directors have decided not to recommend any equity dividend for the year under review

### Auditors:

M/s. Deloitte, Haskins & Sells are the statutory auditors for the company who retire at this Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if reappointed.

### Director's Responsibility Statement:

The Board confirms that all applicable accounting standards, norms, policies, have been followed in the preparation of accounts for the year ended 31st March 2010. The Board has applied accounting policies consistently and made judgments and estimates which are reasonable and prudent and consequently give a true and fair view of the state of affairs of the company and of the business revenue and profit for this period. Care has been taken in the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company. The company has taken adequate measures to detect fraud and any other irregularities.

### Personnel:

Your Directors place on record, their sincere appreciation for the Company's employees whose dedication and commitment is responsible for the Company's timely completion of the project.

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-I to the Director's Report.

The Directors would like to express their appreciation to State Bank of India - IFB, Pennar Industries Limited, our suppliers, customers, and all stakeholders of the company for the invaluable service extended to the company during the year under review.

For and on behalf of the Board

Place : Hyderabad  
Date : May 26, 2010

**Nrupender Rao**  
*Chairman*

## Annexure I

Particulars of Employees - Information u/s 217(2A):

Employee Name	Mr. P V Rao	Mr. Alteaur Rahman
Designation	President	Chief Engineering
Age (Years)	51	41
Qualification	Civil Engineering	ME - Structural Engineering
Experience (Yrs)	28	15
Remuneration (Rs.)	51,30,500	26,12,876
Date of Commencement of Employment	24/01/08	09/06/08
Details of Last Employment	Chief Operating Officer – Tata Blue Scope	Senior Design Engineer & Estimation Manager in Emirates Building Systems – DUBAI, UAE.

Pennar Engineered Building Systems Ltd

Form A

Particulars	April 1, 2009 to March 31, 2010
<b>A. Power and Fuel consumption</b>	
<b>1. Electricity</b>	
a. Purchased Units	335,036
Total Amount (Rs.)	1,371,483
Rate Per Unit (Rs.)	4.09
b. Own Generation	
500 KVA units (KWH)	37,891
Units per litre of diesel oil	2.45
Cost of Diesel per KWH (Rs.)	16.3
<b>2. Diesel Oil</b>	
Quantity (KL)	15,450
Total amount (Rs.)	618,000
Average Rate (Rs.)	40
<b>B. Consumption Per unit of Production</b>	
Production	4245
Electricity (KWH) / MT	87.85
Diesel (Itrs) / MT	35.82

# Auditors' Report

To

The Members of

**Pennar Engineered Building Systems Limited**

1. We have audited the attached Balance Sheet of PENNAR ENGINEERED BUILDING SYSTEMS LIMITED ("the Company") as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
Registration No.008072S

**Ganesh Balakrishnan**  
*Partner*

Place: Secunderabad  
Date: May 26, 2010

Membership No. 201193

## Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business/ activities/ result, clauses (vi),(viii),(xii),(xiii),(xiv),(xv),(xix) and (xx) of CARO are not applicable.

(i) In respect of its fixed assets:

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) In respect of its inventory:

- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

- (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to

## Annexure to the Auditors' Report (Contd.)

the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.

- (vi) The Company does not have an internal audit system commensurate with the size and the nature of its business.
- (vii) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Income-tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
- (viii) The Company doesn't have accumulated losses and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (x) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xi) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xii) According to the information and explanations given to us, the Company has made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prima facie not prejudicial to the interests of the Company.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
Registration No.008072S

Ganesh Balakrishnan  
Partner

Place: Secunderabad

Date: May 26, 2010

Membership No. 201193

## Balance Sheet As at 31st March 2010

(Amount in Rupees)

Particulars	Schedule No	As at 31.03.2010	As at 31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	250,000,000	500,000
Share Application Money		-	106,200,000
Reserves & Surplus	2	2,147,204	-
<b>Loan Funds</b>			
Secured Loans	3	431,857,929	-
Unsecured Loans	4	2,500,000	-
Deferred Tax Liability (net)		766,574	-
<b>Total</b>		<b>687,271,707</b>	<b>106,700,000</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	409,501,817	24,757,259
Less : Depreciation & Amortisation		4,580,655	549,257
Net Block		404,921,162	24,208,002
Capital Work in Progress		987,793	84,322,390
(Includes Capital Advance of Rs. 89,085 31.03.2009 - Rs. 36,785,003)		405,908,955	108,530,392
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	6	149,024,486	-
Sundry Debtors	7	71,153,986	-
Cash & Bank Balances	8	69,233,884	2,642,483
Loans & Advances	9	132,682,511	4,079,175
		422,094,867	6,721,658
<b>Less : Current Liabilities &amp; Provisions</b>	10		
Current Liabilities		139,466,698	7,722,789
Provisions		1,265,417	829,261
		140,732,115	8,552,050
Net Current Assets		281,362,752	(1,830,392)
<b>Total</b>		<b>687,271,707</b>	<b>106,700,000</b>
<b>Notes on Accounts</b>			
Schedules 1 to 17 annexed form part of accounts	17		

As per our report of even date attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells  
Chartered Accountants

P V Rao  
Executive Director

Ganesh Balakrishnan  
Partner

Nrupender Rao  
Chairman

Aditya N Rao  
Director

Place : Hyderabad  
Date : May 26, 2010

Place : Hyderabad  
Date : May 26, 2010

## Profit and Loss Account

For the year ended 31st March 2010

(Amount in Rupees)

Particulars	Schedule No	Year Ended 31.03.2010
<b>INCOME</b>		
Sales		
Domestic Sales		270,097,519
Export Sales		70,348,305
		340,445,824
Less : Excise Duty		22,665,789
<b>Net Sales</b>		<b>317,780,035</b>
Other Income	11	950,572
<b>Total Income</b>		<b>318,730,607</b>
<b>EXPENDITURE</b>		
Material Consumption	12	144,618,724
Personnel Cost	13	53,231,795
Other Manufacturing costs	14	50,600,329
Administrative & Selling Expenses	15	46,020,343
Financing Costs	16	16,197,924
Depreciation		4,615,273
		315,284,388
<b>Profit before Tax</b>		<b>3,446,219</b>
<b>Taxes</b>		
Current Tax		532,441
Deferred Tax		766,574
<b>Profit after Tax</b>		<b>2,147,204</b>
<b>Profit carried to Balance Sheet</b>		<b>2,147,204</b>
Earnings per Share (Face Value Rs. 10 each)		
- Basic & Diluted		0.16
<b>Notes on Accounts</b>	17	
Schedules 1 to 17 annexed form part of accounts		

As per our report of even date attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells  
Chartered Accountants

P V Rao  
Executive Director

Ganesh Balakrishnan  
Partner

Nrupender Rao  
Chairman

Aditya N Rao  
Director

Place : Hyderabad  
Date : May 26, 2010

Place : Hyderabad  
Date : May 26, 2010

## Cash Flow Statement

For the year ended 31st March 2010

(Amount in Rupees)

S.No	Particulars	Year Ended 31.03.2010
<b>A</b>	<b>Cash Flow from operating activities :</b>	
a	Profit before Tax	3,446,219
b	Add : Depreciation & Amortisation	4,615,273
c	Financing Costs	16,197,924
d	Less : Interest Income	(145,838)
e	Profit on sale of Assets	(137,428)
f	Operating Profit before working capital changes	23,976,150
	<b>Adjustments for :</b>	
g	Trade and other receivables	(71,153,985)
h	Inventories	(149,024,486)
i	Loans and Advances	(129,146,069)
j	Trade payables	132,028,148
k	Cash generated from operations	(193,320,242)
l	Less : Taxes paid	(284,239)
m	<b>Net Cash from operating activities " A "</b>	<b>(193,604,481)</b>
<b>B</b>	<b>Net Cash from Investing activities :</b>	
a	( Purchase ) / Sale of fixed assets	(301,409,961)
b	Interest Income	145,838
c	<b>Net cash used in investing activities " B "</b>	<b>(301,264,123)</b>
<b>C</b>	<b>Cash Flow from financing activities</b>	
a	Share Capital	143,300,000
b	Proceeds from short term borrowings	2,500,000
c	Proceeds from long term borrowings - (Net of payments)	428,711,161
d	Financing Cost	(13,051,157)
e	<b>Net Cash from financing activities " C "</b>	<b>561,460,005</b>
<b>D</b>	<b>Net ( Decrease ) / Increase in Cash and Cash Equivalents ( A + B + C )</b>	<b>66,591,401</b>
	Cash and Cash Equivalents at the beginning of the year	2,642,483
	Cash and Cash Equivalents at the end of the year	69,233,884

As per our report of even date attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells  
Chartered Accountants

P V Rao  
Executive Director

Ganesh Balakrishnan  
Partner

Nrupender Rao  
Chairman

Aditya N Rao  
Director

Place : Hyderabad  
Date : May 26, 2010

Place : Hyderabad  
Date : May 26, 2010



## Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>Authorised</b>		
2,55,00,000 Equity Shares of Rs. 10/- each (31.03.2009 - 2,00,00,000 equity shares of Rs. 10/- each )	255,000,000	200,000,000
<b>Issued, Subscribed &amp; Paid up</b>		
2,50,00,000 Equity Shares of Rs. 10/- each (31.03.2009 - 50,000 equity shares of Rs. 10/- each )	250,000,000	500,000
	<b>250,000,000</b>	<b>500,000</b>
(of the above 1,85,00,000 (Previous year: Nil) equity shares are held by the holding company Pennar Industries Limited)		

### SCHEDULE 2 RESERVES & SURPLUS

Profit & Loss Account	2,147,204	-
	<b>2,147,204</b>	<b>-</b>

### SCHEDULE 3 SECURED LOANS

<b>From Banks</b>		
Working Capital Loan	138,711,161	-
Term Loan	293,146,768	-
	<b>431,857,929</b>	<b>-</b>

### SCHEDULE 4 UNSECURED LOANS

Loan from Eight Finance Private Limited (Repayable within one year Rs. Nil)	2,500,000	-
	<b>2,500,000</b>	<b>-</b>

### SCHEDULE 5 FIXED ASSETS

Particulars	Gross Block (At Cost)				Depreciation			Net Book Value	
	01.04.2009	Additions	Deletions	31.03.2010	For The Year	Deletions	31.03.2010	31.03.2010	31.03.2009
Land	10,992,067	3,296,566	-	14,288,633	-	-	-	14,288,633	10,992,067
Buildings									
Factory	-	176,878,006	-	176,878,006	16,186	-	16,186	176,861,820	-
Others	-	4,370,662	-	4,370,662	17,566	-	17,566	4,353,096	-
Plant & Machinery	462,775	170,655,249	6,045,785	165,072,239	2,012,933	34,618	1,978,315	163,093,924	462,775
Computers	2,374,495	11,916,035	-	14,290,530	952,552	-	952,552	13,337,978	2,374,495
Office Equipments	1,414,773	3,867,726	-	5,282,499	181,425	-	181,425	5,101,074	1,414,773
Furniture	8,315,470	5,986,412	-	14,301,882	862,635	-	862,635	13,439,247	8,315,470
Vehicles	1,197,679	267,954	-	1,465,633	237,824	-	237,824	1,227,809	1,197,679
Licence Fee	-	13,551,733	-	13,551,733	334,152	-	334,152	13,217,581	-
	<b>24,757,259</b>	<b>390,790,343</b>	<b>6,045,785</b>	<b>409,501,817</b>	<b>4,615,273</b>	<b>34,618</b>	<b>4,580,655</b>	<b>404,921,162</b>	<b>24,757,259</b>
Previous Year	-	28,636,491	3,879,232	24,757,259	-	-	-	24,757,259	

## Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 6 INVENTORIES</b>		
Stores & Spares	15,802,000	-
Raw Material	82,074,300	-
Scrap	1,940,000	-
Work in Process	6,800,682	-
Finished Goods	38,260,656	-
Increase in Excise duty	4,146,848	-
	<b>149,024,486</b>	<b>-</b>

### SCHEDULE 7 SUNDRY DEBTORS (Unsecured and considered good, unless otherwise stated)

Outstanding for more than 6 months	-	-
Others	71,153,986	-
	<b>71,153,986</b>	<b>-</b>

### SCHEDULE 8 CASH AND BANK BALANCES

Cash in hand	28,493	164,838
Balances with scheduled banks		
In Current Accounts	62,249,491	2,477,645
In Margin Money Accounts	6,955,900	-
	<b>69,233,884</b>	<b>2,642,483</b>

### SCHEDULE 9 LOANS & ADVANCES

(Unsecured, considered good, recoverable in cash or in kind for value to be received )		
Advances to Suppliers & Others	89,782,702	246,219
Deposits	4,803,448	3,408,220
Tax Deducted at Source ( net of Provision for Tax - Rs. 532,441) (Previous year - Rs. Nil)	1,657,380	-
Balances with Excise & Sales Tax	35,064,611	-
Prepaid Expenses	1,374,370	424,736
	<b>132,682,511</b>	<b>4,079,175</b>

## Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE 10 CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Liabilities</b>		
Sundry Creditors		
Dues to Small & Medium Enterprises	-	-
Others	45,882,178	5,405,512
Sundry Creditors for capital goods	1,709,521	
Advances from Customers	73,376,982	-
Retention Money & EMD	5,389,331	
Short Term Compensated Absences	2,314,796	285,201
Other Liabilities	10,792,143	2,032,076
Interest accrued but not due on Loans	1,747	-
	<b>139,466,698</b>	<b>7,722,789</b>
<b>Provisions</b>		
Employee Benefits	1,265,417	542,768
Fringe Benefit Tax	-	286,493
	1,265,417	829,261
	<b>140,732,115</b>	<b>8,552,050</b>

## Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	Year Ended 31.03.2010
<b>SCHEDULE 11 OTHER INCOME</b>	
Miscellaneous Income	667,306
Interest Income {inclusive of TDS of Rs. 5,993 (previous year - Rs. Nil)}	145,838
Profit on Sale of Assets	137,428
	<b>950,572</b>

## Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	Year Ended 31.03.2010
<b>SCHEDULE 12 MATERIAL CONSUMPTION</b>	
<b>Raw Material consumed</b>	
Purchases	280,633,343
Less: Material consumption capitalised	(2,792,133)
	277,841,210
Less : Closing Stocks	(82,074,300)
<b>Raw Material consumed</b>	195,766,910
<b>(Increase) in Stocks (other than raw material)</b>	
<b>Closing Stock</b>	
Work in Process	6,800,682
Finished Goods	38,260,656
Scrap	1,940,000
(Increase) in Stocks	(47,001,338)
(Increase) in Excise Duty	(4,146,848)
	<b>144,618,724</b>

### SCHEDULE 13 PERSONNEL COST

Salaries & Wages	58,649,952
Contribution to Provident & other Funds	3,469,596
Workmen & Staff Welfare Expenses	1,195,036
	63,314,584
Less : Capitalised	(10,082,789)
	<b>53,231,795</b>

### SCHEDULE 14 OTHER MANUFACTURING EXPENSES

Sub Contract Expense	16,013,803
Consumption of Stores & Spares	31,758,685
Power & Fuel	2,314,843
Repairs & Maintenance - others	77,082
Miscellaneous	435,916
	<b>50,600,329</b>

## Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

	Year Ended 31.03.2010
<b>SCHEDULE 15 ADMINISTRATIVE &amp; SELLING EXPENSES</b>	
Insurance	895,885
Sales Tax	8,631,343
Travelling & Conveyance	6,063,510
Rentals	6,679,912
Rates & Taxes	2,124,783
Communication Expenses	1,839,703
Legal & Professional	4,754,152
Printing & Stationery	664,452
Office Maintenance	2,541,292
Security charges	765,760
Advertisement & Sales Promotion	956,039
Freight Outward	4,325,149
Marketing & Export Expenses	12,087,295
Loss on Exchange Fluctuation	6,020
Miscellaneous Expenses	976,933
	53,312,228
Less : Capitalised	(7,291,885)
	<b>46,020,343</b>

### SCHEDULE 16 FINANCING COST

Interest on Term Loans	19,286,823
Interest on Working Capital	865,063
Bank Charges	7,453,072
	27,604,958
Less : Capitalised	(11,407,034)
	<b>16,197,924</b>

## Schedules forming part of the Accounts

### SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

---

#### INTRODUCTION

Pennar Engineered Building Systems Limited was incorporated on January 17, 2008. Commercial operations have commenced from January 01, 2010.

#### I. SIGNIFICANT ACCOUNTING POLICIES

##### 1) Accounting Conventions:

The financial statements have been prepared under the historical cost conventions on accrual basis and in accordance with accounting principles generally accepted in India and as per applicable accounting standards notified by the Companies (Accounting Standards) Rules, 2006.

##### 2) Revenue Recognition:

Revenue from the sale of goods is recognized when the significant risks and rewards in respect of ownership of products have been transferred to the buyer. Sale is inclusive of Excise Duty and sale during the trial run period.

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

##### 3) Fixed Assets:

Tangible fixed assets are stated at cost of acquisition (Net of Cenvat & VAT) less depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight, borrowing costs and other incidental expenses related to the acquisition and installation of the respective fixed assets. Assets valued at less than Rs. 5000/- are fully depreciated in the year of purchase.

Intangible fixed assets are at cost less amortisation. These are amortised over their useful economic lives of ten years on a straight line basis.

##### 4) Depreciation & Amortisation:

Depreciation on fixed assets has been provided on a straight-line method at the rates specified in the Schedule XIV to The Companies Act, 1956.

##### 5) Inventories:

Stores and spares are valued at weighted average cost. Other inventories are valued at the lower of cost and net realizable value. The cost is determined as under:

- |                     |   |  |
|---------------------|---|--|
| (a) Raw Materials   | : | Weighted average method  |
| (b) Work in process | : | At material cost on weighted average method and includes appropriate overheads |
| (c) Finished Goods  | : | At material cost on weighted average method and includes appropriate overheads |

##### 6) Employee Benefits:

The company has done actuarial valuation on account of accruing liability towards group gratuity policy and privilege leave liability as per Accounting Standard – 15 Employee Benefits.

The liability on account of sick and casual leave is treated as short term compensated absences and is accounted for as and when earned by the employee.

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

##### 7) Foreign Exchange Transactions:

All the foreign exchange transactions are accounted at the exchange rate prevailing on the date of transaction and the exchange gain or loss on settlement during the year are charged to profit & loss account. The monetary assets and liabilities denominated in foreign currency are restated at the end of the year at the foreign currency rate prevailing on the balance sheet date and any fluctuation arising is recognized in the Profit and Loss Account.

## Schedules forming part of the Accounts

### SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

#### 8) Taxes:

Current Tax is determined as the amount of tax payable in respect of taxable income of the year.

Deferred Tax is recognised subject to the consideration of prudence in respect of deferred tax asset, on timing difference being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred Tax Assets arising on account of unabsorbed depreciation on carry forward of tax losses are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income will be available against which such deferred tax asset can be realized.

#### 9) Borrowing Costs:

Borrowing cost that are attributable to the construction or acquisition of the qualifying asset are capitalized till the date the asset is put to use. Other borrowing costs are charged off to the Profit and Loss Account.

#### 10) Earnings Per Share:

The basic earnings per equity share is arrived at by dividing the net profit earned before appropriations by the weighted average number of shares.

## II. NOTES ON ACCOUNTS

(Amounts expressed in Indian Rupees unless otherwise stated).

1. Estimated amount of Contracts remaining to be executed on Capital account and not provided for (net of advances) as on 31st March 2010 is Rs. 1,221,040/-.

#### 2. Secured Loans:

- a) Term Loans are secured by a pari-pasu charge on immovable properties of the Company both present and future and are also secured by a pari-passu charge on the movable properties of the Company both present and future. The amount repayable in the next twelve months is Rs. 20,000,000/-
- b) Working Capital facilities from Bank are secured first charge on fixed assets, inventories and book debts both present and future.
- c) The loans as mentioned in ( a ) & ( b ) are further secured by personal guarantee of two directors of the Company and corporate guarantee given by Pennar Industries Ltd. The loans are collaterally secured by 6,150,000 shares of the company issued to Pennar Industries Ltd.

#### 3. Dues to Micro, Small and Medium Enterprises:

There are no Micro, Small and Medium Enterprises, to whom the entity owes dues, which are outstanding for more than 45 days as at 31st March, 2010. This information regarding micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

#### 4. Related Party Disclosures:

##### a) Names of Related Parties and nature of relationship

- |  |   |  |
|--|---|--|
| i) Holding Company   | : | Pennar Industries Limited  |
| ii) Companies in which Directors are holding more than 20% | : | Pennar Management Services Limited<br>(formerly Pennar Chemicals Limited)  |
| iii) Key Management personnel                              | : | Nrupender Rao<br>Aditya N Rao  |
| iv) Relatives of Key Management Personnel                  | : | Mrs. J.Rajya Lakshmi, wife of Nrupender Rao<br>Avanti Rao & Ch. Arathi, Daughters of Nrupender Rao<br>Mrs. D.Sudepta Rao, wife of Aditya N Rao |

## Schedules forming part of the Accounts

### SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

b) Related party transactions:

Sl no	Particulars	Pennar Industries Limited	Key Management Personnel	Relatives of Key Management personnel
1	Purchases made	46,132,414	-	-
2	Purchase of Tangible Assets	82,225,789	-	-
3	Sales made	21,344,112	-	-
4	Sale of Tangible Assets	7,289,999	-	-
5	Share Capital	185,000,000	15,310,000	37,550,000
6	Balance on 31.03.2010 (Payable)	11,780,884	-	-
7	Amount Outstanding against Guarantees given	459,351,266	459,351,266	-
8	Guarantees Given	610,000,000	610,000,000	-

(c) Pennar Industries Limited has given corporate guarantee to bank for term loan and working capital limits availed by the company. Out of 18,500,000 equity shares issued to Pennar Industries Limited, 6,150,000 shares have been pledged with the bank as collateral security.

5. Gratuity:

Disclosures required in accordance with the Accounting Standard - 15 Employee Benefits are set out in the table below:

5.1. Changes in Present Value of Obligations

(Amount in Rupees)

Particulars	Gratuity	Leave Liability
Present Value of Obligation at beginning of the year	542,768	285,201
Interest Cost	43,421	22,816
Current Service Cost	635,215	115,375
Actuarial Losses / (Gains) on Obligations	(402,122)	307,944
Present Value of Obligation at end of the year	819,282	731,336

5.2 Expenses recognized in Statement of Profit/Loss

(Amount in Rupees)

Particulars	Gratuity	Leave Liability
Current Service Cost	635,215	115,375
Interest Cost	43,421	22,816
Actuarial Losses / (Gains) recognized in the year	(402,122)	307,944
Expenses recognized in the Statement of Profit/Loss	276,514	446,135

5.3 Movement in Balance Sheet

(Amount in Rupees)

Particulars	Gratuity	Leave Liability
Opening Net Liability	-	-
Expenses as above	276,514	446,135
Contributions	-	-
Closing Fund/Provision at the end of the year	819,282	731,336



## Schedules forming part of the Accounts

### SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

#### 5.4 Actuarial Assumptions

- Discount Rate : 8%
- Inflation Rate : 5%

The estimates of future salary increases considered in actuarial valuation takes account of inflation, seniority promotion and other relevant factors such as supply and demand factors in the employment market.

#### 5.5 Asset Information

As the scheme is unfunded, other disclosures under Accounting Standard 15 Employee Benefits have not been included

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

a. Licensed Capacity : Not applicable as per Government Notification 477 (E) dated 25th July 1991

#### b. Capacities & Production

Quantity in MT

Particulars	Installed Capacity*	Actual Production
Pre Engineered Building	7,500	5,492

\*Installed Capacity has been considered on pro rata basis for 3 months.

#### c. Turnover and Closing Stocks

Particulars	2009-10	
	Quantity in MT	Rupees
<b>Sales – Domestic</b>		
Pre Engineered Building	3,886	267,077,817
Product Scrap	-	3,019,702
Total Domestic	3,886	270,097,519
<b>Sales – Exports</b>		
Pre Engineered Building	921	70,348,305
Total Exports	-	70,348,305
Total Sales	4,807	340,445,824
<b>Closing Stock</b>		
Pre Engineered Building		
at Factory	378	23,039,667
at Site	307	19,367,837

#### d. Consumption of Raw Material

Particulars	2009-10	
	Quantity in MT	Rupees
HR Plates	3,101	93,272,516
Angles & Sections	863	36,114,066
Others	1,819	66,380,328
<b>Total</b>	<b>5,783</b>	<b>195,766,910</b>

## Schedules forming part of the Accounts

### SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

e. Consumption of directly imported and indigenously obtained Raw Materials, Stores & Spares

Particulars	2009-10	
	%	Rupees
Imported Raw Material		
Stores & Spares	5.99	11,731,729
	24.50	7,782,053
Indigenous Raw Material		
Stores & Spares	94.01	184,035,181
	75.50	23,976,632
<b>Consumed</b>		<b>227,525,595</b>

f. CIF Value of Imports

(Amount in Rupees)

Particulars	2009-10
Raw Material	11,241,847
Stores & Spares and Capital Goods	63,275,564

g. Expenditure in Foreign Currency (cash basis)

(Amount in Rupees)

Particulars	2009-10
Foreign Travel	1,436,911

h. Earnings in Foreign Currency (accrual basis)

(Amount in Rupees)

Particulars	2009-10
FOB Value of Exports	69,774,736

7. Segment Details:

The company is engaged in manufacture of one category of steel products, i.e., pre engineered buildings, which in the context of Accounting Standard -17 on Segment Reporting issued by the Company's Accounting ( Standard ) Rules, 2006 is a single segment.

Particulars	Segment Revenue		Segment Assets		Cost of Additions to Tangibles & Intangibles	
	2009-10		2009-10		2009-10	
	Rupees	%	Rupees	%	Rupees	%
Tanzania	65,170,952	19%	398,224	0.05%	-	-
Others	5,177,353	2%	-	-	-	-
Outside India	70,348,305	21%	398,224	0.05%	-	-
Within India	270,097,519	79%	827,605,598	99.95%	390,790,343	100%
<b>Total</b>	<b>340,445,824</b>	<b>100%</b>	<b>828,003,822</b>	<b>100.00%</b>	<b>390,790,343</b>	<b>100%</b>

## Schedules forming part of the Accounts

### SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

8. Deferred Tax:		<i>(Amount in Rupees)</i>
Particulars	31.03.2010	
A) Deferred Tax Liability		
- Depreciation		7,767,022
B) Deferred Tax Asset		
- Unabsorbed Business Loss		5,894,162
- Retirement Benefits		1,106,286
		<b>7,000,448</b>
<b>Deferred Tax Liability (Net)</b>		<b>766,574</b>

9. Earnings Per Share:		<i>(Amount in Rupees)</i>
Particulars	2009-10	
Profit after tax		2,147,203
Weighted average number of equity shares outstanding		13,708,712
Earnings per share (Face Value of Rs. 10 each)		
- Basic		0.16
- Diluted		0.16

10. Auditors' Remuneration (excluding service tax):		<i>(Amount in Rupees)</i>	
	31.03.2010	31.03.2009	
Audit Fees	600,000	500,000	

11. a. The figures for the current year are not comparable with that for the previous period.  
 b. Figures for the previous year have been regrouped/reclassified/recast wherever necessary.

Signatures to Schedules 1 to 17

For and on behalf of the Board of Directors

**P V Rao**  
*Executive Director*

**Nrupender Rao**  
*Chairman*

**Aditya N Rao**  
*Director*

Place : Hyderabad  
Date : May 26, 2010



Pennar Industries Limited

# Consolidated accounts

# Consolidated Auditors' Report

To  
The Board of Directors  
**Pennar Industries Limited**  
Hyderabad

1. We have audited the attached Consolidated Balance Sheet of PENNAR INDUSTRIES LIMITED and its subsidiary (collectively referred to as the Group) as at 31st March 2010 and the Consolidated Profit and Loss Account and Consolidated Cash Flow statement for the period ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding the components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary whose financial statements reflect total assets of Rs. 8280.04 lakhs as at 31st March, 2010, total revenue of Rs. 3187.31 lakhs and net cash flows amounting to Rs. 665.92 lakhs for the period ended 31st March, 2010. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements as notified by the Companies (Accounting Standards) Rules, 2006.
5. Based on our audit as aforesaid, and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting policies generally accepted in India
  - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2010;
  - b) in the case of Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and
  - c) in the case of Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For **Rambabu & Co.**,  
*Chartered Accountants*  
Registration No. 002976S

**Ravi Rambabu**  
*Partner*

Place : Hyderabad  
Date : 27th May, 2010

Membership No: 18541

**Consolidated Balance Sheet** As at 31st March 2010

(Amount in Rupees)

S.No	Particulars		As at 31.03.2010
<b>I</b>	<b>SOURCES OF FUNDS</b>		
<b>1</b>	<b>Shareholders' Funds</b>		
a	Share Capital	1	697,886,495
b	Reserves & Surplus	2	1,452,547,686
<b>2</b>	<b>Minority Interest</b>		65,558,273
<b>3</b>	<b>Loan Funds</b>		
a	Secured Loans	3	1,688,743,964
b	Unsecured Loans	4	235,421,008
<b>4</b>	<b>Deferred Tax Liability</b>		41,440,362
	<b>Total of 1 to 4</b>		<b>4,181,597,788</b>
<b>II</b>	<b>APPLICATION OF FUNDS</b>		
<b>1</b>	<b>Fixed Assets</b>	5	
a	Gross Block		3,228,139,357
b	Less : Depreciation		1,424,150,240
c	Net Block		1,803,989,117
d	Add: Capital Work in Progress		87,286,119
e			1,891,275,236
<b>2</b>	<b>Investments</b>	6	26,890
<b>3</b>	<b>Current Assets, Loans and Advances</b>		
a	Inventories	7	1,329,636,632
b	Sundry Debtors	8	1,223,945,260
c	Cash & Bank Balances	9	178,726,122
d	Loans & Advances	10	567,333,067
			3,299,641,081
	Less : Current Liabilities & Provisions	11	
a	Current Liabilities		583,860,459
b	Provisions		430,172,814
			1,014,033,273
	Net Current Assets		2,285,607,808
<b>4</b>	<b>Miscellaneous Expenditure</b>	12	4,687,854
	(to the extent not written off / adjusted )		
	<b>Total of 1 to 4</b>		<b>4,181,597,788</b>
<b>5</b>	<b>Notes on Accounts</b>	19	
	Schedules 1 to 19 annexed form part of accounts		

As per our report of even date

For Rambabu &amp; Co.,

Chartered Accountants

Registration No. 002976S

For and on behalf of the Board

Nrupender Rao

Executive Chairman

Ch. Anantha Reddy

Managing Director

Ravi Rambabu

Partner

Membership No. 18541

Place : Hyderabad

Date : May 27, 2010

R Ravi

V.P. Finance and Company Secretary

Aditya N Rao

Director - Projects

## Consolidated Profit and Loss Account

For the year ended 31st March 2010

(Amount in Rupees)

S.No	Particulars		Year Ended 31.03.2010
<b>1</b>	<b>INCOME</b>		
a	Sales		
	Domestic Sales		8,822,688,497
	Export Sales		78,484,551
			8,901,173,048
	Less : Excise Duty		651,144,875
	Net Sales		8,250,028,173
b	Other Income	13	4,985,887
	<b>Total Income</b>		<b>8,255,014,059</b>
<b>2</b>	<b>EXPENDITURE</b>		
a	Raw Material Consumed	14	5,603,743,451
b	Personnel Cost	15	310,799,256
c	Other Manufacturing costs	16	556,109,632
d	Administrative & Selling Expenses	17	666,628,217
			7,137,280,556
<b>3</b>	<b>Profit before Interest, Depreciation &amp; Tax</b>		<b>1,117,733,504</b>
a	Financing Costs	18	129,908,917
b	Depreciation		128,513,849
c	Preliminary Expenditure written off		3,659,846
			262,082,612
<b>4</b>	<b>Profit before Tax</b>		<b>855,650,892</b>
<b>5</b>	<b>Taxes</b>		
a	Deferred Tax Assets / Liability		127,966,574
b	Income Tax		229,373,062
<b>6</b>	<b>Net Profit after Tax</b>		<b>498,311,256</b>
	Less: Minority Interest		558,273
	Net of Minority Interest		497,752,983
<b>7</b>	<b>Profit / ( Loss ) brought Forward</b>		<b>200,368,033</b>
<b>8</b>	<b>Profit available for Appropriations</b>		<b>698,121,016</b>
<b>9</b>	<b>APPROPRIATIONS</b>		
a	Equity Dividend		153,182,576
b	Preference Dividend		8,777
c	Dividend Distribution Tax		26,034,872
d	General Reserve		50,500,000
e	Capital Redemption Reserve		22,267,395
f	Profit carried forward		446,127,396
			698,121,016
<b>10</b>	<b>Notes on Accounts</b>	19	
	Schedules 1 to 19 annexed form part of accounts		

As per our report of even date

For Rambabu & Co.,  
Chartered Accountants  
Registration No. 002976S

Ravi Rambabu  
Partner  
Membership No. 18541

Place : Hyderabad  
Date : May 27, 2010

R Ravi  
V.P. Finance and Company Secretary

For and on behalf of the Board

Nrupender Rao  
Executive Chairman

Ch. Anantha Reddy  
Managing Director

Aditya N Rao  
Director - Projects

**Consolidated Cash Flow Statement** For the year ended 31st March 2010

(Amount in Lacs)

S.No	Particulars	Year Ended 31.03.2010
<b>A</b>	<b>Cash Flow from operating activities :</b>	
a	Net Profit before Interest & Depreciation (EBIDT)	11,177.34
b	Income Tax	2,142.38
c	Operating Profit before working capital changes	9,034.96
	<b>Adjustments for :</b>	
d	Trade and other receivables	(2,653.43)
e	Inventories	(6,028.13)
f	Loans and Advances	125.90
g	Trade payables	4,024.64
h	Cash generated from operations	4,503.94
i	Less : Interest paid	(1,267.62)
j	<b>Net Cash from operating activities " A "</b>	<b>3,236.32</b>
<b>B</b>	<b>Net Cash from Investing activities :</b>	
a	( Purchase ) / Sale of fixed assets	(5,909.17)
b	<b>Net cash used in investing activities " B "</b>	<b>(5,909.17)</b>
<b>C</b>	<b>Cash Flow from financing activities</b>	
a	Share Capital / Share Premium	(622.22)
b	Proceeds from short term borrowings	312.76
c	Proceeds from long term borrowings (Net of payments)	6,177.30
d	Dividends Paid	(2,201.55)
e	<b>Net Cash used in financing activities " C "</b>	<b>3,666.29</b>
<b>D</b>	<b>Net ( Decrease ) / Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>993.44</b>
	Cash and Cash Equivalents at the beginning	311.51
	Cash and Cash Equivalents at the end	1,304.95

As per our report of even date  
**For Rambabu & Co.,**  
Chartered Accountants  
Registration No. 002976S

**Ravi Rambabu**  
Partner  
Membership No. 18541  
Place : Hyderabad  
Date : May 27, 2010

**R Ravi**  
V.P. Finance and Company Secretary

For and on behalf of the Board  
**Nrupender Rao**  
Executive Chairman

**Ch. Anantha Reddy**  
Managing Director

**Aditya N Rao**  
Director - Projects



## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

		As at 31.03.2010
<b>SCHEDULE 1 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
<b>Equity</b>		
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
255,00,00,000	Equity Shares of Rs. 10/- each (previous year 20000000 equity shares of Rs. 10/- each)	255,000,000
<b>Preference</b>		
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
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
		<b>1,255,000,000</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
<b>Equity</b>		
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
	Less: Buyback of 4453479 shares of Rs. 5/- each (Refer Note 2 of Schedule 19(II))	22,267,395
12,20,24,000	Equity Shares of Rs. 5/- each (previous year 12,64,77,479 equity shares of Rs. 5/- each)	610,120,000
<b>Preference - Series B</b>		
1,75,53,299	Cumulative redeemable Preference Shares of Rs. 5/- each Rs. 5/- each	87,766,495
<b>Total</b>		<b>697,886,495</b>

## SCHEDULE 2 RESERVES & SURPLUS

<b>I. Reserves</b>		
a.	Share Premium *	531,043,688
b.	Profit on forfeiture of shares	618,209
c.	General Reserve	100,500,000
d.	Capital Redemption Reserve *	22,267,395
e.	Profit & Loss Account	446,127,396
<b>Sub Total - 1</b>		<b>1,100,556,688</b>
<b>II. Revaluation Reserve</b>		351,990,998
<b>Total</b>		<b>1,452,547,686</b>

\*Refer Note 2 of Schedule 19 (II)

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

	As at 31.03.2010
<b>SCHEDULE 3 SECURED LOANS</b>	
<b>Term Loans</b>	
Axis Bank	177,255,561
I F C I	21,802,500
SBI	293,146,768
	492,204,829
<b>Cash Credit from Banks</b>	
State Bank of India	828,567,794
Axis Bank	251,201,716
State Bank of Patiala	115,322,281
	1,195,091,791
Lease Liability on assets	1,447,344
<b>Total</b>	<b>1,688,743,964</b>

### SCHEDULE 4 UNSECURED LOANS

Fixed Deposits	1,631,446
Sales Tax Deferment Loan	227,077,309
Unsecured Loans - Others	6,712,253
<b>Total</b>	<b>235,421,008</b>

### SCHEDULE 5 FIXED ASSETS

Particulars	Gross Block (At Cost)			Depreciation			Net Block		
	Gross Block as on 01.04.2009	Additions/ Adjustments 2009-10	Gross Block as on 31.03.2010	Acc Dep as on 01.04.09	Dep for the year/ Adjustments 2009-10	Deletions 2009-10	As on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Freehold Land	98,262,311	3,296,566	101,558,877	-	-	-	-	101,558,877	98,262,311
Roads	18,941,771	987,779	19,929,550	973,251	309,516	-	1,282,767	18,646,783	17,968,520
Buildings	457,350,904	193,406,030	650,756,934	137,775,250	14,020,636	-	151,795,886	498,961,048	319,575,654
Plant & Machinery	1,818,081,643	329,982,158	2,148,063,801	1,038,239,795	117,179,659	34,618	1,155,384,836	992,678,965	779,841,848
Factory Equipments	170,231,815	15,048,899	185,280,714	64,335,277	12,516,966	-	76,852,243	108,428,471	105,896,538
Office Equipments	19,416,077	5,948,851	25,364,928	10,229,154	1,071,260	-	11,300,414	14,064,514	3,326,254
Computers	33,537,313	16,937,495	50,474,808	12,533,078	4,936,352	-	17,469,430	33,005,378	10,146,645
Furniture & Fittings	14,022,190	6,245,662	20,267,852	3,795,239	1,340,208	-	5,135,447	15,132,405	26,945,210
Vehicles	6,441,392	2,411,363	8,852,755	1,116,936	786,525	-	1,903,461	6,949,294	5,324,456
License Fee	-	13,551,733	13,551,733	-	334,152	-	334,152	13,217,581	-
<b>Sub Total-1</b>	<b>2,636,285,416</b>	<b>587,816,536</b>	<b>3,224,101,952</b>	<b>1,268,997,980</b>	<b>152,495,274</b>	<b>34,618</b>	<b>1,421,458,636</b>	<b>1,802,643,316</b>	<b>1,367,287,436</b>
Leased Assets	4,037,405	-	4,037,405	1,345,802	1,345,802	-	2,691,604	1,345,801	2,691,603
(Computer Accessories)									
<b>Total</b>	<b>2,640,322,821</b>	<b>587,816,536</b>	<b>3,228,139,357</b>	<b>1,270,343,782</b>	<b>153,841,076</b>	<b>34,618</b>	<b>1,424,150,240</b>	<b>1,803,989,117</b>	<b>1,369,979,039</b>

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

	As at 31.03.2010
<b>SCHEDULE 6 INVESTMENTS</b>	
Unquoted (at cost)	
2689 Equity Shares of Rs. 10/- each fully paid in Patancheru Enviro-Tech Limited	26,890
<b>Total</b>	<b>26,890</b>

### SCHEDULE 7 INVENTORIES (As valued and certified by Management )

Raw Material	336,516,109
Stores & Spares	287,943,824
Work in Progress	467,412,469
Finished Goods	229,029,991
Scrap	8,734,239
<b>Total</b>	<b>1,329,636,632</b>

### SCHEDULE 8 SUNDRY DEBTORS (Unsecured and considered good)

Outstanding for more than 6 months	20,954,000
Outstanding for less than 6 months	1,202,991,260
<b>Total</b>	<b>1,223,945,260</b>

### SCHEDULE 9 CASH AND BANK BALANCES

Cash & Cheques in hand	979,125
Bank Balances with scheduled banks	
In Current Accounts	68,591,550
Collection Accounts	53,968,037
Margin Money accounts	35,187,410
Fixed Deposit	20,000,000
<b>Total</b>	<b>178,726,122</b>

## Schedules forming part of the Consolidated Balance Sheet

(Amount in Rupees)

	As at 31.03.2010
<b>SCHEDULE 10 LOANS &amp; ADVANCES</b>	
(Unsecured, considered good, recoverable in cash or in kind for value to be received)	
Loans & Advances to Staff	791,127
Advances to Suppliers	180,206,980
Advances to Others	8,150,653
Deposit with Excise & Sales Tax	35,064,611
Other Deposits	31,333,980
Prepaid Taxes / TDS	310,411,346
Prepaid Expenses	1,374,370
<b>Total</b>	<b>567,333,067</b>

### SCHEDULE 11 CURRENT LIABILITIES & PROVISIONS

<b>a. Current Liabilities</b>	
Sundry Creditors	464,129,224
Unclaimed Dividends	2,333,339
Other Liabilities	117,397,896
	<b>583,860,459</b>
<b>b. Provisions</b>	
Provision for Income Tax	321,825,643
Employee Benefits	1,265,417
Provision for Equity Dividend	91,518,000
Provision for Preference Dividend	8,777
Provision for Dividend Distribution Tax	15,554,977
	<b>430,172,814</b>
<b>Total</b>	<b>1,014,033,273</b>

### SCHEDULE 12 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

<b>a. Preliminary &amp; Share Issue Expenses</b>	
Opening Balance	1,830,478
Less : Written off during the year	305,000
	<b>1,525,478</b>
<b>b. Deferred Revenue Expenditure</b>	
Opening Balance	6,517,222
Less : Written off during the year	3,354,846
	<b>3,162,376</b>
<b>Total</b>	<b>4,687,854</b>

## Schedules forming part of the Consolidated Profit and Loss Account

(Amount in Rupees)

	Year Ended 31.03.2010
<b>SCHEDULE 13 OTHER INCOME</b>	
Miscellaneous Income	2,074,561
Rent received (Gross, inclusive of TDS of Rs. 185,190)	1,171,897
Interest Income (Gross, inclusive of TDS of Rs. 147,816)	1,729,273
Gain on Exchange Fluctuations	10,156
<b>Total</b>	<b>4,985,887</b>

### SCHEDULE 14 RAW MATERIAL CONSUMED

<b>(a) Raw Material consumed</b>	
Opening Stocks	106,797,205
Add : Purchases	6,136,998,999
	<b>6,243,796,204</b>
Less : Closing Stocks	336,516,109
Less : Raw Material Capitalized	2,792,133
<b>Raw Material consumed - ( 1 )</b>	<b>5,904,487,962</b>
<b>(b) (Increase) / Decrease in Stocks (other than raw material)</b>	
Opening Stocks	
Work in Progress	374,770,292
Finished Goods	26,065,253
Scrap	3,596,643
	<b>404,432,188</b>
<b>Closing Stocks</b>	
Work in Progress	467,412,469
Finished Goods	225,082,963
Scrap	8,534,419
	<b>701,029,851</b>
<b>( Increase ) / Decrease in Stocks - ( 2 )</b>	<b>(296,597,663)</b>
<b>( Increase ) / Decrease in Excise Duty ( 2 )</b>	<b>(4,146,848)</b>
<b>Total Material consumed</b>	<b>5,603,743,451</b>

### SCHEDULE 15 PERSONNEL COST

Salaries & Wages	267,712,380
Contribution to PF, ESI & Super Annuation	24,015,892
Staff Welfare Expenses	29,153,773
Less: Expenses Capitalized	(10,082,789)
<b>Total</b>	<b>310,799,256</b>

**Schedules forming part of the Consolidated Profit and Loss Account***(Amount in Rupees)*

	Year Ended 31.03.2010
<b>SCHEDULE 16 OTHER MANUFACTURING COSTS</b>	
Sub Contract Expenses	134,728,973
Stores & Spares	315,454,425
Power	72,328,122
Repairs & Maintenance	
Buildings	7,746,654
Plant & Machinery	14,917,309
Others	1,043,064
Miscellaneous manufacturing expenses	9,891,085
<b>Total</b>	<b>556,109,632</b>

**SCHEDULE 17 ADMINISTRATIVE & SELLING EXPENSES**

Insurance	1,441,915
Sales Tax	275,304,834
Travelling & Conveyance	35,957,632
Rentals	9,246,792
Rates & Taxes	3,388,255
Advertisement & Sales Promotion	11,232,828
Sales Commission	51,751,603
Communication Expenses	5,454,476
Bank Charges	44,740,175
Freight Outward	151,559,871
Export Expenses	12,087,295
Technical, Legal & Professional	21,598,808
Managerial Remuneration	20,663,838
Directors' Fees & Expenses	647,132
Printing & Stationery	3,261,258
Bad Debts written off	1,359,824
Auditors' Remuneration	2,100,000
Miscellaneous Expenses	22,123,566
Less: Expenses Capitalized	(7,291,885)
<b>Total</b>	<b>666,628,217</b>

**SCHEDULE 18 FINANCING COSTS**

Interest on Term Loans & Debentures	44,399,818
Interest on Working Capital	89,463,061
Bank Charges	7,453,072
Less: Borrowing Costs Capitalized	(11,407,034)
<b>Total</b>	<b>129,908,917</b>

## Schedules forming part of the Consolidated Accounts

### SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED 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. Basis of Consolidation:

The Consolidated Financial Statements relate to Pennar Industries Limited (the Company) and its subsidiary company Pennar Engineered Building Systems Limited (PEBS) where in the Company holds 74% share as on 31.03.2010

The consolidated financial statements of the company and its subsidiary have been prepared by adding together the book values of like items of assets, liabilities, income and expenses. All intra group transactions, balances and unrealized profits/losses on transactions have been fully eliminated in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements”.

Minority Interest's share of net profit for the year is identified and adjusted against the profit in order to arrive at the net profit attributable to the shareholders of the company.

Minority Interest's share of net assets of subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the company's shareholders.

All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

##### 3. 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.

##### 4. Expenditure:

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

##### 5. 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.

##### 6. 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.

##### 7. 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.

##### 8. Inventories:

Inventories have been valued as under:

- i) Raw materials, work-in-progress, stores and spares have been valued at cost.
- ii) Finished goods have been valued at cost or net realizable value whichever is lower.



## Schedules forming part of the Consolidated Accounts

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

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**9. 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.

**10. 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.

**11. Employee Benefits:**

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

The company provides for retirement benefits in the form of gratuity and leave encashment based on valuations, as at the balance sheet date, made by independent actuaries.

**12. 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.

**13. 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.

**14. Miscellaneous Expenditure:**

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

**15. 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.

**16. Earnings per Share:**

The basic earnings per equity share is arrived at by dividing the net profit earned before appropriations by the weighted average number of shares.



## Schedules forming part of the Consolidated Accounts

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

#### II. NOTES ON ACCOUNTS

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

##### 1. Contingent Liabilities:

(Rs. in Lacs)

	As at 31.03.2010
i) Bank Guarantees given by Banks	292.3
ii) Corporate Guarantee given for Loans taken by subsidiary	6,100.0
iii) Claims by Customs & Sales Tax	437.4
iv) Estimated amount of Contracts remaining to be executed on Capital account and not Provided for (net of advances)	493.6

##### 2. Buyback of equity shares:

Pursuant to the Board of Directors approval for buyback of equity shares under section 77A of the Companies Act, 1956, the Company has bought back 44,53,479 equity shares of Rs. 5/- each through open market transactions for an aggregate amount of Rs. 12,45,21,520/-. Out of the said Rs. 12,45,21,520/-, an amount of Rs.10,22,54,125/- has been debited to share premium account and the balance amount of Rs. 2,22,67,395/- has been reduced from share capital account.

The Capital Redemption Reserve has been created out of current year profits for Rs.2,22,67,395/- being the nominal value of shares bought back in terms of section 77AA of the Companies Act, 1956.

##### 3. Preference Shares Series B:

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.

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.

Dividend has been provided on the cumulative preference shares for the year 2009-10.

##### 4. Secured Loans:

Term Loans 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.

Working Capital facilities 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. The loans are guaranteed by the directors of the company in their personal capacity.

##### 5. Unsecured Loans:

The subsidiary company has received an amount of Rs. 25.0 Lacs towards unsecured loan from Eight Finance Pvt. Ltd during the year. It is repayable after 2 years. Amount repayable within the next 12 months is nil.

##### Fixed Deposit

No fresh deposits were accepted during the year. The amount of Rs. 16.3 Lacs (Previous year Rs. 18.1 Lacs) outstanding at the year end is against claims not received by the company.



## Schedules forming part of the Consolidated Accounts

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

#### Sales Tax Deferment Loan

During the year, the Company has availed an amount of Rs. 335.3 Lacs 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	Rs. in Lacs
1	2011-12	77.9
2	2012-13	76.9
3	2013-14	26.7
4	2018-19	258.4
5	2019-20	374.8
6	2020-21	392.7
7	2021-22	430.5
8	2022-23	297.6
9	2023-24	335.3
<b>Total</b>		<b>2,270.8</b>

#### 6. 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	Rs. in Lacs
1	Customs Act, 1962	Customs duty & Interest	The Commissioner of Customs (Exports)	62.3
2	Customs Act, 1962	Interest on Customs duty paid	The Commissioner of Customs (Appeals)	44.7
3	Customs Act, 1962	Customs duty & Interest	The Supreme Court of India	165.1
4	AP VAT Act	Entry Tax on Cix	The Supreme Court of India	165.3
<b>Total</b>				<b>437.4</b>

#### 7. Particulars of Managerial Remuneration:

(Rs. in Lacs)

Name of the Director	Designation	Salary	Provident fund, Superannuation fund and other perquisites	Commission
Mr. Nrupender Rao	Executive Chairman	27.20	20.80	87.75
Mr. Ch. Anantha Reddy	Managing Director	30.08	16.80	-
Mr. Aditya N Rao	Director-Projects	17.76	6.24	-

#### 8. Related Party Disclosures:

##### a) Names of Related Parties

- i) Associate Companies : Pennar Chemical Limited
- : Pennar Management Services Limited
- : Pennar Aluminium Company Limited
- : Karvy Computer Share Private 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. Nrupender Rao
- : Avanti Rao & Ch. Arati, Daughters of Nrupender Rao
- : Mrs. Sudeepta Rao, Wife of Aditya N Rao
- : Mrs.Ch. Prabha, Spouse of Mr. Anantha Reddy

## Schedules forming part of the Consolidated Accounts

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

#### b) Aggregated related party transactions

(Rs. in Lacs)

Sl no	Particulars	Associate Companies	Key Management Personnel	Relatives of Key Management Personnel
1	Purchases made during the year	3.74	-	-
2	Sales during the year	-	-	-
3	Advances made	-	-	-
4	Remuneration	-	199.43	-
5	Rent	-	7.20	15.00
6	Other Services	33.09	-	3.12
7	Balance as at 31.03.2010	12.41	-	-

#### 9. Finance Lease:

With regard to the finance lease entered into by the company, in respect of computer accessories, the minimum lease rentals outstanding as on 31.03.2010 is Rs. 15.27 Lacs which is detailed below:

(Rs. in Lacs)

	Total Minimum Lease Rentals Outstanding as on 31.03.2010	Future Interest on Outstanding Lease Payments as on 31.03.2010	Present Value of MLPs as on 31.03.2010
Within one year	15.27	0.80	14.47
Later than one year but not later than 5 years	-	-	-
<b>Total</b>	<b>15.27</b>	<b>0.80</b>	<b>14.47</b>

#### 10. Segment Details:

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

#### 11. Auditors Remuneration (Excluding Service Tax):

(Rs. in Lacs)

	As at 31.03.2010
Audit Fees	18.5
Tax Audit Fees	2.0
Certification & others	0.5
	<b>21.0</b>



## Schedules forming part of the Consolidated Accounts

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

#### 12. Deferred Tax Liability: (Rs. in Lacs)

	As at 31.03.2010
<b>Parent Company</b>	
<b>a. Deferred Tax Liability</b>	
On a/c of Depreciation	1,349.67
<b>Net Deferred Tax Liability</b>	<b>1,349.67</b>
<b>b. Deferred Tax Asset</b>	
Unabsorbed Business Loss	58.94
Provision for Leave Encashment & Gratuity	11.06
	70.00
<b>Net Deferred Tax Liability</b>	<b>1,279.67</b>

#### 13. Earnings per Share:

	31.03.2010
1. Net Profit after tax (after adjusting Minority Interest) as per Profit and Loss Account for basic EPS (Rupees in Lacs)	4,977.53
2. Weighted Average No. of Shares	125,098,565
3. Annualised Basic Earnings per Share	3.98

14. Confirmations are still to be received in respect of the amounts relating to Debtors, Creditors and Loans & Advances.
15. The sundry debtors above 180 days receivables of Rs. 77.4 Lacs are from customers on whom legal action has been initiated.
16. Pennar Engineering Building Systems Limited became the subsidiary of Pennar Industries Limited with effect from 30th June, 2009, and the commercial operations of PEBS have commenced from 1st January, 2010.
17. No previous year's figures have been given, this being the first year of preparation of Consolidated Financial Statements.

Signatures to Schedules 1 to 19

As per our report of even date

**For Rambabu & Co.,**

*Chartered Accountants*

Registration No. 002976S

**Ravi Rambabu**

*Partner*

Membership No. 18541

Place : Hyderabad

Date : May 27, 2010

**R Ravi**

*V.P. Finance and Company Secretary*

For and on behalf of the Board

**Nrupender Rao**

*Executive Chairman*

**Ch. Anantha Reddy**

*Managing Director*

**Aditya N Rao**

*Director - Projects*



## **Pennar Industries Limited**

Regd. Office: 1-10-75/1/1-6, Saptagiri Towers, S.P. Road, Begumpet, Hyderabad - 500 016

### **NOTICE OF THE 34th ANNUAL GENERAL MEETING**

Notice is hereby given that the 34th Annual General meeting of PENNAR INDUSTRIES LIMITED will be held at 4.00 p.m. on Thursday, July 29, 2010 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, to transact the following business:

#### **Ordinary Business**

1. To receive, consider and adopt the report of the Directors, the Balance sheet as at March 31, 2010 and the Profit and Loss Account for the year ended March 31, 2010 and the report of the auditors' thereon

"RESOLVED THAT the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended 31st March, 2010 together with the Schedules and Notes, Cash Flow Statement attached thereto along with the Directors' Report and Auditors' Report thereon be and are hereby received and adopted.

2. To declare dividend on Preference shares  
RESOLVED THAT in terms of the recommendation of the Board of the Directors of the Company, the approval of the members of the Company be and is hereby granted for payment of dividend @ 0.01% p.a i.e. Re. 0.05/- ps per preference share of Rs. 5/- each out of the profits of the financial year ended on 31.03.2010 on 1,75,53,299 cumulative redeemable preference shares of Rs. 5/- each of the company aggregating to Rs. 8,777/- and the same be paid to all the members whose names appear in the Register of Members:
  - a. As beneficial owners, as at the end of business hours on July 28, 2010 as per the details furnished by NSDL and CDSL in respect of shares held in electronic form.
  - b. As members in the Register of Members of the Company as on July 29, 2010 in respect of Shares held in physical form.
3. To approve the interim dividend paid on equity shares

"RESOLVED THAT the interim dividend at 10% (being Re. 0.50/- per equity share) declared by the Board of Directors on January 29, 2010 out of the profits for the year 2009-10 and paid on February 22, 2010, be and is hereby approved.

4. To declare dividend on equity shares  
"RESOLVED THAT in terms of the recommendation of the Board of the Directors of the Company, the approval of the members of the Company be and is hereby granted for payment of a dividend @ 15% i.e. Re 0.75/- per equity share of face value of Rs 5/- each out of the profits of the financial year ended on 31.03.2010 on 12,20,24,000 equity shares of Rs 5/- each fully paid up aggregating to Rs 9,15,18,000 and the same be paid to all the members whose names appear in the Register of Members:
  - a. As beneficial owners, as at the end of business hours on July 28, 2010 as per the details furnished by NSDL and CDSL in respect of shares held in electronic form.
  - b. As members in the Register of Members of the Company as on July 29, 2010 in respect of Shares held in physical form.
5. To appoint a Director in place of Mr. C Rangamani, who retires by rotation and offers himself for reappointment.  
"RESOLVED THAT Mr. C Rangamani, Director of the Company, retiring by rotation at this Annual General Meeting be and is hereby re-appointed as Director of the Company".
6. To appoint a Director in place of Mr. Ravi Chachra, who retires by rotation and offers himself for reappointment.  
"RESOLVED THAT Mr. Ravi Chachra, Director of the Company, retiring by rotation at this Annual General Meeting be and is hereby re-appointed as Director of the Company".
7. To appoint a Director in place of Mr. P Bhaskara Rao, who retires by rotation and offers himself for reappointment.  
"RESOLVED THAT Mr. P Bhaskara Rao, Director of the

Company, retiring by rotation at this Annual General Meeting be and is hereby re-appointed as Director of the Company”.

8. To appoint M/s. Rambabu & Co., Chartered Accountants, Hyderabad as Auditors of the company, to hold office for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration and out-of-pocket expenses as may be fixed by the Board of Directors of the company.

“RESOLVED THAT pursuant to Section 224 of the Companies Act, 1956, M/s. Rambabu & Co., Chartered Accountants, Hyderabad, the retiring auditors, be and are hereby re-appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration and out-of-pocket expenses as may be fixed by the Board of Directors of the Company”.

### Special Business

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

RESOLVED THAT in supersession of the resolution passed by the members at the Annual General Meeting held on September 8, 2008 and in accordance with the provisions of Sections 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr. Nrupender Rao, be and is hereby appointed as Executive Chairman of the Company for a period of 2 years with effect from April 1, 2010 to March 31, 2012 on the following terms and conditions with liberty to the Board of Directors(hereinafter referred to as "The Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms of remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof:

#### I. Particulars of Remuneration:

- i. Salary (including dearness allowance) Rs. 3,00,000/- per month.
- ii. Special salary Rs 1,00,000/- per month
- iii. Perquisites and other allowances whose aggregate

value shall not exceed Rs.24,00,000/- per annum.

- iv. In addition to the above minimum remuneration, commission not exceeding 1.5% of the net profits of the company, computed according to the provisions of the Companies Act, 1956.

“Perquisites and other allowances include accommodation (furnished or otherwise) or house rent allowance in lieu thereof ; House Maintenance allowance, together with the reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for self and family; club fees; contribution to any statutory fund including provident fund, superannuation fund, gratuity fund etc., and such other perquisites and allowances in accordance with the Rules of the company or as may be agreed to by the Board of Directors with Mr. Nrupender Rao.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Mr. Nrupender Rao as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT so long as Mr. Nrupender Rao functions as the Executive Chairman of the Company, he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard.”

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

RESOLVED THAT in supersession of the resolution passed by the members at the Annual General Meeting held on September 8, 2008 and in accordance with the provisions of Sections 198, 269, 309, 311 and Schedule XIII and other

applicable provisions, if any, of the Companies Act, 1956, Mr. Ch Anantha Reddy be and is hereby appointed as Managing Director of the Company for a period of 2 years with effect from April 1, 2010 to March 31, 2012 on the following terms and conditions with liberty to the Board of Directors(hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms of remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof:

**I. Particulars of Remuneration:**

- i. Salary (including dearness allowance) Rs. 3,00,000/- per month.
- ii. Special salary Rs 1,00,000/- per month
- iii. Perquisites and other allowances whose aggregate value shall not exceed Rs. 24,00,000/- per annum.
- iv. In addition to the above minimum remuneration, commission not exceeding 1% of the net profits of the company, computed according to the provisions of the Companies Act, 1956.

"Perquisites and other allowances include accommodation (furnished or otherwise) or house rent allowance in lieu thereof ; House Maintenance allowance ,together with the reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for self and family; club fees; contribution to any statutory fund including provident fund, superannuation fund, gratuity fund etc. and such other perquisites and allowances in accordance with the Rules of the company or as may be agreed to by the Board of Directors with Mr. Ch Anantha Reddy.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Mr. Ch Anantha Reddy as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT so long as Mr. Ch Anantha Reddy functions as the Managing Director of the Company,

he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

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

RESOLVED THAT in supersession of the resolution passed by the members at the Annual General Meeting held on September 8, 2008 and in accordance with the provisions of Sections 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in terms of appointment and remuneration of Mr. Aditya N Rao, as Director- Projects for a period of 2 years with effect from April 1, 2010 to March 31, 2012 on the following terms and conditions with liberty to the Board of Directors(hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms of remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof:

**I. Particulars of Remuneration:**

- i. Salary (including dearness allowance) Rs. 2,00,000/- per month.
- ii. Special salary Rs 1,00,000/- per month
- iii. Perquisites and other allowances whose aggregate value shall not exceed Rs. 12,00,000/- per annum.
- iv. In addition to the above minimum remuneration, commission not exceeding 0.75% of the net profits of the company, computed according to the provisions of the Companies Act, 1956.

"Perquisites and other allowances include accommodation (furnished or otherwise) or house rent allowance in lieu

thereof; House Maintenance allowance, together with the reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for self and family; club fees; contribution to any statutory fund including provident fund, superannuation fund, gratuity fund etc. and such other perquisites and allowances in accordance with the Rules of the company or as may be agreed to by the Board of Directors with Mr. Aditya N Rao.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Mr. Aditya N Rao as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT so long as Mr. Aditya N Rao functions as the Director- Projects of the Company, he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

By Order of the Board  
For Pennar Industries Limited

Place: Hyderabad

Date: May 27, 2010

**R. Ravi**

*V. P Finance & Company Secretary*

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on poll to vote on his / her behalf. A proxy need not be a member of the company. Proxies, in order to be effective, must be deposited at the Registered Office of the company, not less than 48 hours before the time fixed for the meeting.
- (b) The Register of Members and the Share Transfer Books of the company will remain closed from July 28, 2010 to July 29, 2010 (both days inclusive).
- (c) The Explanatory Statement pursuant to Sec.173 (2) of the Companies Act, 1956 in respect of the business set out under item nos. 9, 10 & 11 is annexed.
- (d) Members are requested to bring duly filled in Attendance Slips sent herewith for attending the meeting.

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

### **Item No. 9:**

The members of the company at their Annual General Meeting of the Company held on September 8, 2008 had approved the appointment of Mr. Nrupender Rao as Executive vice Chairman and Managing Director for a period of three years commencing from July 21, 2008 for a period of three years.

The Board of Directors of the Company at the meeting held on May 27, 2010 has, subject to the approval of the members, unanimously approved the appointment of Mr. Nrupender Rao as the Executive Chairman of the company for a period of 2 (two) years commencing from April 1, 2010 including payment of remuneration. An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated June

10, 2010 has already been circulated to the members.

Mr. Nrupender Rao has been guiding the Company in its strategic, decision making policies and financial restructuring.

Members' approval is required for the appointment of Mr. Nrupender Rao as Executive Chairman of the Company w.e.f. April 01, 2010 for a period of two years and payment of remuneration as set out in the accompanying resolution.

The Board recommends the resolution set out at item no. 9 of the notice for your approval.

None of the Directors, except Mr. Nrupender Rao and Mr. Aditya N Rao (being a relative), are in any way, concerned or interested in the resolution set out at item no. 9 of the notice.



**Item No. 10:**

The members of the company at their Annual General Meeting of the Company held on September 8, 2008 had approved the appointment of Mr. Ch. Anantha Reddy as Executive Director for a period of three years commencing from July 21, 2008 for a period of three years.

The Board of Directors of the Company at the meeting held on May 27, 2010 has, subject to the approval of the members, unanimously approved the appointment of Mr. Ch. Anantha Reddy as the Managing Director of the company for a period of 2 (two) years commencing from April 1, 2010 including payment of remuneration. An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated June 10, 2010 has already been circulated to the members.

Mr. Ch Anantha Reddy has immensely contributed to the progress, development and growth of the Company.

Members' approval is required for the appointment of Mr. Ch Anantha Reddy as Managing Director of the Company w.e.f. April 01, 2010 for a period of two years and payment of remuneration as set out in the accompanying resolution.

The Board recommends the resolution set out at item no. 10 of the notice for your approval.

None of the Directors, except Mr. Ch Anantha Reddy, are in any way, concerned or interested in the resolution set out at item no. 10 of the notice.

**Item No. 11:**

The members of the company at their Annual General Meeting of the Company held on September 8, 2008 had approved the appointment of Mr. Aditya N Rao as Director- Projects for a period of three years commencing from January 30, 2008 for a period of three years.

The Board of Directors of the Company at the meeting held on May 27, 2010 has, subject to the approval of the members, unanimously approved the variation in terms of appointment of Mr. Aditya N Rao, Director - Projects of the company for a period of 2 (two) years commencing from April 1, 2010 including payment of remuneration. An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated June 10, 2010 has already been circulated to the members.

Mr. Aditya N Rao has been handling the functions of diversification, projects, various strategic initiatives of the Company and involved in setting up of a Subsidiary Company to manufacture Pre Engineered Steel Buildings, Pennar Engineered Building Systems Limited.

Members' approval is required for the variation in terms of appointment of Mr. Aditya N Rao, Director - Projects of the Company w.e.f. April 01, 2010 for a period of two years and payment of remuneration as set out in the accompanying resolution

The Board recommends the resolution set out at item no. 11 of the notice for your approval.

None of the Directors, except Mr. Aditya N Rao and Mr. Nrupender Rao (being a relative), are in any way, concerned or interested in the resolution set out at item no. 11 of the notice

By Order of the Board  
For Pennar Industries Limited

Place: Hyderabad  
Date: May 27, 2010

**R. Ravi**  
*V. P Finance & Company Secretary*

**Additional information on Directors seeking appointment/reappointment at the forthcoming Annual General Meeting**

Particulars	Mr. C Rangamani	Mr. Ravi Chachra	Mr. P Bhaskara Rao	Mr. Nrupender Rao	Mr. Ch Anantha Reddy	Mr. Aditya N Rao
Date of birth	01.11.1941	10.09.1965	12.10.1948	23.06.1945	05.06.1947	06.12.1981
Date of appointment	25.10.2007	29.07.2006	30.10.2000	23.09.1995	30.10.2000	30.01.2008
Qualification	B.Sc., B.G.L	B.Com, M.B.A	M. Tech	B.Tech IIT Kharagpur, M. S. Operations Research & Industrial Engineering, Purdue University, USA,	B.E (Metallurgical) P.G.D.M.M from Indian Institute of Materials Management	B.S., M. Eng. from Cornell University, USA
Expertise	General Manager in United Insurance Company Ltd (Retd) Expertise in Finance, Insurance & General Management	Portfolio Manager	Expertise in the field of Management for the past few decades	Expertise in the various field of Management	Vast Experience in the Technologies of steel Industry for the past few decades & Experience in various fields of management	Experience in Corporate Business Planning
List of companies in which outside directorship held on May 27, 2010	Sakthi Sugars Limited Sakthi Auto Components Ltd	Eight Capital Master Fund Ltd	Pennar Aluminium Company Limited E Value Consulting Limited O & S Ratna Aluminium Fabricators Private Limited	Pennar Engineered Building Systems Limited Pennar Chemical Limited Pennar Aluminium Company Limited Pennar Management Services Limited E-value consulting Limited O & S Ratna Aluminium Fabricators Pvt. Ltd., Thapati Trading Private Limited Palguna Consultants Private Limited	Nil	Pennar Engineered Building Systems Limited Pennar Management Services Limited Pennar Chemical Limited Thapati Trading Pvt Ltd Palguna Consultants Private Limited
Chairman/member of the committee of other companies on which he is a director as on May 27, 2010	Chairman Audit Committee Sakthi Sugars Limited	Nil	Nil	Pennar Aluminium Company Limited	Nil	Nil

## Disclaimer

In this annual report, we have disclosed forward-looking information to help investors comprehend our business prospects and thus take informed investment decisions. This report is based on certain 'forward-looking statements' that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The performance of the company is subject to various risks, uncertainties and inaccuracies in assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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*Pennar*

**Pennar Industries Limited**

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