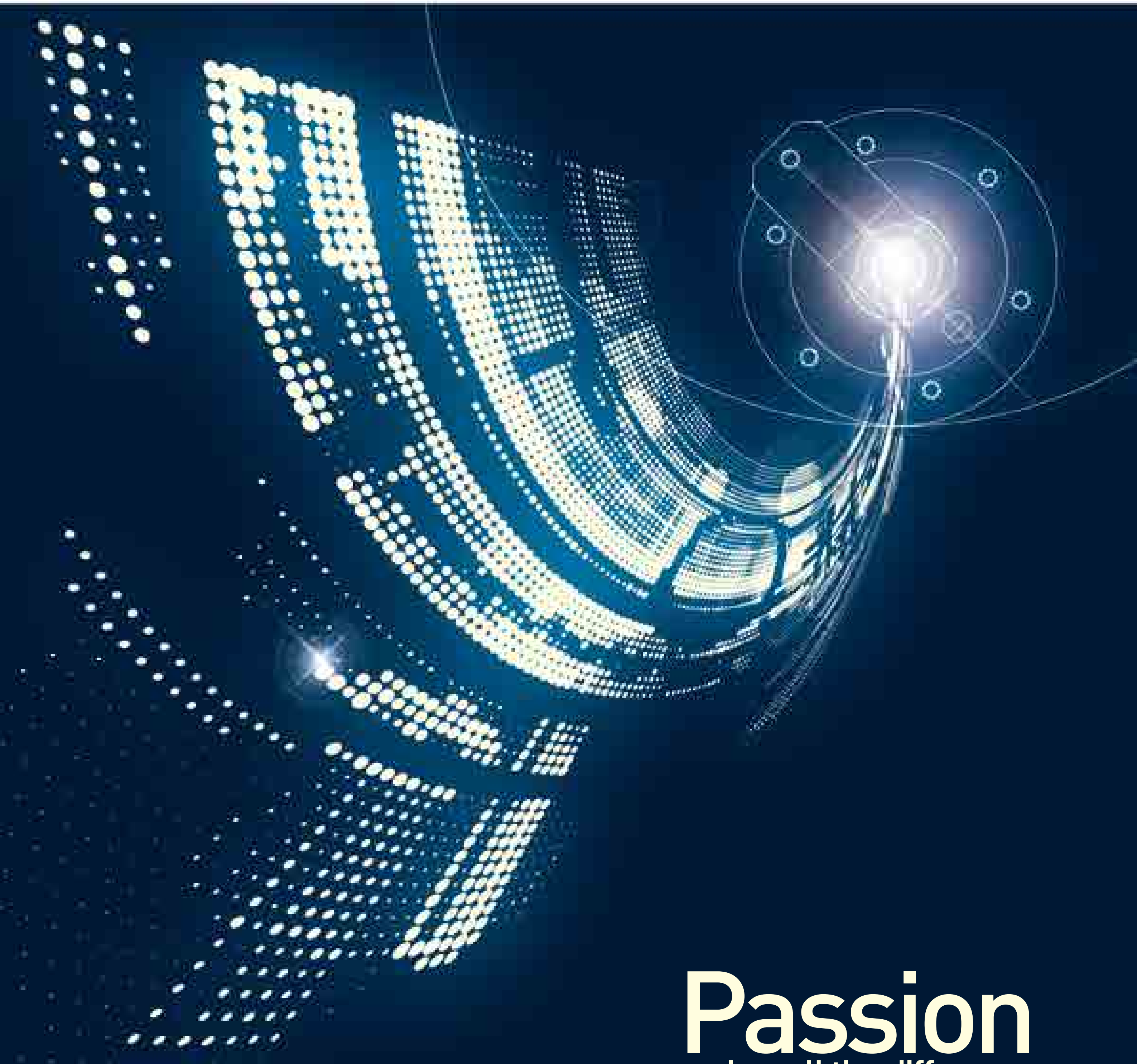
PENNAR INDUSTRIES LIMITED



Passion
makes all the difference

Annual Report 2013-14

when you combine passion with

Contents

engineering...

The business of Pennar Industries Limited rides the growth of prominent national sectors like railways, power, logistics and water treatment.

During a weak 2013-14, these sectors reported a slowdown, which inevitably translated into slower growth at Pennar Industries.

And yet, Pennar Industries reported an EBIDTA margin of 7.2 per cent, a cash profit of ₹27.86 crore and a receivables cycle of no more than 89 days of its turnover equivalent.

Passion made all the difference.

passion is...

When you can reconcile such disparate corporate identities of one manufacturing a handful of products with one that is opportunity-seeking.

When you are engaged in a thin-margin sector and yet graduate into value-added niches.

When you could play safe within existing businesses and yet ensure that sunrise sectors account for 50 per cent for your revenues.

When peer companies stay safely close to the knitting and you grow from one business to four in four years.

When you have the option to focus on steel products and yet evolve into an engineering enterprise.

When the broad industry is focusing on survival and you prioritise continuous transformation instead.

passion is...

...courage in crisis and grace under pressure

Surplus: Our operations generated a cash profit of ₹27.86 crore at a time of general economic weakness in 2013-14

Indebtedness: Our business repaid ₹25 crore of debt even as peers consumed more cash to run their businesses

Growth: Our Pennar Enviro business grew by 182 per cent, tubes business by 32 per cent and PEBS by 28 per cent in a challenging year

Liquidity: Our Balance Sheet remained largely protected with a gearing of 0.15 during a cash-stressed 2013-14

Pennar Industries is three companies in one.

Competently positioned to address increasing infrastructure investments with a growth in revenues, profits and margins.

Leading to prospects of profitable sustainable growth.

Parentage

Pennar Industries Limited is a prominent three decade old engineering enterprise respected for its expertise in best-in-class products and services. The Company commissioned its first manufacturing plant at Isnapur (near Hyderabad) in 1988 with an installed capacity to manufacture of 30,000 MTPA of cold-rolled steel strips. Headquartered in Hyderabad, Pennar Industries enjoys a pan-India manufacturing presence with six facilities across the country.

Products

Pennar is a multi-location, multi-product organisation (300,000 MTPA) manufacturing precision engineering products like cold-rolled steel strips, precision tubes, railway wagons/coaches, pre-engineered building systems, sheet metal components, road safety systems, hydraulics and warehousing solutions.

The Company's products service growing needs of downstream sectors like infrastructure, automobiles, power, general engineering and construction among others. The Company doesn't just offer products to customers but turnkey engineering solutions.

Subsidiaries

In addition to its core business, Pennar has created two subsidiaries.

Pennar Engineered Building Systems is engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and building components.

Pennar Enviro Limited operates in the field of fuel additives, water treatment chemicals and water treatment EPC services.

Pride

Pennar Industries is an ISO 9001:2008 and ISO/TS 16949:2008 certified company.

Plant locations

Patancheru, Hyderabad | Chennai, Tamil Nadu | Isnapur, Hyderabad | Tarapur, Maharashtra | Mallapur, Hyderabad | Sadasivpet, Telangana

Chairman's overview

Dear Shareholders,

THE FINANCIAL YEAR OF 2013-14 WAS ONE OF THE MOST CHALLENGING ENCOUNTERED BY YOUR COMPANY IN YEARS.

Pennar diversified its product range within each segment, increasing its addressable market.

The country's manufacturing sector was constrained by expansion challenges, high resource costs, economic slowdown and inadequate infrastructure creation. The automotive and infrastructure sectors, core to the country's manufacturing demand, experienced a demand contraction, coupled with inadequate capacity expansion, economic stagnation, weak customer confidence, persistent inflation and currency volatility.

The fact that your Company demonstrated a relative resistance to the sectoral trough and a tendency to rebound faster during periods of recovery, is an index of its deep competitiveness. In doing so, Pennar Industries reported a gross turnover of ₹851.7 crore in FY 14, outperforming the country's manufacturing sector.

The core reason for Pennar's outperformance was its sustained emphasis in transitioning from a fabrication outfit into an engineering organisation. During the slowdown, the Company was faced with the prospect of staggering investments, lying low and waiting for the storm to blow over. On the contrary, Pennar diversified its product range within each segment, increasing its addressable market. The Company introduced products like hydraulic cylinders and pressed components for export as well as CDW tubes and fabricated products. The widened product mix helped extend the Company's risk profile and cushion it against the full brunt of the slowdown.

And nowhere was the Company's counter-cyclical positioning better reflected than in the performance of its subsidiary Pennar Engineered Building Systems Limited, now one of the leading pre-engineering building solutions players in India. PEBSL built a strong order book including significant repeat orders from existing customers, showcasing deep customer trust. This trust translated into a superior

performance: the subsidiary recorded sales worth ₹417.2 crore during the year under review, a 28% growth over the previous year; PEBSL recorded a PBIDT of ₹37.14 crore and a post-tax profit of ₹18.3 crore over the previous year, accounting for 5 per cent of the Company's bottomline. As on March 31, 2014, PEBSL enjoyed an order book of ₹330 crore, indicating attractive revenue visibility and prospects of robust growth ahead.

Pennar Industries widened its business mix through a growing presence in futuristic sunrise businesses. For instance, Pennar's new subsidiary Pennar Enviro Ltd. is engaged in water and waste water treatment projects, fuel additives and water treatment chemicals. The competitive positioning of the subsidiary is reflected in its robust order book from reputed customers (L&T, JSW, SLN Coffee, NSL Group and Kohinoor Group), which should translate into a significant sales improvement in FY15.

Even as the year under review was challenging, the outlook for the Indian economy appears encouraging. The 2014 elections brought about a breath of fresh air to the Indian mood, mindset and economy.

The new government has promised to make significant changes to rebuild the Indian economy, outlining a wider vision for various sectors which should translate into higher investments and quicker projects execution. The result is that India's forex reserves increased significantly following the elections, indicating enhanced confidence from foreign investors, while the IMF projected that India's GDP growth could rebound from 4.7% to 5.4% in FY 15.

The optimism is expected to translate into optimistic realities for various downstream sectors addressed by your Company's businesses. For instance, the Indian Government outlined significant investments in the country's railways sector, sanctioning a higher Plan outlay of ₹65,445 crore with a budgetary support of ₹30,100 crore.

With the feel good factor and renewed confidence of the manufacturing sector, the economy is expected to revert to its erstwhile growth rate. Your Company plans to strengthen its performance in the current year through fresh product development and wider application of existing products, the combination of both translating into higher profits.

I thank the shareholders for their commitment and promise that your Company shall remain committed to enhance excellence and fortify customer relationships, translating into enhanced value in the hands of all those who hold a stake in the Company.

With best wishes,

Nrupender Rao
Chairman

Managing Director's overview

Dear stakeholders,
PENNAR INDUSTRIES LIMITED IS ONE OF INDIA'S LARGEST PROVIDERS OF VALUE-ADDED ENGINEERED PRODUCTS AND SERVICES.

OVER the past 35 years, the Company has evolved into a major engineering solutions provider to demanding customers from the infrastructure, automotive, railways and general engineering sectors.

This report gives me the opportunity to present our recent performance, revenue and profitability. More importantly, the report provides me with the opportunity to acquaint you with our strategy to emerge as a strong engineering company with a widening footprint (pan-India and global) and a billion dollars in revenues over the next few years.

2013-14 overview

Pennar Industries offers products and solutions through four strategic business units (SBUs) and two subsidiaries.

The four SBUs of the Company comprise:
Systems and Projects
Industrial Components
Precision Tubes
Steel Products
The two subsidiaries of the Company comprise:
Pennar Engineered Building Systems Limited
Pennar Enviro Limited

These six operating verticals helped Pennar Industries report gross revenues of ₹1,232.44 crore in FY 2014, EBIDTA of ₹93.47 crore and PAT of ₹30.74 crore. The Company leveraged its competencies across seven manufacturing plants (Hyderabad, Chennai, Mumbai and Bangalore) and their locational presence that made it possible to effectively address customer needs, supply chain and quality requirements.

The Company's 13 branch offices act as primary engagement points with customers, enabling us to enter into enduring relationships with major industrial and infrastructure centres across India.

Besides, Pennar Industries leveraged the intellectual capital of its 1,530 employees at our manufacturing plants and 650 in the sales, marketing, engineering, back office and project management functions.

Over the years, the Company showcased engineering and product development capabilities in structural engineering, industrial water and waste water treatment, speciality treatment solutions, mechanical engineering, CNC tooling, profile design, instrumentation engineering, hydraulic cylinders and systems and construction project management. These capabilities form the core of the Company's value proposition, making it possible to address a widening range of customers who use the Company's products for a variety of applications.

Over the course of FY 2014, the Company made forward-looking investments in capacities and capabilities. The Company invested in a hydraulic cylinder design and manufacturing plant in Chennai in line with the optimism that the country's hydraulics market is expected to grow attractively and that the Company possesses the competence to carve out an attractive market share. The Company also invested in capacity addition at its tubes facility, helping grow the division's revenues from ₹99.3 crore in FY 2013 to ₹131.5 crore in FY 2014. The Company built 3 MW solar power plants in Hyderabad to ensure captive power availability for our growing manufacturing needs in Hyderabad.

Outlook, 2014-15

At Pennar Industries, we are optimistic of outperforming our sectoral growth and reporting attractive numbers in the current financial year, arising out of proactive investments and changes in our operating model (creation of SBUs

₹ 1,232 cr

These six operating verticals helped Pennar Industries report gross revenues of ₹1,232 crore in FY 2014

The way forward for Pennar Industries will be to leverage its rich engineering and knowledge assets to create high-margin scalable business models.

and subsidiaries) that we expect will translate into attractive growth.

Our systems and projects business, catering to the railways and solar sectors, expects to ride a robust order book. The Company intends to expand its Chennai operations through capacity enhancements in the manufacture of products and assemblies for the Integral Coach Factory. The solar power sector expects to ride on the implementation of National Solar Mission and several state policies.

Our tubes division was invested with capital and manpower (online in September 2014) which should enhance revenue and profitability from the second half of the current financial year. Moreover, we enhanced capacity in the higher margin CDW tube product segment, strengthening margins for this SBU.

Pennar Engineered Building Systems performed beyond expectations, the fourth straight year of high growth in revenues and profitability. The Company expanded its capacity from 60,000 MT to 90,000 MT which will drive revenue growth into FY 2015. The business started offering engineering design services to US customers, which will improve margins in a significant way. The Company bagged orders from Reliance, Ultratech, Sobha Developers, L&T, Schneider India and Saraf which are expected to drive aggressive growth.

Pennar Enviro commenced commercial operations during the last financial year, booking orders in excess of ₹50 crore from prominent customers like JBF, L&T, Amtek Auto and the Sanofi Group, among others. The subsidiary's technology footprint will make it possible for us to accelerate growth over the next few operating periods. The successful execution of the order book will provide references to bid for orders, helping grow the business faster.

The Steel Products and Industrial Components business are poised to record steady revenue growth in FY

2014. While large investments in capacity or capability are not likely in these businesses in the current year, improvements in market share and revenues are likely on account of an expansion in sales, geographic presence and capital expenditure made in the previous financial year.

The result of these initiatives is that Pennar Industries - from a consolidated and standalone perspective – is in an attractive position to record high growth in 2014-15. The Company is expected to protect its Balance Sheet coupled with a turnaround in the infrastructure and automotive spaces.

Long-term strategy

The way forward for Pennar Industries will be to leverage its rich engineering and knowledge assets to create high-margin scalable business models. The success of our pre-engineered building systems subsidiary validates that a combination of precision engineering design and quality manufacture is a powerful sales and margins driver. Pennar's building products division was small prior to its entry in custom-designed building systems. By adding engineering design and project management capabilities, we created a fast-growing, high-margin vertical, growing revenues from ₹34.04 crore to ₹417.19 crore in just three years.

At Pennar Industries, we feel we are in the early stages of repeating this paradigm with Pennar Enviro, Hydraulics, Railways and Automotive & Industrial Components.

The Company's cash flow is strong; our operating cycle got smaller over the last two quarters. Our low indebtedness make us asset-light and quicker to embrace new opportunities that should translate into incremental revenues and margins over the next few years.

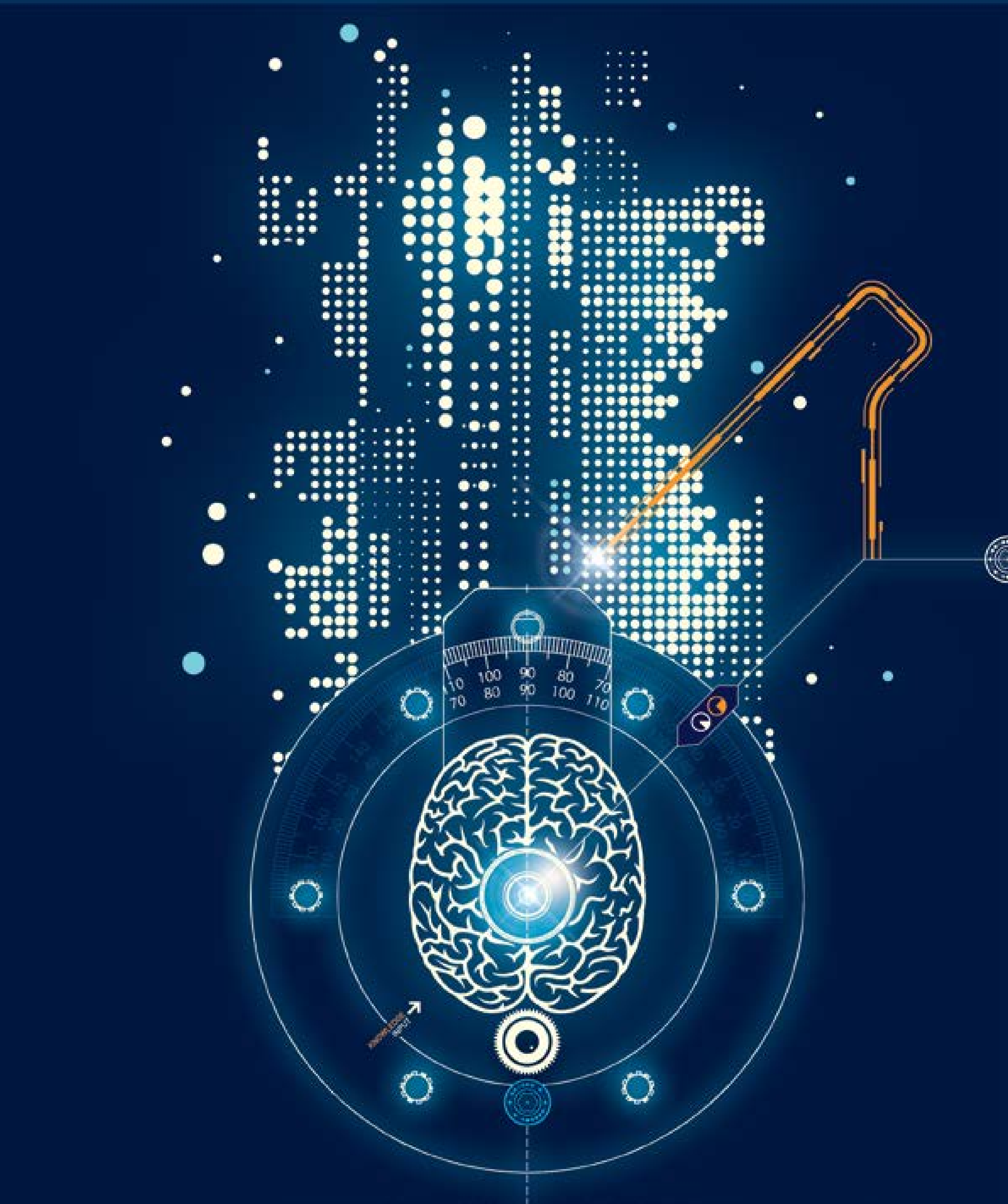
Conclusion

Pennar Industries' primary strengths comprise its deep engineering and manufacturing capabilities, wide geographic presence, low debt, strong cash flows and rich human capital.

Our competence in engineering design, manufacturing and project management will allow us to grow each of our businesses, evolving us into one of the premier engineering institutions in the world with projected revenue and market capitalisation worth US$ 1 billion over the foreseeable future.

Best wishes,

Aditya Rao,
Managing Director


110 100 90 80 70
70 80 90 100 110

AT PENNAR, our passion lies in evolving our presence in commodity spaces through constant value-addition.

Over the years, Pennar Industries diversified from being just another cold-rolled steel manufacturer into a prominent engineering-driven enterprise.

While most engineering product companies would have selected to focus on the growth emerging from one sector, Pennar widened its product mix to address growth coming out of four business segments, de-risking itself from an excessive dependence on any one segment.

The Company's subsidiary Pennar Engineered Building Systems focused on the design, manufacture and erection of pre-engineered buildings enjoying the advantage of lower overall costs (10 per cent of conventional building) and lower time-to-commissioning (half of those of conventional buildings). The result is that Pennar is India's leading PEBS player today.

Passion is...

using knowledge to enter new verticals

The Company entered the business of water treatment solutions through a technology arrangement with UK-based Tech Universal.

The Company acquired the assets of Wayne-Burt Petro Chemicals Private Limited, a cylinder manufacturing company in Chennai, with the objective to extend its presence across the hydraulic equipment value chain from engineering services to systems integration.

In doing so, Pennar grew from a ₹109.5 crore corporate a decade ago to ₹851.7 crore corporate in 2013-14 with, no business accounting for more than 16 percent of our revenues (excepting railways) and each attractively positioned to outperform the growth of the respective sectors as the economy revives.

₹ 851.7 cr

Pennar grew from a ₹109.5 crore corporate a decade ago to ₹851.7 crore corporate in 2013-14

AT PENNAR, we have gradually vacated the commodity space and extended to the customised manufacture of specialised products in fast-growing segments.

The Company specialised in business spaces warranting an increasing interplay of knowledge and customisation, which graduated the Company from the competitive end of the marketplace towards enhanced margins.

The Company evolved its focus from commodity products to value-added engineering components, accounting for nearly 69 percent of the turnover.

Passion is…

evolving from commodity to niche

The result is that Pennar has over the years extended from mere material provider to a trusted partner; from one-off transactions to repeat engagements; from erratic incomes to reasonable revenue visibility. More than 62 percent of Pennar's customers have been associated with the Company for more than five years; 20 percent of the Company's 2013-14 revenues were derived from longstanding customers.

69 The Company evolved its focus from commodity products to value-added engineering components, accounting for nearly 69 percent of the turnover.

Core competencies

01 Experience

Enjoys deep experience derived from its presence of over 35 years.

02 Customised

Engaged in the fabrication of customised products; its competence has been enhanced by technological alliances with global giants like NCI Inc. and Tech Universal, among others.

03 Blue chip clients

Repeat customers comprise blue-chip organisations like L&T, TATA Motors, Ashok Leyland, ABB, Moser Baer, Schneider Electric, Tata BP Solar and Reliance Retail, among others.

Revenues from longstanding customers (five years or more) accounted for 20 per cent of revenues in 2013-14.

04 Strong financials

Balance Sheet marked by a moderate gearing of 0.15 and an interest cover of 2.6 (2013-14), a relative rarity within a capital-intensive sector; the Company also had ₹172 crore of free cash on its Balance Sheet as on 31 March 2014.

05 Value-added

Progressively evolved to manufacture of niche value-added products; the proportion of revenues from value-added products increased from 15 per cent in 2011-12 to 50 per cent in 2013-14.

06 Technology

Invested ₹144 crore in capacities and technologies in the five years leading to 2013-14.

40 percent of the Company's gross block is less than seven years old.

Operations are ISO 9001:2008 - certified, resulting in operational consistency.

07 Location

Manufacturing facilities located at Hyderabad, Mumbai and Chennai, making it possible for the Company to service the growing needs of proximate downstream customers.

08 Presence

Focuses on fast growing infrastructural segments like railways, construction, renewable energy, water treatment and automobile manufacture.

Each of these segments is marked by relative under-investment compared with the global average; none of these segments accounted for more than 55 per cent of the Company's revenues in 2013-14.

Annexure - C

Management Discussion and Analysis

Industry overview

Despite an ongoing slowdown, India reported a GDP growth of 4.7% during 2013-14,marginally surpassing the previous year's 4.5% but unable to meet forecasts of around 4.9%.The country's fiscal deficit was recorded at 4.5% of GDP, than 2012-13 readings by 0.4%. The current account deficit of the country declined from ₹88 billion to ₹32.4 billion.

Manufacturing, the biggest constituent of Indian industry, shrank 0.7 per cent in 2013-14, against 1.1 per cent growth in the previous financial year.Total FDI inflows into various infrastructural sectors were 22.8% higher than in the last fiscal. (Source: IBEF)

The country is optimistic of reporting higher GDP growth on account of quicker government clearance for projects long stuck in procedural delays, easier FDI norms and focus on government project implementation.

Index of Industrial Production

The Index of Industrial Production contracted by 0.1% in April to March 2013-14 over the corresponding period of the previous year. Production in the mining sector and the manufacturing sector moderated by 0.6% and 0.8% respectively during April to March 2013-14 over the same period in 2012-13. Electricity generation increased by 6.1% during April to March, 2013-14 over corresponding period during the previous year. Interestingly, IIP grew 3.4% in April 2014 over April 2013 mainly on the back of a growth in the electricity generation (11.9%) and manufacturing (2.6%) sectors.

Sectoral overview

6

Estimated 2014-15 automobile industry growth (%) against 3.53% in 2013-14

41,400

Renewable energy capacity (MW) target by 2017 against 32,269.6 MW as on March 31, 2014

56.3

Projected government investment (₹ / trn) in infrastructure under the 12th Five Year Plan

Groups	Weight	Annual		Cumulative	Monthly	
		2011-12	2012-13	April-March, 2013-14	March-2014	April-2014
Mining & Quarrying	141.57	-2.0	-2.3	-0.6	0.3	1.2
Manufacturing	755.27	3.0	1.3	-0.8	-1.3	2.6
Electricity	103.16	8.2	4.0	6.1	5.4	11.9
General Index	1000.00	2.9	1.1	0.1	-0.5	3.4
Use Based Classification						
Basic goods	456.82	5.5	2.4	2.1	4.4	6.8
Capital goods	88.25	-4.0	-6.0	-3.6	-11.6	15.7
Intermediate goods	156.86	-0.6	1.6	3.1	1.6	4.4
Consumer goods	298.08	4.4	2.4	-2.7	-2.1	-5.1
i) Consumer Durables	84.60	2.6	2.0	-12.2	-11.8	-7.6
ii) Consumer Non-Durables	213.47	5.9	2.8	5.0	5.0	-3.3

5,00,000
Projected investment (₹ / cr) in the power sector by 2020.

1,25,000
Projected investment (₹ / cr) in metro railways by 2020.

1,20,000
Projected investment (₹/ cr) in roadways by 2020.

1,00,000
Projected investment (₹/ cr) in water infrastructure by 2020

Pennar's key market segments

Downstream sectors	Performance review
Automotive India is extensively under-consumed in automobile offtake. The automobile sector has a multiplier economic impact. India has one of the most globally competitive auto component manufacturing sector. A outsourcing hub for several global automobile manufacturers.	*Although automobile sales increased 3.53%, commercial vehicle sales declined. * Domestic sales of passenger vehicles was 6% lower than the preceding year. Overall passenger car sales declined 4.65% to 17,86,899. *Utility vehicle (including SUVs) sale declined 5% to 525,942 units. Export of utility vehicles grew 298 percent to 41,550 units. *The two-wheeler market grew 7.31%
Pennar's sectoral relevance	While the sector reported a degrowth, Pennar added 10 customers; 16.2% of the Company's revenue was derived from this segment
Solar power India is building its solar power capacity thanks to the ambitious National Solar Mission, state solar policies, and increased renewable energy focus.	*The installed capacity of renewable energy touched 32,269.6 MW, or 12.95% of national potential as on March 31, 2014. With this, the renewable energy constitutes 28.8% of the overall installed capacity in India. *The grid-connected solar capacity, commissioned under the National Solar Mission, stood at 2,632 MW as on March 31, 2014. A little over a third of the total capacity was commissioned in Gujarat. During 2013-14, 947 MW was commissioned.
Pennar's sectoral relevance	Pennar enjoys a leadership position in India's solar structural market (10%). 5.9% of the Company's revenues were derived from this segment in 2013-14.
Manufacturing India's manufacturing sector contributes about 16 per cent to its GDP.	The manufacturing sector GDP declined 0.7% over 2013-14. In addition to a slowdown in fixed investment, higher interest, infrastructural bottlenecks, inflationary pressure and demand decline contributed to low manufacturing growth. In contrast, the global manufacturing sector gained strength in 2013-14.
Pennar's sectoral relevance	Pennar supplies many products to auto, engineering and other manufacturing sectors.

Sectoral overview

1,00,000
Projected investment (₹ / cr) in ports by 2020.

50,000
Projected investment (₹/ cr) in dedicated freight corridors by 2020.

65,445
Record 2014-15 Plan outlay (₹ cr) for Indian Railways (H63,363 cr in 2013-14)

1-2
Projected incremental GDP growth (%) following GST implementation

Pennar's key market segments

Growth drivers	Outlook
Impetus on infrastructure, which can rekindle commercial vehicle demand, declining for the third successive year. * The government allocated ₹37,880 crore for National and State Highways; ₹14,389 crore was allocated for road development in rural areas under the Pradhan Mantri Gram Sadak Yojna. Expected to catalyse demand for vehicles and components. *The Government allocated ₹24 crore to boost research in electric vehicles through the National Development Council.	Society of Indian Automobile Manufacturers expects 6% sectoral growth over 2014-15.
*The Ministry of New & Renewable Energy targeted a renewable energy installed capacity of 41,400 MW by 2017, a $10.51 billion opportunity. * The government allocated ₹1,000 crore for the solar power sector in the 2015 Budget. * India receives nearly 3000 hours of sunshine every year, equivalent to 5000 trillion kWh of energy.	The Indian Railways proposes to harness 20% of its energy demand through renewable sources. Around 500 MW of power would be sourced from rooftop solar applications with annual power demand of the Indian Railways being 4,000 MW.
The Government created National Investment and Manufacturing Zones (NIMZs), promoting clustering and aggregation to catalyse manufacturing growth. These NIMZs will seek to remove infrastructural bottlenecks. Ten NIMZs were announced, eight along the Delhi Mumbai Industrial Corridor (DMIC). The Delhi - Mumbai Industrial Corridor (DMIC) is being implemented on both sides of the 1,483 kilometre long Western Dedicated Rail Freight Corridor between Dadri (Uttar Pradesh) and JNPT (Maharashtra), covering six states supported by ₹17,500 crore across five years. The FDI policy is being liberalised progressively to allow FDI in more industries under the automatic route. 'Invest India', a joint venture of the Department of Industrial Policy & Promotion and FICCI, established a not-for-profit, single window facilitator.	India plans to create 100 million skilled jobs in its manufacturing sector by raising its share of GDP from 16 per cent to 25 per cent by 2025. India's manufacturing sector size could reach US$ 1 trillion by 2025 (Source: Mckinsey). The HSBC India Manufacturing Purchasing Managers' Index (PMI) increased marginally from 51.3 in April to 51.4 in May, 2014.

813
Projected water requirement (billion cubic metres), 2025 against 700 billion cubic metres in 2010

3.56
Growth in municipal waste generation (% CAGR), 2005-11

2.57
Growth in urban population (% CAGR), 2005-11

30
The sewerage treated in India (%)

Growth drivers	Outlook	Growth drivers	Outlook
Construction	There has been a slowdown in construction over 2013-14 resulting in a capacity underutilisation in steel and cement sectors. The Indian construction industry registered a compounded annual growth rate of 13.52% in nominal terms during the review period (2009–2013), driven by private and public investments in infrastructure, as well as in institutional and commercial construction projects.	The output of the industry during the Twelfth Five Year Plan (2012-13 to 2016-17) is likely to increase from ₹7.67 lakh crore in 2012-13 to ₹13.59 lakh crore in 2016-17. A sum of ₹7,060 crore has been allocated for developing 100 Smart Cities in the budget 2014-15. Growth in the construction industry is linked to growth in the infrastructure and the building sectors. Apart from growth in construction of industrial buildings, the industry catering to commercial real estate in the non-residential sector is likely to grow on the back of IT, hospitality, tourism and logistic sectors.	Industry growth is expected to remain strong as a result of the government's commitment to making infrastructural improvements and the implementation of the 12th Five-Year Plan under which the government expressed plans to invest ₹56.3 trillion (US$1.0 trillion) in various long-term development plans. The Indian construction sector is also an attractive proposition for foreign developers as the Indian Government has allowed 100% FDI in the real estate industry thereby stimulating construction activities throughout the country.
Pennar's sectoral relevance	PEBS Pennar is among the top players in the country for manufacturing pre engineered buildings.		
Warehouse	The size of the Indian warehousing industry (across commodities and modes) is pegged at about ₹560 billion (excluding inventory carrying costs) and the industry is growing at over 10% annually The Central Warehousing Corporation added 3.21 lakh metric tonnes of additional storage capacity in 2013-14 as against 2.02 lakh MT in 2012-13. At the state- level, 17 State Warehousing Corporations met storage requirements and complemented the work of CWC. As on 30 April 2014 these SWCs operated a network of 1,687 warehouses with an aggregate storage capacity of 268.3 lakh metric tonnes.	*Demand for high-end services and infrastructure, driven by the greater presence of MNCs and maturity in end-user industries (such as food, textile, pharmaceuticals, automotive and engineering goods), is creating new storage space requirements. *Rising exports (~13% CAGR between FY08 and FY13) and imports (~14% CAGR between FY08 and FY13) support warehousing growth. *The Government plans to phase out Central Sales Tax (CST) and introduce GST. The move would help the logistics industry rearrange operations and enable manufacturers to store and distribute goods across the country without state boundaries. *The government to allocate ₹5,000 crore for the Warehouse Infrastructure Fund, announced in the Union Budget 2014-15.	The global warehousing and storage industry reported significant growth during five years, a trend expected to sustain. The Indian warehousing industry is set to grow at a CAGR of 8%-10% and modern warehousing at 25%-30% over five years due to increased global demand, organised retail, presence of affordable e-commerce options and growth in international trade.
Pennar's sectoral relevance	Pennar is a leading player in pre-engineered buildings with many firsts to its credit including setting up one of the largest warehouse in India (10 million sqft).		

Growth drivers	Outlook	Growth drivers	Outlook
Water industry	According to Indian Infrastructure Research, the market size of the Indian desalination industry stood at about 470 million litres per day in 2010 and expected to reach 1,850 million litres per day by 2015. Some 60% of this growth will come from industrial capacity valued at ₹60 billion Only 43.5% of households have access to piped drinking water. Within urban areas, about 71.2% of households get drinking water within their premises. Between 2005-11,India's urban population grew 2.57% CAGR while municipal solid waste grew 3.56% CAGR.	Per capita water availability declined from 1820 cubic metres in 2001 to 1544 cubic metres in 2011 and projected to decline to 1140 cubic metres by 2050. Population growth and ground water depletion is compelling governments to drive desalination projects. The revised National Water Policy 2012 recommends desalination to increase water availability in urban and industrialised areas. A restriction on ground water use by industries is expected to trigger the need for establishing individual desalination plants.	Massive investment projections have been made for the Twelfth Five Year Plan period. The Planning Commission pegs an investment requirement of ₹2550 billion for the water supply and sanitation sector The industrial water requirement is expected to increase to about 813 billion cubic metres by 2025. Of this, industrial water requirement is estimated at 62 billion cubic metres, growing at a CAGR of about 4% till 2025
Pennar's sectoral relevance	Pennar intends to move ahead in the product development value chain. Despite being a year into this business, the Company successfully carved out a ₹50 crore order book in 2013-14.		
Railways The Indian Railways is Asia's largest railway network and the fourth largest railway networks in the world with a total route network of about 64,600 km spread across 7,146 stations, operating over 19,000 trains every day.	The total approximate earnings of Indian Railways on originating basis during FY 2013–14 were ₹140485.02 crore (US$ 23.14 billion) compared to ₹121831.65 crore (US$ 20.06 billion) during the same period of FY 2012–13 The total approximate numbers of passengers booked during FY 2013–14 were 8,535 million compared to 8,602.12 million	The Railway Budget 2014-15 announced the highest-ever Plan outlay of ₹65,445 crore (US$ 10.95 billion) with budgetary support of ₹30,100 crore (US$ 5.03 billion) Leveraging of railway PSU resources by bringing in their investible surplus funds in infrastructure projects of the Railways Five new Jansadharan trains, five premium and six AC trains, 27 new express trains, eight new passenger services, five DEMU services and two MEMU services to be introduced 23 projects were underway in North East; ₹5,100 crore (US$ 853.8 million) was allocated	The already vast network of Indian Railways is growing. An outlay of US$ 95.6 billion was approved by the Planning Commission for the Railways, for the 12th Five Year Plan. Freight traffic is set to increase manifold, due to investments and private sector participation. Indian Railways targeted freight market share of 50 per cent by 2030, from 30 per cent in 2010. Investments are expected in metro rail networks in the country to the tune of US$ 42 billion by 2020.
Pennar's sectoral relevance	With higher support from the new government, Pennar expects to report higher growth.		

BUSINESS AND OPERATIONAL REVIEW

01

BUSINESS SEGMENT

PENNAR INDUSTRIES LIMITED

₹ 735.8 cr
Revenues, 2013-14

₹ 53.1 cr
EBIDTA, 2013-14

7.2%
EBIDTA margins, 2013-14

A. Steel products

Contributed 38.4% to the Company's revenues, 2013-14

₹ 426.8 cr
Revenues, 2013-14

₹ 24 cr
EBIDTA, 2013-14

5.6%
EBIDTA margins, 2013-14

Highlights, 2013-14

Revenues stood at ₹426.8 crore against ₹485.5 crore in 2012-13

EBIDTA stood at ₹24 crore

Overview

Pennar's steel product strategic business unit comprises structural components comprising special steels and cold rolled formed sections for building products, profiles (infrastructure and auto), road safety systems and sheet piles.

Structural steel has gained growing acceptance as a preferred construction material in fast track projects; Pennar possesses a capacity to deliver large quantities of purlins, cold-roll formed sections and roofing sheets around short lead times, emerging as a leading supplier to construction projects in India and abroad. The company's ready-to-use cold rolled steel possess superior surface finish and uniform thickness with close tolerances, helping customers minimize wastage and maximize yield.

At a time when the country's infrastructure sector is expected to rebound, Pennar is positioned as a one-stop producer of sheet metal products for use in the automobile industry (OEMs), strengthening its preference and leadership.

The Company operates four plants addressing the growing needs of customers like Lloyds Insulation Ltd, Alstom Projects, Lanco Infratech, FLSmidth, Thermax, Johnson Lifts, Adani Power, L&T and Ashok Leyland, among others.

Pennar was among the first companies in India to engage in narrow cold rolling and profiles business, gradually emerging as a market leader. The company possesses an installed capacity of 2,50,000 TPA. The cold rolling business possesses attractive value-added opportunities; the Company uses personalized tools to optimize lead time,leveraging in-house engineering and design capabilities to enduring customer relationships.

Business overview

Steel Products division has been static in FY 14. However most of the revenue is driven by cold rolled steel business.

Outlook

In order to further strengthen the division, the company is planning to expand into special profiles and higher margin products. New products like pumping solutions, ESP retro fitting, and specialized sheet piles etc. will be added into the products profile of the company. Apart from this, the company is also looking to expand into International markets. The manufacturing units will also be strengthened with high end equipments to suit requirements of the customers.

B. Systems and projects

Contributed 10.8% to the Company's revenues, 2013-14

₹ 119.9 cr	₹ 12.8 cr	10.7 %
Revenues, 2013-14	EBIDTA, 2013-14	EBIDTA margins, 2013-14

Highlights, 2013-14

Revenue stood at ₹119.9 crore against ₹190.7 crore in 2012-13

EBIDTA stood at ₹12.8 crore

Overview

Pennar caters to the requirement of railway wagon components for Indian Railways. Pennar manufactures cold roll formed profiles and fabricated structures with superior strength-to-weight ratio in the manufacture of railway wagons. The Company developed and supplied stainless steel sections for modern-day stainless steel wagons; the company also emerged as a supplier of several sections (including heavy fabrication parts) for railway coaches. For the railways business, the company addresses the needs of Integral Coach Factory (Perambur), Southern Railways, Texmaco and Besco, among others.

With public transportation facilities assuming rising significance, the requirement of the Indian Railways for railway coaches is also growing. Pennar's Railways business caters to the requirements of the Indian Railways supported by a dedicated manufacturing facility.

Pennar's solar power projects also fall under this segment. The Company also accounted for a 10% market share in solar module mounting structures, demand for which is expected to increase following the implementation of the National Solar Mission. The Company's key clientele for the solar business includes L&T, Tata Power Solar,Navalakha, Lanco Solar, ABB, Schneider Electric and Solaris, among others. Pennar intends to expand its solar business presence from Tamil Nadu, Maharashtra and Andhra Pradesh to Northern India.

With deep expertise in structural steel and pre-engineered buildings and as an extension to our product offerings Pennar will provide warehousing solutions. As the markets mature, Pennar will focus on delivering new designs and technologies.

Business overview

During the year under review, the railway business reported a net revenue of ₹75.1 crore accompanied by higher margins. The solar business on the other hand reported a Net Revenue of ₹44.7 crore. Pennar, enjoying a market share 15%, is expected to capitalize on this attractive opportunity.

Pennar's growth has been driven by continuous product extension - from cold rolled steel strips to fabricated structures and solar module mounting structures. With a strategy to expand in related segments, the Company intends to introduce new products and solutions for the infrastructure and warehousing sector.

Pennar's delivery of customized new-age designs and technologies have facilitated quicker delivery, wide range of sectional dimensions and thickness, reduced project costs and optimized mounting structure weight.

Pennar is the largest cold roll formed steel section manufacturer in India, having supplied mounting structures and structural components to various solar plants.

Outlook

Pennar will utilise its deep expertise in the area of structural steel and pre-engineered buildings to grow its presence in the warehousing solutions space. While exploring newer growth areas, the Company will enhance its focus on stainless steel coaches and the metro rail segment. Going ahead, the Company is expected to expand the business of solar structures with tracking systems.

C. Tubes

Contributed 11.85% to the Company's revenues, 2013-14

₹ 131.5 cr
Revenues, 2013-14

₹ 6.7 cr
EBIDTA, 2013-14

5.1 %
EBIDTA margins, 2013-14

Highlights, 2013-14

Revenue increased by 32 per cent from ₹99.3 crore in 2012-13 to ₹131.5 crore

Sales grew 6.8 percent from Q1, FY 14 to Q4, FY 14

Entered into CDW (Cold Drawn Welded) tube markets

Overview

The strategic business unit manufacturing tubes across categories addressing four industrial segments.The Company's products comprise electric resistance welded pipes, cold drawn welded tubes, air pre-heater tubes, Indian boiler regulation tubes.

The tubes manufactured by the company are widely used as structural components for various products in the automobile, power, manufacturing, structural and general engineering segments. The company possesses the capability to manufacture tubes of different shapes and dimensions catering to different client requirements.

Pennar brings to each project a rich experience in fabrication, precision engineering and customised client requirements. The in-house tool design and manufacturing capability has helped produce designed rolls at low costs with short lead times.

The Company services the growing needs of prominent automobile companies like Mahindra, Volvo-Eicher commercial vehicles, Hyundai, TVS, Tata Motors and Ashok Leyland.

In the power sector, several major players (Thermax, BGR, Paharpur, Cethar, KCP, Airco Fin, among others) use Pennar's products. Besides, the products are also used by cement plant and sugar plant equipment manufacturers. The Company's auto-controlled pollution-free wet process plants with bright annealing furnace produce diverse tubes supported by stringent quality norms.

Advantages of Tubes

High precision dimensional tolerances.

Higher strength.

Controlled and uniform mechanical properties.

Smooth surface finish - 0.2 Ra for cylinder bore quality.

Uniform sectional thickness

Business overview

The company supplemented the manufacture of electric resistance welded tubes with cold drawn welded tubes. The year 2013-14 was the first full year of operations of the Company's cold drawn welded tubes range. During the year under review, the Company streamlined CDW tube operations at its Isnapur facility, marked by precision, dimensional tolerance, strength, controlled mechanical properties and inner surface smoothness.

The Company introduced a new tubular component to cater to the oil and gas segment, whose performance will become visible in 2014-15.

Additional tube mills were commissioned at Isnapur; product distribution and service setups in Chennai and Hosur addressed specific client needs that enhanced revenues.

Outlook

Going ahead, the company's capex is expected to translate into attractive revenues.

D. Industrial components division

Contributed 5.1% to the Company's revenues, 2013-14

₹ 57.6 cr
Revenues, 2013-14

₹ 7.5 cr
EBIDTA, 2013-14

13%
EBIDTA margins, 2013-14

Highlights, 2013-14

Revenue stood at ₹57.6 crore from ₹72.7 crore in 2012-13

EBIDTA stood at ₹7.5 crore

Overview

The company's business of industrial components comprises press metal components used in the automotive and white goods sectors. The Company's product portfolio comprises refrigerator and A/C compressor shells, four-wheeler parts (car seating system assembly), two-wheeler parts (disc brakes) and heavy vehicle filter parts.

This SBU addresses a market segment estimated around ₹2,800 crore; the company accounts for 2% of the country's market share in this segment. The Company leveraged its longstanding engineering insight to market these components and has capitalized on the growth of the country's automotive and white goods sectors.

Over 50% of the Company's business in this segment is derived from repeat customers like Tecumseh Products, Emerson Climate Technologies, Endurance Technologies, India Nippon Electricals, IFB Automotive Private Limited, Fleetguard Filters, WABCO India and Brakes India, among others.

The Company's plants in Patancheru and Chennai are equipped with state-of-the-art equipment and facilities (press shops and tool maintenance) that ensure the fabrication of high-precision quality products supported by centralised CNC tool rooms to address the emerging tool manufacturing needs of customers.

The company's commitment to quality and total customer satisfaction facilitated the ISO 9001:2000 accreditation.

Business overview

The Company added Yamaha, BEML, INEL and many more as its customers and Braking components, Steering componets (in Auto component Segment), Wabco Piston Assy, Air Spring, Guide Bracket, Rotor cup components to its product offerings in 2013-14.

The Company acquired the hydraulics business of Wayne Burt in Chennai.

BUSINESS SEGMENT

02 M/S. PENNAR ENGINEERED BUILDING SYSTEMS LIMITED (PEBS)

₹ 417.19 cr
Revenues, 2013-14

₹ 37.14 cr
EBIDTA, 2013-14

10.16%
EBIDTA margins, 2013-14

Highlights, 2013-14

Gross revenues increased 28% per cent from ₹325 crore in 2012-13 to ₹417.19 crore

EBIDTA grew 4.5 per cent from ₹35.54 crore in 2012-13 to ₹37.14 crore

Profit grew 26.87% to ₹18.26 crore

Order book stood at ₹330 crore as on March 31, 2014

Overview

PEBS Pennar is engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and components for industries, warehouses, commercial centres, multi-storied buildings, aircraft hangars, sports stadia, cold-form structures, solar mounting structure, among others. PEBS Pennar is also engaged in providing structural EPC solutions for power plants. Over the years, PEBS Pennar has distinguished itself through innovation, distinctive design, expertise and a global quality for customers who aspire towards technological and structural superiority.

PEBS Pennar's design capabilities and engineering expertise are advanced and efficient. The company's state-of-the-art manufacturing facility (29,000 sq m) is equipped with high-precision CNC machines to fabricate and supply high quality and complex steel buildings. The business is equipped to build around 2.5 million square metres of steel buildings a year.

PEBS Pennar started commercial production in 2010 and worked with several Fortune 500 companies engaged in the pharmaceutical, cement, engineering, power, textile, automotive, electronics, logistics and retail sectors. The customers are prominent companies like UltraTech Cement Ltd, L&T, HCC, P&G, Godrej, Dr. Reddy's Laboratories, ABB, JSW, Schneider Electric, Reliance Retail, ACC, IOT Infrastructure & Energy Services Ltd, Schindler, Volvo and Hyderabad Metro Rail.

The Company enjoys a technical association with NCI Group of USA for knowhow related to the leak-proof Double Lock® roofing system.

Business review, 2013-14

India's ₹4,500 crore pre-engineered building industry comprise nine big players and over 35 small players. Even as the industry remained broadly stagnant, Pennar PEBS outperformed with revenue growth of 28% following proactive diversification into structural steel and cold-form building segments.

The business received tower design approval from RAMBOLL, a leading European telecom tower designing company. RAMBOLL's tower designs are reputed worldwide and widely used in all SAARC countries. PEBS Pennar is among the four Indian companies to pass stringent checks and attain approval from RAMBOLL, strengthening prospects in addressing the 4G opportunity.

The company leverages optimised designs and a quick turnaround that is shorter than the industry average, reflected in some of the following landmark projects:

UltraTech Birla White Cement, Jodhpur, Rajasthan: Stacker reclaimer shed of 75 metre clear span, the largest built by any Indian PEB company

IOT Infra, Dahej, Gujarat: The longest building by a PEB company in India of 1 km length and 145,000 square metre area

Jayabheri Orange County, Hyderabad: G+10 floor commercial building for Jayabheri Properties, Hyderabad

Schindler India, Pune, Maharashtra: Factory building covering an area of 25,500 square metre

Tata Steel Processing & Distribution Limited, Chennai, Tamil Nadu: Factory building at Chennai

L&T Metro: Building of stations for L&T Metro, Hyderabad

Shobha Developers multi-level car parking

Nuevosol for NTPC 50MW (solar).

Outlook

The Company intends to set up a manufacturing plant in North India and Africa to augment capabilities and local presence by FY16.

PEBS over conventional building structure

The Indian pre-engineered buildings market is passing through a phase of robust growth catalyzed by the growth of the country's infrastructure development. The product is being extensively used in the Automotive, Power, Logistics, Pharma, FMCG and Capital goods sectors. The Indian PEB market generated ₹5,297 crore in revenues in 2012 and is estimated to grow to ₹13,612 crore in 2016 (Source: Frost & Sullivan's Analysis).

The PEB segment feeds off growth in the industrial and commercial sectors while emerging applications cover sectors like power generation, factory, commercial buildings (offices and retail malls), warehouses, and metro stations. Pre-engineered building systems catalyze the creation of building structures faster than conventional structures, making it possible for downstream commercial users to break even faster.

PEBS benefits

Time saving: Typically delivered twelve weeks after the approval of drawings. Helps reduce construction time by half, pre-poning revenues.

Cost-effective: Saves design, manufacturing, transportation and on-site erection costs.

Flexibility of expansion: Can be expanded in length through the addition of bays.

Quality control: Manufactured under controlled factory conditions, enhancing quality.

Low maintenance: Supplied with quality paint systems for cladding and steel to suit ambient on-site conditions; durable and low maintenance.

Energy efficient: Can be reinforced with polyurethane-insulated panels or fiber glass blankets insulation on the roofs and walls.

Architectural versatility: Can be supplied with various fascias, canopies and curved eaves; designed to receive pre-cast concrete wall panels, curtain walls, block walls and other wall systems.

Single-source responsibility: Complete building package supplied by a single vendor; compatibility of building components and accessories assured.

Attractive customer base

500

Customers served till date (As on march 31, 2014)

Growing market share

10%

Share in the Indian PEB market (against 1% three years ago)

Growing orderbook

150

Projects commissioned and executed during the year

Growing size of projects

50

Project executed above ₹5 crore

BUSINESS SEGMENT

03 PENNAR ENVIRO LIMITED

₹ 16.10 cr
Revenues, 2013-14

₹ 0.69 cr
EBIDTA, 2013-14

4.26%
EBIDTA margins, 2013-14

Highlights, 2013-14

Revenues increased per cent from ₹5.67 crore in 2012-13 to ₹16 crore

EBIDTA grew 105 per cent from ₹0.33 crore in 2012-13 to ₹0.69 crore

Profits grew 40 per cent to ₹0.14 crore

Order book stood at ₹50 crore as on March 31, 2014
(₹6 crore as on March 31, 2013)

Overview

Pennar Enviro Limited (PEL) pioneered the launch of premium high-technology water treatment chemicals and turnkey solutions.

The Company's EPC solutions comprise providing turnkey solutions for the water and environment infrastructure. The company has also grown its business through annuity-based O&M services as well as the sale of fuel and water additives and standard packaged water treatment plants.

India's urbanization continues, rising from about 28% of the country's population in 2001 to 31% of the population today; the number of cities with populations in excess of 1 million has risen from 35 to 53 (projected 40% by 2031). Every 1% increase in urban population leads to about 1.5% increase in waste generation per day. On the other hand, India is moving from water stress to a water scarcity; per capita water availability declined from 1,820 cubic metres (cum) in 2001 to 1,544 cum in 2011 and a projected 1,140 cum by 2050, warranting improved core civic services (water supply, sewerage and solid waste management).

Offerings

Fuel additives

PEL pioneered the manufacture and supply of fuel additives with a technical collaboration with TOTAL. Fuel additives are used in a variety of industrial applications (including additives for heavy fuel oils, storage stability additives, additives for light oils, additives for solid fuels and other products like industrial and agro products).

Water treatment chemicals

PEL's extensive range of high performance specialty water treatment chemicals (brand PENNTREAT) address the treatment of boiler water, cooling water, raw and effluent water using micro filtration, ultra filtration and reverse osmosis.

Water treatment solutions

Standard packaged plants: PEL's modular packaged water treatment plants offer several advantages over conventional water treatment for smaller volumes resulting in economies-of-scale. Pre-engineered modular components allow wastewater treatment plants to be sized specifically around customer needs. These products can also be designed to handle a variety of influent flow rates and loadings to address discharge requirements. Our standard plant capabilities make it possible to provide fabricated structures / skids and pressure vessels.

Turnkey solutions: PEL provides EPC and O&M services in the water and environment infrastructure business. The turnkey environmental-friendly solutions address the industrial and municipal segments (water treatment plants, sewage treatment plants, effluent treatment plants, effluent recycling plants, zero liquid discharge plants as well as sea/brackish water desalination, among others). The business also offers processing and treatment solutions.

Technology collaboration

PEL grew this business collaborating with global companies resulting in the delivery of innovative solutions for the water, waste water, desalination and municipal solid waste segments.

Tech Universal: PEL signed an exclusive technology collaboration agreement with Tech Universal (UK) a 30-year-old reputed EPC and technology provider. Tech Universal specialises in desalinating water/sewage and industrial effluent treatment, catering to plants throughout Europe and the Middle East.

Total France: PEL sourced Total's technology to manufacture fuel additives. Total France is a global leader in the space of fuel additives and petroleum refining.

Opportunity

Lack of sanitation: There are more than 270 sewage treatment plants in India with an aggregated capacity of around 12,100 million litres per day against an estimated total sewage generation of 42,321 million litres per day. The result is that the installed treatment capacity is only 30% of waste water generated annually. The Company built a modular treatment plant instead of centralised process units and developing bio-toilets to address the sanitation challenge in the country.

Industrial water demand and growth: Over the years, the two factors catalyzing an increase in industrial water consumption have comprised progressive liberalisation and consequent industrial expansion and the inadequate use of technologies ensuring efficient water use. In 1990, India's total water requirement was estimated at 552 billion cubic metres, of which water for industrial purposes accounted for only about 3% (15 billion cubic metres).In 1997-98, industrial water demand increased 100% to 30 billion cubic metres, accounting for 4.8% of the total water requirement of the country. In 2010, the demand for industrial sector was 37 billion cubic metres, accounting for more than 5% of the total estimated water requirement of about 700 billion cubic metres. The share of surface water and groundwater sources in industrial applications was 70% and 30% respectively. Overall, India's water requirement is expected to increase to about 813 billion cubic metres by 2025. Of this, industrial water requirement is estimated at 62 billion cubic metres, growing at a CAGR of about 4% till 2025.

Business overview

The business leveraged the rich experience covering disciplines like design, detailed engineering, project execution, commissioning and O&M. The result is a comprehensive capability to design and execute complex water and waste water treatment projects integrating diverse technologies that offer optimum customer solutions.In the first year of commercial operation, the company's water solutions business reported an order book of ₹40 crore comprising the following prestigious orders:

De-mineralised water plant: JBL Petroleum's PTA project worth ₹4,500 crore in Mangalore placed an order with the Company for two 110 cubic metres streams of de-mineralised water plant for captive power generation. Equipe, a respected French consultant, examined the Company's capabilities in terms of engineering, design and execution capabilities before sanctioning the contract.

Waste water treatment: The Company is in the process of executing a 30 million litres per day waste water treatment project for a leading pulp and paper manufacturer in Assam. The project involves cutting-edge diffused aeration system and clarifiers of 46 and 50 metre diameters.

Recycle and reuse: The Company will commission a 3.2 million litres per day effluent recycle system using membrane technology for a complex textile effluent for the CETP in Tirupur, Tamil Nadu.

The Company has acquired a contract of 2.4 MLD sea water reverse osmosis project in Visakhapatnam for a leading pharmaceutical group.

Outlook

The Company is well geared to overhaul its offerings and provide innovation technology-oriented solutions.

The idea has been to grow a business with a difference so as to command a price premium in the market. Going ahead, the Company would also look at export opportunities once it establishes its credentials in the country.

Internal control systems and their adequacy

The Company has a proper and adequate system of internal controls commensurate with its size and business operation to ensure timely and accurate financial reporting in accordance with applicable accounting standards, safeguarding of assets against unauthorised use or disposition and compliance with all applicable regulatory laws and Company policies. The Company has control systems to safeguard its assets and ensure that all operational and financial activities are carried out under proper authorisation and with necessary documentation. Internal Auditors of the Company review the internal control systems on a regular basis for its effectiveness and necessary changes and suggestions which are duly incorporated into the system. Internal audit reports are also reviewed by the Audit Committee of the Board.

Subsidiaries

Pennar created two subsidiaries.

M/s. Pennar Engineered Building Systems Limited is engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and building components; set up with a vision of being one of the most preferred producers of high quality Pre-Engineered buildings in India. Established in

2008, today PEBS possesses world class manufacturing facility at Medak District with a manufacturing capacity of 90,000 metric tonnes per annum (MTPA).

Pennar Enviro Limited operates in the field of fuel additives, water treatment chemicals and water treatment EPC services. PEL is pioneer in the field of additives, supplying specific premium high technology additives based on fuel characteristic requirements and specific performance enhancements.

The above mentioned subsidiaries have been discussed in details in the earlier section of the report.

RESOURCES

The detail of the Company's resources is given below. The net current assets as on March 31, 2014 stood at ₹218.37 crore against ₹225.21 crore in the previous year.

(₹ in Lakhs)

Particulars	Financial year ended March 31, 2014	Financial year ended March 31, 2013
Sources of funds		
a. Shareholders' funds	31,969	31,643
b. Loan funds	11,328	10,572
c. Deferred tax liability	1,577	1,327
Total	44,874	43,542
Application of funds		
a. Fixed assets (net)	20,760	18,744
b. Investments	2,277	2,277
c. Net current assets	21,837	22,521
d. Deferred tax/ miscellaneous expense, among others	–	–
Total	44,874	43,542

(₹ in Lakhs)

Particulars	Financial year ended March 31, 2014	Financial year ended March 31, 2013
Profit from operations after tax	4,894	6,561
Less: Increase in net working capital	1,931	(1,172)
Net cash flow from operating items		
(before extraordinary items)	6,825	5,389
Payments for assets acquisitions/investments	(3,778)	(1,040)
Net cash flow from investing activities	(3,778)	(1,040)
Cash flow from financing activities	(2,855)	(4,330)
Net cash inflow / (outflow)	192	19

FINANCIAL PERFORMANCE

(₹ in Lakhs)

	2013-14	2012-13
Total Income (₹ in lakhs)	73,584	84,806
Operating expenses (₹ in lakhs)	68,484	76,721
Profit before tax (₹ in lakhs)	1,934	4,709
Fixed Assets (Rs. in lakhs)	20,760	18,744
ROCE (%)	14	22.51
EBIDTA margins (%)	7.19	9.63

During fiscal year 2013-14, the Company reported a decline in its revenues, margins and profits owing to the challenging economic scenario and prevailing slow down. However within the prevailing circumstances, Pennar Industries reported a creditable performance.

Revenues from operation stood at ₹73,584 lakhs against ₹84,806 lakhs in the previous year

EBIDTA stood at ₹5,309 lakhs against ₹8,172 lakhs in the previous year

Net Profits declined to ₹1,258 lakhs against ₹3,114 lakhs in the previous year

However, with a view to achieve better results, the Company is focusing on value added products. Pennar's engineering credentials allow it to enter new markets faster than competition. The Company's two strategic investments in sunrise industries (PEBS and PEL) are also likely to yield results in the near future.

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 loans. The long-term debt to equity ratio stood at 0.13 against 0.10 in the previous year.

LEARNING AND DEVELOPMENT

We at Pennar, believe that learning and development is instrumental to organisational progress because:

people need to have the opportunity to grow and develop throughout their careers

organisations can only grow and develop through their people

successful organisations ensure their people have the appropriate levels of skills, knowledge and attitude to fulfil their roles

in times of an economic crisis, only those organisations that are the most efficient and effective will survive – those organisations are the ones with the most efficient and effective people

only those organisations which evolve dynamically with their environment, the aspirations of the customers move forward – these organisations are propelled forward by people who are eager to learn and grow

Consequently, the Pennar top brass has responded proactively to the contemporary business environment, where learning is not just a nice thing to do — it is essential for staying on top. Especially during times of an economic standstill, it is important for people to learn new skills and enhance their marketability.

At Pennar we realised that we could not afford to remain stagnant. We needed to ensure that our workforce keeps learning and developing concomitantly. To do this, we created a culture of self-directed learners who are excited about learning and incentivised to advance knowledge and skills.

As a means to this aforementioned end we embarked upon the following initiatives:

HSE training: HSE training intends to impart hands-on training on operational safety via a proactive identification of inaccuracies and taking appropriate remedial action thereafter. It also involves implementing on-site applications to guarantee better workplace safety.

A two-day long training programme has been organised for employees below the supervisory level which sheds light on features related to safety aspects in 12 batches covering 350 people hailing from all units across the Company. In addition to this, a one day-long training programme on safety planning, process and review was held for the benefit of all those with the rank of a senior manager or above.

Process-based management: Process-based management training have been initiated at the Company to enhance the repertoire of employees. Programmes such as TPM and the Anaar Roadmap have been identified as key tools for ushering in procedural improvement. The details of these have been outlined below:

The objective of TPM (Total Productive Maintenance) is to set goals that increase employee involvement and maximise overall efficiency by establishing an all-encompassing system of Preventive Maintenance (PM) for the length of the equipment life-cycle. TPM ensures organisation-wide participation in equipment planning, operation and maintenance, from the shopfloor to the top-floor.

The Anaar Roadmap utilises a unified modular approach for perking up organisational efficiency. It is the product of Dr. W. Edward Deming's famous '14 Points', originally presented in 'Out of the Crisis' and serve as management guidelines. The points cultivate a fertile soil in which a more efficient workplace, higher profits, and increased productivity may grow. As of 31st March 2014, Pennar has trained more than 200 employees via this method leading to improvements.

Best-in-Class: Training drills on Best-in-Class has been initiated to hone leadership, marketing and sales skills.

A HBDI training programme has been organised covering around 40 people. This was aimed to map those above the managerial level. A strategy workshop was conducted and teams were formed to work on specific projects so as to realise organisational goals.

A Mercury Gold training programme was initiated to develop entrepreneurial skills and bring about cross-functional sales leadership. The first phase of training programme revolved around selling effectively, on-field work, off-field work and back office work. Around 60 people in three batches were brought under the fold of this programme.

A training programme entitled Partners in Progress was held to motivate workmen at the supervisory level. The programme which was held in tow with the Central Board of Workers Education covered 115 people.

HUMAN RESOURCES / INDUSTRIAL RELATIONS

With a team size of over 2,000 members, Pennar Industries 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 enhanced its focus on improving human resource productivity and efficiency. The Company took steps for upgrading the knowledge base of the employees by continuous training.

A systematic learning and development plan is in place to identify training needs, provide training and evaluate the learnings. The Company imparts HSE training on behavioural safety aspects along with process based training to enhance the skillset of the employees and to improve the productivity.

The Company continues to take care of the welfare of the employees. The Company organized camps for checking the health of operatives and staff by ESI and other medical agencies.

ENVIRONMENT SAFETY, HEALTH AND CORPORATE SOCIAL RESPONSIBILITY

The Company has always been on the forefront in taking up social activities for the benefit of the poor and downtrodden. During the current year the Company had taken up various social activities under its CSR scheme such as planting saplings in surrounding villages and providing furniture, equipment and notebooks to the local schools; distributing milk and eggs to school children, on a weekly basis.

The Company paid the salaries of Vidya volunteers and provided them to the local schools and conducted health camps and blood donation camps. A mega health camp was organised by the Joint Director of the ESI, benefiting around a 1,000 employees. At the blood donation camps organised by the Lions club of India our employees have voluntarily donated around 260 units of blood which was supplied to the BBR Hospital's blood bank.

Commemorative programmes were held on Safety Day and Environment Day which saw enthusiastic participation from the employees.

The Company has taken a concrete steps towards increasing the green cover in the surrounding villages and minimise pollution to the maximum extent.

OPPORTUNITIES AND THREATS

The Company orderbook stood at ₹250 crore as on March 31, 2014 to be executed in the next fiscal, reflecting strong business for the fiscal 2014-15.

Pennar entered the hydraulics business with the acquisition of assets of Wayne-Burt Petro Chemicals Private Limited, a hydraulics cylinder manufacturing company in Chennai. Along with the Company's investment in technology, the unit is expected to double its capacity over the next one year.

The Company will venture in the continent of Africa to manufacturer pre-engineered structures (PEBS). With no PEBS player in Africa, where only imports are relied upon, the new geography is likely to open huge opportunity for the Company.

A new Indian government augurs well for the country's economy. The government outlined a wider vision for its infrastructure sector (including railways) which should lead to higher investments and speedy execution translating into sustainable growth. IMF projected that the Indian GDP growth could rebound from 4.7 per cent in 2013-14 to an estimated 5.4 per cent in 2014-15, which should benefit a core sector-servicing company like Pennar.

The Company even caters to highly unstructured sectors which have strong price competition. However, owing to the Company's continued focus on manufacturing excellence through technological innovations and enhanced productivity, the Company is well positioned to deal with any short term economic or market volatility.

ADDRESSING BUSINESS RISKS

How is Pennar de-risking itself from increased competition?

Product offering: The Company has created a diversified product portfolio comprising various engineering products.The Company has moved up the value chain - from commodity-based products to value-added products including coldrolled formed products, precision tubes, cold rolled formed profiles, water treatment solutions and building products. The Company has created a repository of over 2,500+ tools and dies, enabling it to manufacture a range of products.

Enhanced realisations: The Company added value and margins to its product mix. Subsequently, the Company forayed into high precision fabricated product sectors and water treatment solutions. Value-added products comprised 69 percent of the Company's revenues during 2013-14.

Client base: The Company is engaged in providing services to marquee clients in each of its businesses. The Company is among the top-five Indian companies offering pre-engineered building products.

Could the failure to comply with evolving standards affect the Company's growth?

Quality: The Company has a team of dedicated engineers to look into the area of quality management. Pennar has over the years, invested in a sophisticated laboratory with the latest quality control equipment and ISO 9001:2008 certifications.

State-of-the-art technology: The Company invested in state-of-the-art technologies at its manufacturing locations. These technologies include laser cutting, plasma cutting, transfer presses and CNC machines. For PEBS, the Company has a technical collaboration with NCI Group, US, a leading global player in the pre-engineered building product segment.

Will an inability to fund ongoing expenses affect the Company's operations?

Liquidity: The Company's current and quick ratios stood at a low 1.66 and 1.08 respectively as on 31st March 2014. The Company also improved its receivables cycle to 70 days of turnover equivalent in 2013-14 (against 75 days in the previous year), reflecting a faster inflow of funds. The Company had free cash worth ₹138.3 crore on its books which were sufficient to meet its working capital requirements

Funding: The Company enjoyed a modest debt-equity ratio of 0.13 towards the close of 2013-14 for long-term loans and a healthy interest cover of 2.6

Directors' report

Dear Members,

Your directors take pleasure in presenting the 38th Annual Report together with the audited accounts for the financial year ended 31st March, 2014.

Financial Results:

The Company's financial performance, for the year ended 31st March, 2014 is summarized below:

(₹ in lacs)

Particulars	Consolidated		Standalone	
	2013-14	2012-13	2013-14	2012-13
Gross sales	1,23,244	1,27,437	85,170	97,213
Operating profit (PBIDT)	9,347	11,830	5,309	8,172
Profit before tax (PBT)	4,816	6,900	1,934	4,709
Income Tax and Deferred Tax	1,742	2,337	676	1,595
Profit after tax (PAT)	2,594	4,186	1,258	3,114
Profit brought forward from previous year	16,289	13,766	14,015	12,564
Surplus available for appropriation	18,883	17,952	15,273	15,678
Appropriations				
Dividend	0	1,220	0	1,220
Corporate tax on proposed dividend	0	207	0	207
Transfer to General Reserve	0	236	0	236
Transfer to Capital Redemption Reserve	0	-	0	-
Balance of profit carried to Balance Sheet	18,883	16,289	15,273	14,015

Review of Performance:

The year under review witnessed reduced demand from customers due to slow down in their businesses. Increase in sales of Tubes and Railways segment helped in offsetting the decline in Cold Rolled Steel Business. Pennar started the new business of Hydraulic Cylinders which has a huge opportunity in domestic and global markets. Profits were affected due to increase in input costs and reduced margin as a result of competition.

Subsidiaries':

The following are the subsidiaries of the Company as on 31st March, 2014

(a) M/s. Pennar Engineered Building Systems Limited (PEBSL)

Your Company's subsidiary, M/s. Pennar Engineered Building Systems Limited, one of the top players of pre-engineering building solutions in India, recorded annual sales of ₹417.2 crore representing 28% growth compared with last year. PEBSL recorded an operating profit (PBIDT) of ₹37.14 crore and a net profit of ₹18.26 crore, representing 4.5% and 26.87% growth, respectively as compared to last year. PEBSL continued to build a strong order book including significant repeat orders from existing customers which demonstrates the trust that the Company has built in the short period of time. As at 31st March, 2014, PEBSL had an order book of ₹330 crore.

(b) M/s. Pennar Enviro Limited (PEL)

Pennar Industries subsidiary, M/s. Pennar Enviro Limited is engaged in water and waste water treatment, Fuel Additives, Water treatment chemicals and Water treatment projects. The company has recorded ₹17.48 crore gross sales with net profit of ₹0.14 crore. The company has order book of ₹50.00 crore. PEL received orders from the reputed customers like L&T, JSW, SLN Coffee, NSL Group and Kohinoor Group.

Credit Rating:

CARE has reaffirmed the 'CARE A' (Single A) rating assigned to the long term bank facilities of Pennar. This rating is applicable to facilities having tenure of more than one year. Instruments with 'CARE A' rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Further, CARE has also reaffirmed the 'CARE A1' (A One) rating assigned to the short term bank facilities. This rating is applicable to facilities having a tenure upto one year. Instruments with 'CARE A1' rating are considered to have very strong degree of safety regarding timely payment of financial obligations and carry lowest credit risk.

Particulars pursuant to Section 212 of the Companies Act, 1956:

Your company has prepared the consolidated financial statements in accordance with the relevant accounting standards and the provisions of the Act. Pursuant to the provisions of Section 212 of the Act, documents in respect of the various subsidiaries viz., Directors' Report, Auditors' Report, Balance Sheet and Profit and Loss Account, are required to be attached to the Balance sheet of the Holding Company. However, in terms of the provisions of Section 212(8) of the Act, the Government of India, MCA, has vide Circular No. 2/2011, dated 8th February, 2011 granted exemption from the provisions of Section 212(1) of the Act. Accordingly, the annual report does not contain the financial statements of the subsidiaries of the company. However, the company will make available, the audited annual accounts and related detailed information of the subsidiaries, to the shareholders upon request in accordance with the applicable law. These documents are also available for inspection at the Registered Office of the company and also at the respective subsidiary companies during business hours.

A statement pursuant to Section 212(1)(e) of the Companies Act, 1956 containing the details of subsidiaries of the company forms part of the Annual Report.

Liquidity:

The operating efficiencies and prudent working capital management by the company resulted in its maintaining a conservative debt profile with consolidated net debt of 106.67 crore and a debt to equity ratio of 0.26 and net debt to EBITDA ratio of 1.14 as of 31st March, 2014. Your Company continues to focus on generating strong cash flows to meet its future growth plans from internal accruals. The Company is comfortable with its current liquidity position and foreseeable funds requirement.

Listing of Equity Shares:

The Company's equity shares are listed at the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and MCX Stock Exchange Limited.

The Company's 0.01% Cumulative Redeemable Preference Shares are listed at Bombay Stock Exchange Limited.

Dematerialisation of Shares:

98.38% of the company's paid-up Equity Share Capital is in dematerialized form as on 31st March, 2014 and balance 1.61% is in physical form.

84.78% of the company's paid-up 0.01% Cumulative Redeemable Preference Share Capital is in dematerialized form as on 31st March, 2014 and balance 15.22% is in physical form.

Buyback of Equity Shares:

Pursuant to the resolution passed by the Board of Directors of the Company dated 10th June, 2013, the Company has bought back 16,74,486 Equity Shares of ₹5/- each and the same was informed to the Exchanges and the SEBI on 6th June, 2014.

Redemption of 0.01% Cumulative Redeemable Preference Shares:

The company has redeemed the first annual installment of 1,66,49,119 '0.01% Cumulative Redeemable Preference Shares' of ₹5/- each at a rate of ₹1.66/- per share along with 0.01% dividend on the redemption value of ₹1.66/- as per the terms and conditions of the 'Scheme of Reconstruction and Arrangement' sanctioned by the High Court of Andhra Pradesh.

Secretarial Audit Report:

As a measure of good Corporate Governance practice, the Board of Directors of the Company appointed Mr. S Chidambaram, Practicing Company Secretary, to conduct the Secretarial Audit. The Secretarial Audit Report for the financial year ended 31st March, 2014, is enclosed as Annexure-A.

The secretarial audit covered the provisions of the Companies Act, 1956 and the Companies Act, 2013, the Depositories Act, 1996, the Listing Agreement with the Stock Exchanges and the SEBI guidelines/ regulations on Insider Trading and Takeover Code.

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

The particulars as prescribed pursuant to provisions of Section 217(1)(e) of the Act read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, is enclosed as Annexure-B.

Management Discussion and Analysis:

Pursuant to the provisions of Clause 49 of the Listing Agreement, a report on Management Discussion & Analysis enclosed as Annexure-C.

Corporate Governance:

The Company is committed to maintain the highest standard of corporate governance and adhere to the corporate governance requirements set out by Securities Exchange Board of India. The Report on corporate governance as stipulated under Clause 49 of the Listing Agreement is enclosed as Annexure-D.

The requisite certificate from the Statutory Auditors of the Company confirming compliance with the conditions of corporate governance as stipulated under the aforesaid Clause 49, is enclosed as Annexure-E.

Directors:

None of the directors of the company are disqualified under the provisions of the Act or under the Listing Agreement with the Stock Exchanges.

Appointments

Mr. Vishal Sood, and Mr. J Ramu Rao who retire by rotation and being eligible offer themselves for re-appointment. Your Board recommends their appointment.

Mr. Aditya Rao was redesignated as Vice Chairman & Managing Director of the Company at the meeting of the Board of Directors held on 5th February, 2014.

Mr. K Lavanya Kumar was appointed as Whole-Time Director of the Company at the meeting of the Board of Directors held on 7th May, 2014.

Mr. C Parthasarathy, Mr. B Kamalakar Rao, Mr. Varun Chawla and Mr. Manish Mahender Sabarwal are appointed as Independent Directors of the Company under Section 149 of the Companies Act, 2013.

Pursuant to the provisions of Clause 49 of the Listing Agreement, brief particulars of the directors who are proposed to be appointed/re-appointed are provided as an annexure to the notice convening the Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Cessations

Mr. Ch Anantha Reddy, Whole-Time Director, Mr. C Rangamani, and Dr. G Vivekanand, Independent Directors of the company resigned from the office of directorship on 8th January, 2014, 10th January, 2014 and 28th July, 2014 the same was taken note by the Board of Directors at its meeting held 22nd January, 2014 and 6th August, 2014. Your Board places on record their appreciation for the contribution made by them during their tenure as Directors.

Statutory Auditors:

M/s Rambabu& Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed. The Audit Committee and the Board of Directors recommend their re-appointment as the Statutory Auditors for the Financial Year 2014-15.

Audit Observations:

The Notes on Financial Statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments..

Cost Auditors:

The Cost Audit Report for the year ended 31st March, 2013 was reviewed by the Audit Committee at their meeting held on 6th August, 2013 and has been filed on 26th September, 2013 well within the due date.

The Cost Audit for the year ended 31st March 2014 is in progress and the Cost Audit Report will be filed within the stipulated time.

M/s. DZR & Co., Cost Accountants have been reappointed as the Cost Auditors of the Company for the year ending 31st March, 2015.

Directors Responsibility Statement:

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed that:

1) In the preparation of the Annual Accounts, the applicable Accounting Standards had been followed along with proper explanations relating to material departures;

2) The directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profit of the company for that period;

3) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

4) The directors had prepared the annual accounts on a 'going concern' basis.

Dividend, Fixed Deposits and General Reserves:

In order to conserve cash, your Directors are not recommending a dividend on equity shares. However the company has redeemed its first annual installment of 0.01% Cumulative Redeemable Preference shares of ₹5/- each at ₹1.66/- per share along with Dividend at 0.01% during the year 2013-14.

Your Company has not accepted any fixed deposits and no amount has been carried to General Reserves during the year.

Particulars of Employees:

The information required under Section 217(2A) read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the Annexure to the Directors' report. However pursuant to the provisions of Section 219(1)(b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitles thereto. Any member interested in obtaining such particulars may write to the Company Secretary for a copy.

Declaration by Vice-Chairman & Managing Director:

Pursuant to the provisions of clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Vice-Chairman & Managing Director of the company declaring that all the members of the board and the senior management personnel of the company have affirmed compliance with the Code of Conduct of the company is enclosed as Annexure-F.

The Vice-Chairman & Managing Director certification to the board pursuant to clause 49(V) of the listing agreement is enclosed as Annexure-G.

Acknowledgements:

Your directors take this opportunity to express their appreciation for the co-operation to all the suppliers and customers who have been associated with the Company as partners of growth. The Directors would also like to take this opportunity to thank the financial institution, banks, regulatory and government authorities as well as the shareholders for their continued co-operation and support. The directors also wish to place on record their appreciation of the devoted and dedicated services rendered by all employees of the Company. We look forward to further support.

By Order of the Board
for **Pennar Industries Limited**

Date : 06.08.2014
Place : Hyderabad

Nrupender Rao
Executive Chairman

Annexure - A

Secretarial Audit report

The Board of Directors
M/s. Pennar Industries Limited
Floor No.: 3, DHFLVC Silicon Towers,
Kondapur, Hyderabad - 500 084

I have examined the registers, records, books and papers of M/s. Pennar Industries Limited as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of the Company for the financial year ended on 31st March, 2014. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, according to the provisions of:

The Companies Act, 1956 and 2013;

The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) 2011;

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and

The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited

I report the following

1. The Company :

(a) has maintained various statutory registers and documents;

(b) has closed its Register of Members during the Financial Year for the purpose of Annual General Meeting and Dividend;

(c) has filed Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;

(d) has duly conducted Board meetings/ Committee Meetings;

(e) has sent the notices as required to its Members;

(f) has duly conducted the Annual General Meeting on 31.07.2013;

(g) has maintained minutes of proceedings of Board Meetings/ Committee Meetings and General Meetings;

(h) has complied with all the applicable provisions with regard to constitution of the Board of Directors / Committee(s) of directors and appointment, retirement and their re-appointment including that of Managing Director/Whole-time Directors;

(i) has complied with all the applicable provisions with regard to payment of remuneration to the Directors including the Managing Director and Whole-time Directors;

(j) has complied with all the applicable provisions with regard to appointment and remuneration of Auditors;

(k) has delegated power to the committee to process and approve the transfers and transmissions of the Company's shares;

(l) during the period under review the Company has not allotted any shares.

(m) has complied with the provisions of the Companies Act, with regard to declaration and payment of dividends;

(n) has complied with the provisions of Section 372A of the Companies Act, 1956;

2. I further report that:

(a) the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings / debenture holdings and directorships in other companies and interests in other entities;

(b) the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel as per Clause 49 of the Listing Agreement;

(c) the Company has complied with the conditions of Corporate Governance as stipulated in Listing agreements with respective Stock exchanges.

(d) there was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company, its Directors and Officers;

3. I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed thereunder by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

4. I further report that:

(a) the Company has filed the requisite returns, documents, information as per the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited;

(b) the Company has duly complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(c) the Company has filed returns, documents, information as required under the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

S. Chidambaram
Practicing Company Secretary

Date: 07.05.2014 C P No: 2286
Place: Hyderabad schid285@gmail.com

Annexure - B

Particulars Pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

Form A

PARTICULARS	01.04.2013 to 31.03.2014	01.04.2012 to 31.03.2013
A. POWER AND FUEL CONSUMPTION		
1. Electricity:		
a. Purchase of Units	1,90,92,351	1,82,33,718
Total Amount (₹)	14,70,91,577	13,37,09,064
Rate Per Units (₹)	7.70	7.33
b. Own Generation		
Through Diesel Generator		
1000KVA units (KWH)	5,67,220	25,40,826
Units per liter of diesel oil	3.15	3.25
Cost of Diesel per KWH (₹)	18.33	14.4
2. Coal :		
Quantity (Tonnes)	722.16	988.36
Total Amount (₹)	29,20,276	39,88,700
Average Rate (₹)	4,044	4,036
3. Diesel Oil :		
Quantity (KL)	233	853
Total Amount (₹)	1,36,63,959	4,07,70,699
Average Rates (₹)	58,598	47,793
4. C IX Oil :		
Quantity (MT)	1,104	1,252
Total Amount (₹)	4,90,35,263	4,77,97,392
Average Rates (₹)	44,429	38,186
B. CONSUMPTION PER UNIT OF PRODUCTION		
a. Product		
Unit		
Electricity (KWH)	110	135
Coal (Kgs)	7	12
Diesel (Ltrs)	0.05	0.24
C IX (Kgs)	9.39	14.10
b. Product		
Unit		
Electricity (KWH)	107.19	94.86

Annexure - D

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, of which two are Executive Directors and balance eight are Non-Executive Directors of whom five are Independent Directors. The Company has a Chairman and Vice-Chairman& Managing Director. The Chairman is responsible for the conduct of the business and the day-to-day affairs of the Company. The Vice-Chairman & Managing Director looks after diversification and projects.

b) Number of Board meetings held during the financial year and the dates of the Board meetings:

During 2013-14, the Board met six times on 10th May, 2013; 10th June 2013; 7th August, 2013; 6th November, 2013; 22nd January 2014 and 5th February, 2014.

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

Sl. No.	Name of the Director	Category of Directorship	Number of Board meeting held during his Directorship	Number of Board meetings attended	Attendance at the last AGM heldon 31st July, 2013
1.	Mr. Nrupender Rao	Promoter, Chairman	6	6	Yes
2.	Mr. Ravi Chachra	Non-Executive Director	6	4	No
3.	Dr. G Vivekanand $	Independent Non-Executive Director	6	Nil	No
4.	Mr. C Parthasarathy	Independent Non-Executive Director	6	3	Yes
5.	Mr. B Kamalaker Rao	Independent Non-Executive Director	6	6	No
6.	Mr. Manish Sabharwal	Independent Non-Executive Director	6	4	No
7.	Mr. J Ramu Rao	Non-Executive Director	6	2	No
8.	Mr. Vishal Sood	Non-Executive Director	6	3	No
9.	Mr.VarunChawla	Independent Non-Executive Director	6	6	No
10.	Mr. Aditya Rao	Vice-Chairman & Managing Director	6	6	Yes
11.	Mr. C Rangamani @	Independent Non-Executive Director	4	3	Yes
12.	Mr.Ch Anantha Reddy #	Whole-Time Director	4	4	Yes

@ Mr. C Rangamani resigned on 22nd January, 2014. #Mr.Ch Anantha Reddy resigned on 22nd January, 2014. $ Dr. G Vivekanand resigned on 6th August, 2014.

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	4	7	1	-
2.	Mr. Ravi Chachra	-	1	-	-
3.	Dr. G Vivekanand $	-	9	1	-
4.	Mr. C Parthasarathy	6	15	5	1
5.	Mr. B Kamalaker Rao	-	4	-	-
6.	Mr. Manish Sabharwal	-	9	-	1
7.	Mr. J Ramu Rao	-	15	-	-
8.	Mr. Vishal Sood	-	6	-	-
9.	Mr.Varun Chawla	-	4	-	-
10.	Mr. Aditya Rao	-	7	-	2
11.	Mr. C Rangamani @	-	2	1	-
12.	Mr. Ch Anantha Reddy #	-	2	-	-

@ Mr. C Rangamani resigned on 22nd January, 2014. # Mr.Ch Anantha Reddy resigned on 22nd January, 2014. $ Dr. G Vivekanand resigned on 6th August, 2014.

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 of the following:

1.	Mr. C Rangamani	-	Chairman (Independent Non-Executive Director) *
2.	Mr. B Kamalaker Rao	-	Member(Independent Non-Executive Director)
3.	Mr. C Parthasarathy	-	Member(Independent Non-Executive Director) @
4.	Mr. Varun Chawla	-	Member(Independent Non-Executive Director)
5.	Mr. Aditya Rao	-	Member(Non-Independent Executive)

* Mr C Rangamani resigned on 22nd January, 2014.

@ Mr. C Parthasarathy appointed as Chairman 22nd January, 2014.

c) Meetings and attendance during the year

During the year under review, the Committee met four times on 10th May, 2013; 6th August, 2013; 5th November, 2013; and 5th February, 2014. The details of attendance are given below:

Sl. No.	Name of the Member	No. of Meetings held	No. of Meetings attended
1.	Mr. C Rangamani*	3	2
2.	Mr. B Kamalaker Rao	4	3
3.	Mr. C Parthasarathy	4	2
4.	Mr. Varun Chawla	4	4
5.	Mr. Aditya Rao	4	4

** Mr C Rangamani resigned on 22nd January, 2014.*

The M/S. Rambabu & Co, Statutory Auditors and Internal Auditors are invited to attend the Audit Committee meetings and the Company Secretary acts as the Secretary of the Committee.

The Chairman of the Board will attend the meetings as he deems appropriate. The minutes of the meetings of the Audit Committee are circulated to all the members of the Board.

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/Whole time Directors

b) Composition, name of members and chairperson

The Company constituted a Remuneration Committee on June 11, 2004. The Remuneration Committee comprises of the following:

1. Mr. C Parthasarathy - 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.Varun Chawla - Member (Independent Non-Executive Director)
5. Mr. Varun Chawla - Member (Independent Non-Executive Director)

* Mr C Rangamani resigned on 22nd January, 2014.

c) Meetings and attendance during the year

During the Period under review the Company was not required to conduct any Remuneration Committee Meeting.

d) Remuneration policy

To recommend/review the remuneration package, periodically, to the Executive Directors. The remuneration payable to them is in accordance with the existing industry practice and also with the provisions of the Companies Act, 1956 and amendment if any.

e) At present, all the Non-Executive Directors receive remuneration only by way of sitting fees for attending the meetings of the Board and Committee thereof. The actuals of remuneration paid to all the Director's for 2013-14 is given below:

Name of the Director	Designation	Salary	Commission	Provident fund, Superannuation fund and other perquisites (Rs.)	Sitting Fee	Total
Mr. Nrupender Rao	Chairman	98,10,000	33,06,000	21,00,000		1,47,16,000
Mr.Ch Anantha Reddy *	Whole-Time Director	27,00,000	-	-		27,00,000
Mr. Aditya Rao	Vice-Chairman & Managing Director	63,80,000	22,04,000	28,20,000		1,14,04,000
Mr. Ravi Chachra	Non-Executive Director	-	-	-	11,000	11,000
Dr. G Vivekanand $	Independent Non-Executive Director	-	-	-	-	-
Mr. C Parthasarathy	Independent Non-Executive Director	-	-	-	31,000	31,000
Mr. C Rangamani #	Independent Non-Executive Director	-	-	-	24,000	24,000
Mr. B Kamalaker Rao	Independent Non-Executive Director	-	-	-	38,000	38,000
Mr. Manish Sabharwal	Independent Non-Executive Director	-	-	-	-	-
Mr. J Ramu Rao	Non-Executive Director	-	-	-	14,000	14,000
Mr. Vishal Sood	Non-Executive Director	-	-	-		
Mr.VarunChawla	Independent Non-Executive Director	-	-	-	55,000	55,000

**Mr.Ch Anantha Reddy resigned on 22nd January, 2014. # Mr. C Rangamani resigned on 22nd January, 2014. $ Dr. G Vivekanand resigned on 6th August, 2014.*

Mr.C Parthasarathy, Chairman of the Remuneration Committee was present at the last Annual General Meeting.

f) Details of number of shares held by the Non-Executive/Independent Directors as on 31st March, 2014:

Name of the Director	Designation	No. of Shares held
Mr. Ravi Chachra	Non-Executive Director	-
Mr. C Parthasarathy	Independent Non-Executive Director	-
Dr. G Vivekanand $	Independent Non-Executive Director	-
Mr. B Kamalaker Rao	Independent Non-Executive Director	11,900 Equity Shares of ₹5/- each.
Mr. C Rangamani *	Independent Non-Executive Director	-
Mr. Manish Sabharwal	Independent Non-Executive Director	-
Mr. J Ramu Rao	Non-Executive Director	-
Mr. Vishal Sood	Independent Non-Executive Director	-
Mr.Varun Chawla	Independent Non-Executive Director	-

**Mr.C Rangamani resigned on 22nd January, 2014. $ Dr. G Vivekanand resigned on 6th August, 2014.*

5. Shareholders'/Investors' Grievances Committee

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

a) Name of Non-Executive Director heading the Committee: The Committee functions under the Chairmanship of Mr. B Kamalaker Rao, a Non-Executive and Independent Director.

Other members include Mr. C Rangamani*, Independent Non-Executive Director, Mr. Aditya Rao, Vice- Chairman & Managing Director and Mr. Varun Chawla, Independent Non-Executive Director.

*Mr.C Rangamaniresigned on 22nd January, 2014.

b) Name and designation of Compliance Officer: Mr. Mirza Mohammed Ali Baig, Company Secretary.

c) Number of complaints received from shareholders: During the period under review, the Company has received and resolved 44 complaints and there were no pending complaints as at the year end.

d) Number of pending share transfers and complaints: Nil

e) Details of meetings and attendance by the members: During the year the Committee met four times on 10th May, 2013; 7th August, 2013; 6th November, 2013; and 5th February, 2014.

Sl. No.	Name of the Member	No. of Meetings held	No. of Meetings attended
1.	Mr. C Rangamani *	3	3
2.	Mr. B Kamalaker Rao	4	3
3.	Mr. Varun Chawla	4	3
4.	Mr. Aditya Rao	4	4

**Mr.C Rangamani resigned on 22nd January, 2014.*

6. General body meetings

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

Date	Year	Type	Venue	Time
31st July, 2013	2012-13	Annual General Meeting	Aditya Sarovar Premiere, Hyderabad	10:00 A.M
23rd July, 2012	2011-12	Annual General Meeting	Aditya Sarovar Premiere, Hyderabad	9:30 A.M.
12th September, 2011	2010-11	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	10:30 A.M.

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
31st July, 2013	No	NA
23rd July, 2012	No	NA
12th September, 2011	Yes	Special resolution passed for keeping the Register of members and index of members at the office of the Registrar and Share Transfer Agents

c. Whether any special resolution passed last year through postal ballot - details of voting pattern.

No Postal Ballot was conducted during 2013-14.

d) Person who conducted the postal ballot exercise: Not applicable.

e) Whether any special resolution is proposed to be conducted through postal ballot: No

f) Procedure for postal ballot - Not Applicable.

g) Information on Directors re-appointment as required under Clause 49 VI (G) of the Listing Agreement with stock exchanges is given as a note appended to the explanatory statement of the AGM notice.

7. Disclosures

a) Related Party Transactions:

No transaction of material nature that may have potential conflict with the interests of company at large was entered in to by the Company with the related parties. The transactions with the related parties are disclosed in notes to accounts in the Annual Report.

b) Disclosure of Accounting Treatment:

The Company has followed the accounting standards notified under Companies (Accounting Standards) Rules, 2006 in the preparation of its financial statements.

c) Details of non-compliance etc.:

There has been no instance of non-compliance with any legal requirements nor have there been any strictures imposed by any stock exchange, SEBI on any matters relating to the capital market over the last three years. A Statement of Compliance with all laws and regulations as certified by the Managing Director and Company Secretary is placed at every meeting of the Board of Directors.

d) Whistle Blower Policy:

The Company is yet to establish a whistle blower policy. However we affirm that during the year 2013-14 no personnel have been denied to access the Audit Committee.

e) Code of Conduct:

The Company has adopted the Code of Conduct which is applicable to the members of the Board and top management of the Company. The Code of Conduct is available on the Company's website.

f) Proceeds from public issues, rights issues, preferential issues etc.:

During the financial year ended 31st March, 2014, there were no proceeds from public issues, rights issues, preferential issues, among others.

g) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause:
The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

Compliance with Non-Mandatory requirements:
We comply with the following non-mandatory requirements:

(i) The Board - We also ensure that the persons who are being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company and contribute effectively to the Company.

(ii) Remuneration Committee - We have constituted a Remuneration Committee.

(iii) Shareholder Rights - The Company publishes its results on its website i.e, www.pennarindia.com which is accessible to the public at large. A half-yearly declaration of financial performance including summary of the significant events is presently not being sent to each household of shareholders. The Company's results for each quarter are published in an English newspaper having wide national circulation and also in a Telugu newspaper having wide circulation in Telangana. Hence, half-yearly results are not sent to the shareholders individually.

(iv) Audit qualifications - During the period under review, there is no audit qualification in Company's financial statements.

(v) Training of Board members - The Company is yet to evolve a plan to train the Board members.

(vi) Mechanism for evaluating Non-Executive Board members -Yet to evolve

As regards other non-mandatory requirements, the Board has taken cognizance of the same and may consider adopting them as and when deemed appropriate.

The Company has not adopted the Corporate Governance Voluntary Guidelines, 2009. The Board will adopt the same as and when deemed appropriate.

8. Means of communication

The quarterly/half-yearly/annual financial results of the Company are sent to the stock exchanges immediately after they are approved by the Board.

The quarterly/half-yearly/annual financial results of the Company are published in English newspaper having a wide national circulation and also in a Telugu newspaper having a wide circulation in Andhra Pradesh within 48 hours of the conclusion of the Board meeting.

The Company's website www.pennarindia.com contains a separate dedicated section "Investors" where latest information for shareholders is available. The quarterly/half yearly/ annual financial results of the Company are simultaneously posted on the website. The Company's website also displays official news releases related to the activities of the Company.

General information:

Sl. No.	Particulars	Description
1.	Date, time and venue of Annual General Meeting	30th September, 2014 at 10:00 A.M. at Radisson Hi-Tech City, Gachibowli, Hyderabad - 32
2.	Financial calendar (Tentative schedule)	Financial year : 1st April to 31st March: Board meetings for approval of quarterly results: 1st Quarter ended on 30th June, 2014: within 45 days from the close of quarter 2nd Quarter ended on 30th September, 2014: within 45 days from the close of quarter 3rd Quarter ended on 31st December, 2014: within 45 days from the close of quarter Annual results for financial year ended 31st March, 2015 (audited): Within 60 days of the close of financial year Annual general meeting for the year 2014-15 : In accordance with Section 166 of Companies Act, 1956 and amendment if any.
3.	Date of book closure (both days inclusive)	24th September, 2014 to 25th September, 2014 (both days inclusive)
4.	Dividend payment due	–
5.	Listing on stock Exchanges	The Bombay Stock Exchange Limited P. J. Towers, Dalal Street, Mumbai – 400001 The National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051 MCX Stock Exchange Limited 2nd Floor, Exchange Square Suren Road, Chakala, Andheri (East), Mumbai – 400 093
6.	Stock Code	BSE: Equity- 513228 0.01% cumulative redeemable preference shares- 700107 NSE EQUITY:PENIND MCX EQUITY: PENIND
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 PhirozeJeejeebhoy Towers, 28th Floor Dalal Street, Mumbai – 400023
8.	Registered Office (address for correspondence)	Floor No. 3, DHFLVC Silicon Towers, Kondapur, Hyderabad – 500084 A.P. India, Tel.No: +91 40 4006 1621 to 22 E-mail:pilhyd@bsnl.in, corporatecommunications@pennarindia.com
9.	Registrar and Transfer Agents 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. Aditya Rao, Vice Chairman&Managing Director, and Mr.Mirza Mohammed Ali Baig Company Secretary& Compliance Officer was placed at the meeting of the Board of Directors held on 7th May, 2014.

10. Distribution of shareholding as on 31st March, 2014 was as under:

Category (shares)	No of shareholders	% of Holders	No of Shares	% of Shares
Upto 1-1000	23,956	92.11	48,46,230	4.02
1001-2000	884	3.40	13,70,112	1.14
2001-4000	446	1.71	13,18,823	1.09
4001-6000	249	0.96	12,50,833	1.04
6001-8000	77	0.30	5,44,187	0.45
8001-10000	92	0.35	8,75,280	0.73
10001-20000	117	0.45	17,07,848	1.42
20001 & Above	187	0.72	10,85,48,097	90.11
Total	26,008	100.00	12,04,61,410	100.00

Shareholding Pattern as on 31st March, 2014 was as under:

Sl. No.	Particulars	No. of Shares	% to total shares
1	Promoter and Promoter Group	4,89,01,040	40.59
2	Mutual Funds/ UTI	950	–
3	Financial Institutions/Banks	7,62,250	0.63
4	Foreign Institutional Investors	2,69,07,899	22.34
5	Foreign Funds	87,11,854	7.23
6	Bodies Corporate	1,42,96,018	11.87
7	Individuals	1,95,75,506	16.26
8	Trust	5,955	–
9	NRI	10,52,926	0.87
10	Clearing Members	2,47,012	0.21
	Total	**12,04,61,410**	**100.00**

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. 98.38% of equity shares are held in dematerialised form as on 31st March, 2014.

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. 84.78% of 0.01% cumulative redeemable preference shares are held in dematerialised form as on 31st March, 2014.

c) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity.

During the financial year 2013-14, the Company has not issued any GDRs/ADRs and there are no outstanding warrants or any convertible instruments.

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, ThiruvelloreDist, T.N.

e) Hosur unit : SIDCO Industrial Estate, Hosur, T.N.

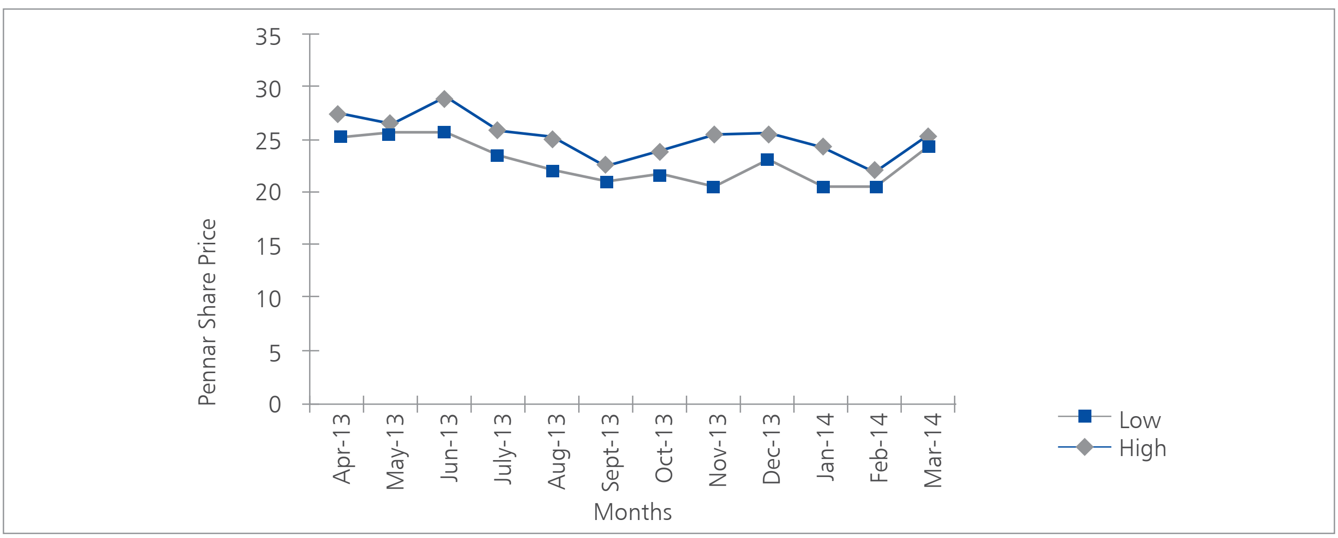
13. Market price data

The Company's shares are traded on The Bombay Stock Exchange and The National Stock Exchange of India Limited. Monthly high and low quotations and volume of equity shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for 2013-14 were as follows:

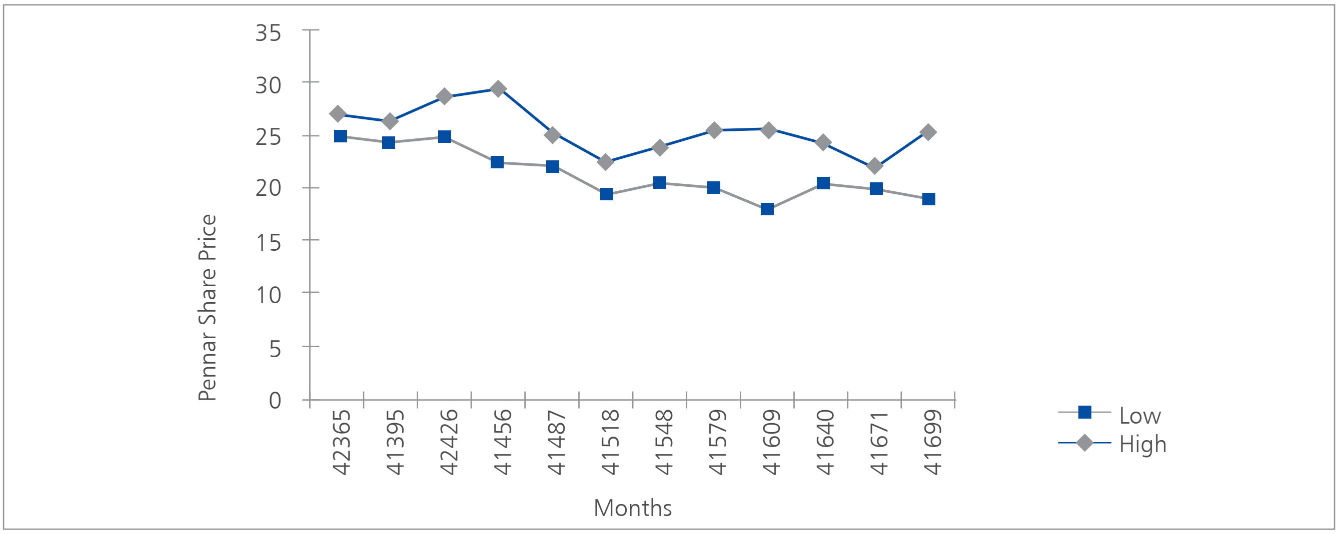
Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2013	27.30	25.35	2,38,579	27.20	25.00	6,64,492
May 2013	26.50	25.45	2,04,008	26.30	24.30	5,33,002
June 2013	28.95	25.50	11,50,938	28.90	25.00	14,51,748
July 2013	25.85	23.60	3,35,395	29.50	22.50	6,30,581
August 2013	25.15	22.10	5,01,536	25.15	22.10	6,31,465
September 2013	22.50	21.05	4,13,693	22.50	19.40	5,76,011
October 2013	23.80	21.65	3,02,753	24.00	20.50	3,85,290
November 2013	25.40	20.55	6,69,620	25.20	20.10	7,64,130
December 2013	25.65	23.40	4,35,248	25.75	18.00	7,50,683
January 2014	24.30	20.75	2,07,217	24.70	20.40	4,70,683
February 2014	22.00	20.50	1,51,466	21.95	19.95	2,24,049
March 2014	25.40	24.25	57,15,46	25.35	19.05	12,80,163

(Source: www.bseindia.com&www.nseindia.com)

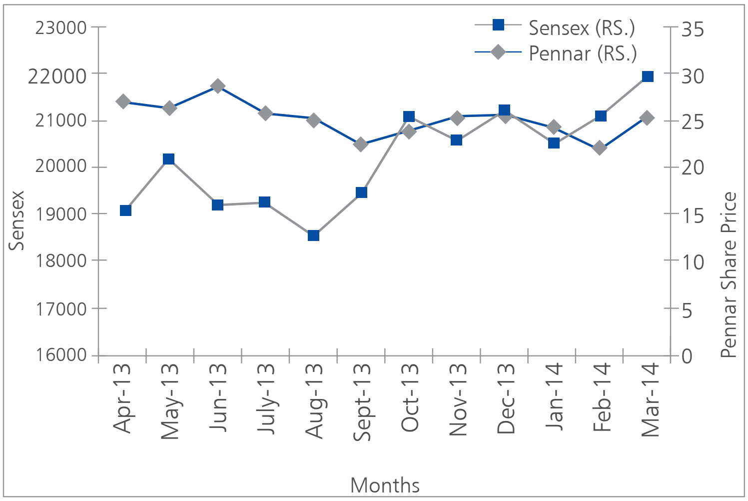
Share prices at BSE



Share prices at NSE

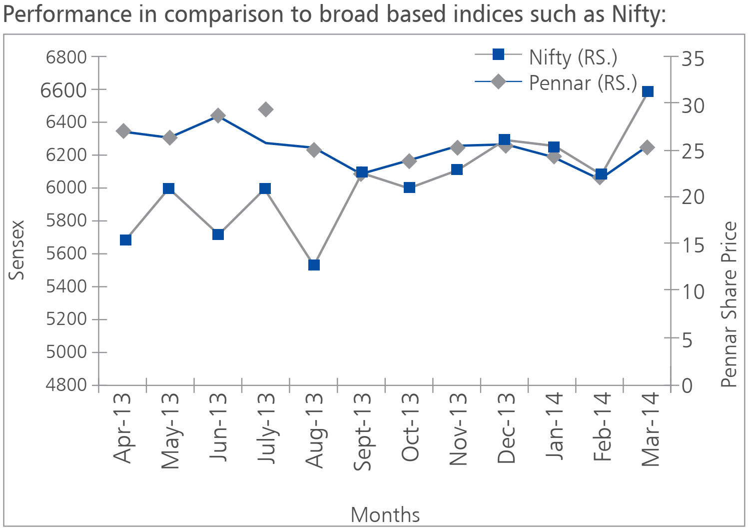


Performance in comparison to broad based indices such as BSE Sensex:



Comparison is done between the Share price- High and Sensex index close price

Performance in comparison to broad based indices such as Nifty:



Comparison is done between the Share price- High and Nifty index close price.

Declaration of Code of Conduct

The Board of Directors of M/s. Pennar Industries Limited, at their meeting held on 31st January, 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, We 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 31st March, 2014.

for Pennar Industries Limited

Date : 06.08.2014

Place : Hyderabad

Aditya Rao

Vice-Chairman & Managing Director

Annexure - E

Auditors' Certificate regarding compliance of conditions of Corporate Governance pursuant to Clause 49 of Listing Agreement

To

The Members

M/s. PENNAR INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by M/s. PENNAR INDUSTRIES LIMITED ("the Company") for the year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement entered by the Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management.

Our examination was 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 agreements. 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, we certify that the company has complied 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 state that the Shareholders/Investor Grievance Committee has maintained records to show the investor grievance as at 31st March, 2014, there were no investor grievances remain unattended / pending for more than one month.

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
Firm Reg. No: 002976S

RAVI RAMBABU
Partner
Membership. No. 18541

Date: 07.05.2014
Place: Hyderabad

Annexure - F

Declaration

I, Mr. Aditya Rao, Vice-Chairman & Managing Director of the company do hereby declare that pursuant to the provisions of Clause 49(I) (D) (ii) of the Listing Agreement, all the members of the Board and the Senior Management Personnel of the Company have furnished their affirmation of compliance with the Code of Conduct of the Company.

for **Pennar Industries Limited**

Date: 06.08.2014
Place: Hyderabad

Aditya Rao
Vice-Chairman & Managing Director

Annexure - G

Managing Director Certification pursuant to Clause 49(V) of the Listing Agreement

To,
The Board of Directors
M/s. Pennar Industries Limited

1. We have reviewed financial statements and the cash flow statement of M/s. Pennar Industries Limited for the year ended 31st March, 2014 and to the best of our knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's Code of Conduct.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.

4. We have indicated to the Auditors and the Audit Committee:

(i) that there are no significant changes in internal control over financial reporting during the year;

(ii) that there are no significant changes in accounting policies during the year; and

(iii) that there are no instances of significant fraud of which we have become aware.

for **Pennar Industries Limited**

Date: 06.08.2014
Place: Hyderabad

Aditya Rao
Vice-Chairman & Managing Director

Standalone Financial Statement

Independent Auditor's Report

To the Members of
Pennar Industries Limited

Report on Financial Statements

We have audited the accompanying financial statements of M/s. PENNAR INDUSTRIES LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 . This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   (a) 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;

   (b) 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.

   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.

   (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **RAMBABU & Co.**
Chartered Accountants
Firm Registration No: 002976S

Ravi Rambabu
Partner
Membership No: 018541

Place: Hyderabad
Date: 07-05-2014

Annexure to the Independent Auditor's Report

The Annexure referred to in paragraph 1 of Our Report of even date to the members of Pennar Industries Limited on the accounts of the company for the year ended 31st March, 2014.

1. In respect of Fixed Assets:
   (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
   (b) As explained to us, fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.
   (c) In our opinion, the company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the company is not affected.
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, no discrepancies noticed on physical verification as compared to the book records.
3. In respect of the loans, secured or unsecured granted or taken by the company to/or from companies, or other parties covered in the register maintained under section 301 of the Companies Act,1956:
   (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.
   (b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses (f) and (g) are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories and fixed assets and payment for expenses & for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
5. In respect of contracts or arrangements preferred to in 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 ₹5,00,000/- in respect of each party covered above during the year have been made at prices which appear reasonable as per information available with the Company.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
7. In our opinion, the Company has an independent internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(d)(1) of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost 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, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate

authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2014 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.

(c) According to the information and explanations given to us, an amount of ₹209.30 lakhs of Sales tax, Customs duty, and interest which have not been deposited on account of dispute as given below:

Name of the Statute	Nature of the dues	Forum where dispute is pending	Amount (₹ in lakhs)	Deposit Amount (₹ in lakhs)	Unpaid Deposit Amount (₹ in lakhs)
Customs Act, 1962	Interest on Customs Duty Paid	The Commissioner of Custom(Appeals)	44.70	-	44.70
A.P. VAT Act,2005	Entry Tax on Cix	The Supreme Court of India	218.60	54.00	164.60
		Total	**263.30**	**54.00**	**209.30**

10. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to financial institutions, bank and debenture holders.
12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the company 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. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in Shares, securities, debentures, mutual funds and other Investments. Accordingly, the provisions of clause 4(xiii) of the companies (Auditor's Report) order, 2003 are not applicable to the company.
15. According to the information and explanations given to us,
    a) The Company has given corporate guarantees for a loan of ₹17,473 lakhs taken by its Subsidiary M/s. Pennar Engineered Building Systems Ltd (PEBSL). The company further provided collateral security by way of lien on fixed deposits of ₹200 lakhs and pledge of 61,50,000 shares of ₹10/- each of Pennar Engineered Building Systems Limited for securing the said Loan.
    b) The company has given corporate guarantee for loan of ₹1,000 lacs taken by its subsidiary M/s. Pennar Enviro Ltd.
16. Based on our audit procedures and on the information given by the management, we report that the term loans raised during the year were applied the same purpose for which they were obtained.
17. In our opinion, according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2014, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
19. 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 or register or modify any security or charge.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures and the information and explanations given to us, we report that no material fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

For **RAMBABU & Co.**
Chartered Accountants
Firm Registration No: 002976S

Ravi Rambabu
Partner
Membership No: 018541

Place: Hyderabad
Date: 07-05-2014

Balance sheet as at 31st March, 2014

₹ in lakhs

Particulars	Note	As at 31st March, 2014	As at 31st March, 2013
I EQUITY AND LIABILITIES			
1) Shareholders' Funds			
a) Share Capital	3	6,579	6,979
b) Reserves & Surplus	4	25,390	24,664
		31,969	31,643
2) Non Current Liabilities			
a) Long Term Borrowings			
- Secured	5	1,976	938
- UnSecured		2,304	2,304
b) Deferred Tax Liability (Net)	6	1,577	1,327
c) Long Term Provisions	7	89	91
		5,946	4,660
3) Current Liabilities			
a) Short Term Borrowings			
- Secured	8	7,048	7,330
b) Trade Payables	9	10,308	6,196
c) Other Current Liabilities	10	3,425	2,211
d) Short Term Provisions	11	28	1,459
		20,809	17,196
Total (1+2+3)		58,724	53,499
II ASSETS			
1) Non Current Assets			
a) Fixed Assets			
- Tangible Assets	12	19,035	18,537
- InTangible Assets		1,303	130
- Capital Work In Progress		422	77
b) Non Current Investments	13	2,277	2,277
c) Long Term Loans and Advances	14	570	576
d) Other Non Current Assets	15	475	404
		24,082	22,001
2) Current Assets			
a) Inventories	16	12,121	11,937
b) Trade Receivables	17	18,853	17,441
c) Cash and Cash Equivalents	18	1,249	1,045
d) Short Term Loans & Advances	19	2,023	856
e) Other Current Assets	20	396	219
		34,642	31,498
Total (1+2)		58,724	53,499
Significant Accounting Policies and Notes on Financial Statements	1 to 38		

In terms of our report attached.

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Statement of Profit & Loss for the year ended 31st March, 2014

₹ in lakhs

	Particulars	Note	For the year ended 31st March, 2014	For the year ended 31st March, 2013
I	Revenue from operations	21	73,584	84,806
II	Other Operative Revenue	22	133	-
III	Other Income	23	76	87
IV	**Total Revenue (I + II + III)**		**73,793**	**84,893**
V	**Expenditure :**			
	Raw Material Consumed	24	52,427	61,005
	Change in Inventories	25	(114)	65
	Manufacturing Expenses	26	8,277	8,031
	Employee Benefits Expense	27	4,474	4,212
	Other Expenses	28	3,420	3,408
			68,484	**76,721**
	Profit before Interest, Depreciation & Tax		5,309	8,172
	Finance Cost	29	1,847	1,971
	Depreciation and amortisation expense		1,528	1,492
			3,375	**3,463**
	Profit before Tax		**1,934**	**4,709**
VI	**Tax Expenses**			
	Current Tax		426	1,486
	Deferred Tax		250	109
			676	**1,595**
	Net Profit after Tax		**1,258**	**3,114**
	Earning Per Share (having a face value of ₹5 each)			
	- Basic and Diluted	30	1.04	2.55
Significant Accounting Policies and Notes on Financial Statements		1 to 38		

In terms of our report attached.

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Cash Flow Statement for the year ended 31st March, 2014

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
A CASH FLOWS FROM OPERATING ACTIVITIES :		
Net Profit Before Tax	1,934	4,709
Add: Loss from sale of assets	7	(8)
Add : Depreciation	1,528	1,492
Add : Finance Cost	1,847	1,971
Less: Rent Received	(1)	(13)
Operating Profit before working capital changes	**5,315**	**8,151**
Adjustment for:		
Trade receivables	(1,412)	(715)
Inventories	(184)	(118)
Loans and Advances & other assets	(410)	(532)
Trade payables and Other Payables	3,937	193
	1,931	**(1,172)**
Cash Generated From Operation	**7,246**	**6,979**
Less : Income Tax Paid	(421)	(1,590)
Net cash from operating activities " A "	**6,825**	**5,389**
B CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(3,779)	(657)
Proceedings from sale of fixed assets	-	8
Investment in Subsidiary - Pennar Enviro Limited	-	(404)
Rent Received	1	13
Net cash used in investing activities " B "	**(3,778)**	**(1,040)**
C CASH FLOWS FROM FINANCING ACTIVITIES :		
Repayment of Equity share capital	(357)	-
Repayment of preference share capital	(45)	-
Proceeds from Long Term Borrowings	1531	-
Repayment of Long Term Borrowings	(428)	(457)
Net increase/(decrease) of working capital borrowings	(282)	(484)
Finance Cost	(1,847)	(1,971)
Dividends and Dividend Distribution Tax paid	(1,427)	(1,418)
Net Cash used in financing activities " C "	**(2,855)**	**(4,330)**
Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	**192**	**19**
Cash and Cash Equivalents at the beginning	**524**	**505**
Cash and Cash Equivalents at the end	**716**	**524**

In terms of our report attached.

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Notes Forming Part of Financial Statements

1. CORPORATE INFORMATION

Pennar Industries Limited is a multi-location, multi-product company manufacturing Cold Rolled Steel Strips, Precision Tubes, Cold Rolled Formed Sections, Electro Static Precipitators, Profiles, Railway Wagons and Coach Components, Press Steel Components and Road Safety Systems. Pennar Industries Limited has manufacturing facilities at Patancheru and Isnapur (in A.P.) , Chennai and Hosur (Tamil Nadu) Tarapur (Maharashtra).

2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

2.1 Accounting Conventions :

The financial statements have been prepared under the historical cost conventions in accordance with the generally accepted accounting principles in India including the Accounting Standards notified by the Government of India and issued by the Institute of Chartered Accountants of India, as applicable, 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.

2.2 Use of Estimates:

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, provision for doubtful debts/advances/contingencies, allowances for slow/non moving inventories, useful lives of fixed assets, provision for taxation, etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

2.3 Inventories:

Inventories have been valued as under:

i) Raw materials, stores and spares and traded goods have been valued at cost. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.

ii) Due allowance is made for slow / non moving items, based on Management estimates.

iii) Finished goods and work-in-progress have been valued at cost or net realizable value whichever is lower. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

iv) 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.

2.4 Cash and Cash equivalents (for purposes of Cash Flow Statement):

Cash comprises of cash on hand, amount in current accounts and deposit accounts.

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.5 Depreciation and Amortization:

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.

Intangible assets are amortized over the estimated useful life as follows:
License fee – 6 years (2 years remaining as on Balance Sheet Date)

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each financial year and the amortization method is revised to effect the changed pattern

2.6 Revenue Recognition:

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

Notes Forming Part of Financial Statements

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.

Dividend income on investments is accounted for when the right to receive the payment is established.

2.7 Expenditure:

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

2.8 Tangible 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 and excludes duties and taxes to the extent recoverable from tax authorities.

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

2.9 Intangible assets:

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

2.10 Foreign Exchange Transactions:

Initial Recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company at the Balance Sheet date are restated at the year-end rates.

Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

2.11 Government Grants and Subsidies

Government grants and subsidies are recognized when there is a reasonable assurance that the company will comply with the conditions attached to them and the grants/subsidies will be received.

Income from sales tax and power incentives are recognized on accrual basis when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.

2.12 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.

2.13 Employee Benefits:

a) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and short term compensated absences etc. are recognized in the period in which the employee renders the related service.

Notes Forming Part of Financial Statements

b) Long Term Employee Benefits

Defined Contribution Plan

The Company makes contribution in respect of selected employees to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

Defined Benefit Plans

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method. Actuarial gains / losses are immediately recognized in the Statement of Profit and Loss.

In respect of Provident Fund and Pension Fund, Contributions are made by the Company in accordance with the relevant rules and fully charged off to Statement of Profit and Loss .

The company provides for leave encashment based on valuations, as at the balance sheet date, made by independent actuaries.

2.14 Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.15 Taxes on Income

Income tax liability for the year is calculated in accordance with the relevant tax laws and regulations applicable to the Company. Deferred tax is recognized on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2.16 Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. The recoverable amount of such assets is estimated. Where the carrying amount of the asset exceeds the recoverable amount, the impairment loss is recognized in the Statement of profit and loss.

2.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

Notes Forming Part of Financial Statements

NOTE 3 : SHARE CAPITAL

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
3.1 AUTHORISED SHARE CAPITAL		
Equity Shares		
15,00,00,000 Equity Shares of ₹5/- each (previous year 15,00,00,000 equity shares of ₹5/- each)	7,500	7,500
3.2 Preference Shares		
Series - A : 5,00,000 Cumulative Redeemable Preference Shares of ₹100/- each (previous year 5,00,000 Cumulative Redeemable Preference Shares of ₹100/- each)	500	500
Series - B : 4,00,00,000 Cumulative Redeemable Preference Shares of ₹5/- each (previous year 4,00,00,000 Cumulative Redeemable Preference Shares of ₹5/- each)	2,000	2000
	10,000	**10,000**
3.3 ISSUED, SUBSCRIBED & PAID UP		
Equity Shares		
12,04,61,410 Equity Shares of ₹5/- each (previous year 12,20,24,000 equity shares of ₹5/- each) (Note 3.3.1 and 3.3.2)	6,023	6,101
3.4 Preference Shares - Series B		
1,66,49,119 Cumulative redeemable Preference Shares of ₹3.34/- each	556	878
(1,75,53,299 Cumulative redeemable Preference Shares of ₹5/- each) (Note 3.4.1)		
Total	**6,579**	**6,979**

3.3.1 All Equity Shares issued by the company carry equal voting and participatory rights

3.3.2 Persuant to board of directors approval for buy back of equity shares under section 77 A of the companies act, 1956, the company has bought back 15,62,590 shares of ₹5/- each through open market for an aggregate amount of ₹357 lakhs. Out of the said amount, an amount of ₹279 lakhs debited to share premium account and the balance amount of ₹78 lakhs has been reduced from share capital. 60,16,069 equity shares out of the issued, subscribed and paid up capital were bought back and extinguished in the last five years out of which 15,62,590 pertains to current FY 2013-14.

3.3.3 The details of share holders holding more than 5% shares :

Name of the share holder	As at 31st March, 2014		As at 31st March, 2013	
	No of Shares	% held	No of Shares	% held
Saif Advisors Mauritius Limited A/C Saif India IV	1,21,38,080	10.08	1,21,38,080	9.95
My Home Constructions P Ltd	1,15,73,375	9.61	1,15,73,375	9.48
Eight Capital Master Fund Limited	87,11,854	7.23	87,11,854	7.14
Palguna Consultants Pvt. Ltd	63,20,148	5.25	85,21,261	6.98
Thapati Trading Pvt. Ltd	-	-	69,55,218	5.70
Copthall Mauritius Investment Limited	-	-	63,20,148	5.18

3.3.4 The reconciliation of the no of equity shares outstanding is set out below :

Particulars	As at 31st March, 2014 No. of shares	As at 31st March, 2013 No. of shares
Equity Shares at the beginning of the year	12,20,24,000	12,20,24,000
Add/(Less) : Shares bought back and extinguished	15,62,590	-
Equity Shares at the end of the year	12,04,61,410	12,20,24,000

Notes Forming Part of Financial Statements

NOTE 3 : SHARE CAPITAL *(contd.)*

3.4.1 During the year the Company has redeemed 9,04,180 Cumulative redeemable preference shares @ ₹5/- per share issued to IFCI on conversion of Funded Interest Term Loan

3.4.2 Balance Cumulative redeemable preference shares of 1,66,49,119 were also redeemed during the year @ ₹1.66 per share being 1/3rd of the nominal value, balance amount of ₹3.34 per share shall be redeemable in two equal installments during the years 2014-15 and 2015-16.

NOTE 4 : RESERVES AND SURPLUS

₹ in lakhs

Particulars	As at 31st March, 2014		As at 31st March, 2013	
Revaluation Reserve (Note 4.1)				
Opening Balance	2,759		3,013	
Less : Transferred to statement of Profit and Loss on account of depreciation on revalued assets.	253		254	
Closing Balance		2,506		2,759
Capital Redemption Reserve				
Opening Balance	223		223	
Add : Transferred from general reserve (Note 4.2)	400	623	-	223
Profit on forfeiture of shares				
Opening Balance	6	6	6	6
Securities Premium				
Opening Balance	5,310		5,310	
Less:Utilized for extinguishment of equity shares (Note 4.3)	279	5,031	-	5,310
General Reserve				
Opening Balance	2,351		2,115	
Add : Transferred from Statement of Profit and Loss	-		236	
Less : Transferred to Capital Redumption Reserve (Note 4.2)	400			
Closing Balance		1,951		2,351
Statement of Profit and Loss				
Opening Balance	14,015		12,564	
Add : Profit for the year	1,258		3,113	
	15,273		15,677	
Less : Appropriations				
Proposed dividend on Equity Shares	-		1,220	
Proposed dividend on Preference Shares ₹8,325/- (Previous year ₹8,777/-)	-		-	
Dividend Distribution Tax	-		207	
General Reserve	-		236	
Closing Balance		15,273		14,015
Total		**25,390**		**24,664**

4.1 Cumulative amount withdrawn from the Revaluation reserve on account of depreciation on revaluation of Fixed Assets is ₹3,790 lakhs as on 31.03.2014 out of the total Revaluation reserve of ₹6,296 lakhs.

4.2 An amount of ₹400 lakhs is transferred from General reserve to Capital Redumption reserve on account of (i) ₹45 lakhs being nominal value of 9,04,180 Cumulative redeemable Preference Shares of ₹5/- each which were issued to IFCI on conversion of Funded Interest Term Loans (ii) ₹277 lakhs being 1/3rd of nominal value of 1,66,49,119 Cumulative redeemable Preference shares of ₹5/- each. and (iii) ₹78 lakhs being the nominal value for 15,62,590 Equity shares of ₹5/- each brought back during the year.

4.3 Persuant to board of directors approval for buy back of equity shares under section 77 A of the companies act, 1956, the company has bought back 15,62,590 shares of ₹5/- each through open market for an aggregate amount of ₹357 lakhs. Out of the said amount, an amount of ₹279 lakhs debited to share premium account and the balance amount ₹78 lakhs has been reduced from share capital.

Notes Forming Part of Financial Statements

NOTE 5 : LONG TERM BORROWINGS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
From Banks - Secured		
Axis Bank Limited (Note 5.1,5.2 and 5.3)	1,906	938
From NBFC - Secured		
Kotak Mahindra Prime Ltd (Vehicle loans) (Note 5.4)	70	-
	1,976	938
Unsecured		
Sales Tax Deferment Loan (Note 5.5)	2,304	2,304
Total	4,280	3,242

5.1 During the FY 2011-12, company has taken term loan from Axis Bank for an amount of ₹1,500 lakhs at interest rate of 12.75% p.a which is repayable in 16 quarterly installments being ₹93.75 lakhs per quarter starting from Dec 2012.

5.2 During current FY 2013-14, Axis Bank has sanctioned a Term loan of ₹3,000 lakhs to the company at interest rate of 12.25% p.a out of which an amount of ₹1531 lakhs is withdrawn during the year. The Term loan is repayable in 16 quarterly installments being ₹187.50 lakhs per quarter starting from Mar 2015.

5.3 The above Term Loans obtained from Axis Bank are secured by first charge on all immovable properties by deposit of title deeds and second charge on all current assets both present and future and further guaranteed by the Chairman of the company in his personal capacity.

5.4 During the year company has obtained vehicle loans for an amount of ₹102 lakhs from Kotak Mahindra Prime Ltd at interest rate of 10.07 % p.a. The said loans are repayable in 60 equal monthly installments. The said loans are secured by way of hypothication of same vehicles.

5.5 **Sales Tax deferment availed till the current account period is due for repayment as under :**

Year of Repayment	₹ in lakhs
2018-19	258
2019-20	375
2020-21	393
2021-22	431
2022-23	298
2023-24	335
2024-25	215
Total	**2,304**

NOTE 6 : DEFERRED TAX LIABILITY

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Opening Deferred Tax Liability	1,327	1,218
Deferred Tax Liability recognised during the year		
On a/c of depreciation	250	109
Closing Deferred Tax Liability	1,577	1,327

Notes Forming Part of Financial Statements

NOTE 7 : LONG TERM PROVISIONS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Compensated absences	89	91

NOTE 8 : SHORT TERM BORROWINGS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Secured		
Cash Credit from Banks (Note 8.1)		
State Bank of India	4,313	5,794
Axis Bank Limited	1,948	475
State Bank of Patiala	787	1,061
Total	**7,048**	**7,330**

8.1 Working capital facilities sanctioned by State Bank of India, Axis Bank and State Bank of Patiala are secured by first charge on all current assets both present and future. These are further secured by way of second charge on the immovable properties of the company and also guaranteed by the chairman of the company in his personal capacity.

NOTE 9 : TRADE PAYABLES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Creditors for Raw Materials	7,539	4,299
Creditors for expenses (Note 9.1)	2,768	1,894
Due to Micro, Small and Medium Enterprises	1	3
Total	**10,308**	**6,196**

9.1 Creditors for expenses includes an amount of ₹2 lakhs payable to Pennar Enviro Ltd and an amount of ₹1 lakh payable to Saven Technologies Ltd being related parties to the company.

NOTE 10 : OTHER CURRENT LIABILITIES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Current Maturities of Long Term Debt :		
a. From Banks - Secured		
Axis Bank Limited (Note 10.1)	563	401
b. From NBFC - Secured		
Kotak Mahindra Prime Ltd (Vehicle loans)	18	-
c. Sales Tax Deferment Loan	-	27
Creditors for capital goods	1,059	17
Unclaimed Dividend	68	54
Preference share holders payable	276	
Advances from customers	253	5
VAT Payable	98	198
Other Liabilities (Note 10.2)	1,090	1,509
Total	**3,425**	**2,211**

10.1 Out of the Axis bank Limited Current maturities of ₹563 lakhs an amount of ₹375 lakhs pertains to the Term loan of ₹1,500 lakhs taken in the FY 2011-12 and ₹188 lakhs pertains to the Term loan of ₹3,000 lakhs taken during the Current FY 2013-14

10.2 Other Liabilities include an amount of ₹78 lakhs payable towards Statutory liabilities of TDS, TCS, PF & ESI etc

Notes Forming Part of Financial Statements

NOTE 11 : SHORT TERM PROVISIONS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Provision for Gratuity	19	22
Provision for Leave Encashment	9	10
Provision for Equity Dividend	-	1,220
Provision for Preference Dividend ₹8,325/- (Previous year ₹8,777/-)	-	-
Provision for Dividend Distribution Tax	-	207
Total	**28**	**1,459**

NOTE 12 : FIXED ASSETS SCHEDULE

₹ in lakhs

S. NO	Asset Group	Gross Block (At Cost)				Depreciation & Amortisation				Net Book Value	
		Op Block As on 1.4.2013	Additions	Disposals	As on 31.03.2014	Op Block As on 1.4.2013	For the year	Disposals Adj	As on 31.03.2014	As on 31.03.2014	As on 31.03.2013
	Tangible Assets										
1	Land	1,137	82	-	1,219	-	-	-	-	1,219	1,137
	(Previous Year)	*(1,113)*	*(24)*	-	*(1,137)*	-	-	-	-	*(1,137)*	*(1,113)*
2	Roads	495	-	-	495	31	8	-	39	456	464
	(Previous Year)	*(495)*	-	-	*(495)*	*(23)*	*(8)*	-	*(31)*	*(464)*	*(472)*
3	Buildings	7,670	48	-	7,718	2,110	236	-	2,346	5,372	5,560
	(Previous Year)	*(7,637)*	*(33)*	-	*(7,670)*	*(1,874)*	*(236)*	-	*(2,110)*	*(5,560)*	*(5,763)*
4	Plant & Machinery	22,798	1,797	7	24,588	13,316	1,251	4	14,563	10,025	9,482
	(Previous Year)	*(22,555)*	*(294)*	*(51)*	*(22,798)*	*(12,131)*	*(1,236)*	*(51)*	*(13,316)*	*(9,482)*	*(10,424)*
5	Electricals	2,671	39	-	2,710	1,260	166	-	1,426	1,284	1,411
	(Previous Year)	*(2,591)*	*(80)*	-	*(2,671)*	*(1,080)*	*(180)*	-	*(1,260)*	*(1,411)*	*(1,511)*
6	Computers	405	45	-	450	289	39	-	328	122	116
	(Previous Year)	*(347)*	*(58)*	-	*(405)*	*(262)*	*(27)*	-	*(289)*	*(116)*	*(85)*
7	Office Equipments	305	82	-	387	135	13	-	148	239	170
	(Previous Year)	*(294)*	*(11)*	-	*(305)*	*(125)*	*(10)*	-	*(135)*	*(170)*	*(169)*
8	Furniture	163	38	-	201	58	10	-	68	133	105
	(Previous Year)	*(158)*	*(5)*	-	*(163)*	*(50)*	*(8)*	-	*(58)*	*(105)*	*(108)*
9	Vehicles	130	127	26	231	38	16	8	46	185	92
	(Previous Year)	*(86)*	*(44)*	-	*(130)*	*(30)*	*(8)*	-	*(38)*	*(92)*	*(56)*
	Sub Total-1	35,774	2,258	33	37,999	17,237	1,739	12	18,964	19,035	18,537
	(Previous Year)	*(35,276)*	*(549)*	*(51)*	*(35,774)*	*(15,575)*	*(1,713)*	*(51)*	*(17,237)*	*(18,537)*	*(19,701)*
	Intangible Assets										
10	Licence Fee	208	1,217	-	1,425	78	44	-	122	1,303	130
	Sub Total-2	208	1,217	-	1,425	78	44	-	122	1,303	130
	(Previous Year)	*(208)*	-	-	*(208)*	*(44)*	*(34)*	-	*(78)*	*(130)*	*(164)*
	Total (1 + 2)	35,982	3,475	33	39,424	17,315	1,783	12	19,086	20,338	18,667
	(Previous Year)	*(35,484)*	*(549)*	*(51)*	*(35,982)*	*(15,619)*	*(1,747)*	*(51)*	*(17,315)*	*(18,667)*	*(19,865)*

12.1 Depreciation for the year includes an amount of ₹253 lakhs on revalued value of the Fixed assets and has been debited to Revaluation Reserve Account.

Notes Forming Part of Financial Statements

NOTE 13 : NON CURRENT INVESTMENTS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Other Investments		
Unquoted (At cost):		
In Subsidiaries		
a. 1,85,00,000 Equity Shares of ₹10/- each fully paid up in Pennar Engineered Building Systems Limited	1,850	1,850
b. 42,70,000 Equity Shares of ₹10/- each fully paid up in Pennar Enviro Limited	427	427
In Others		
a. 2689 Equity Shares of ₹10/- each fully paid up in Patancheru Enviro-Tech Limited - ₹26,890 (Previous Year - ₹26,890)	-	-
Total	**2,277**	**2,277**

NOTE 14 : LONG TERM LOANS AND ADVANCES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
(Unsecured, considered good, recoverable in cash or in kind for value to be received)		
Prepaid Taxes	11,289	10,869
Less : Provision for Income Tax	10,719	10,293
Total	**570**	**576**

NOTE 15 : OTHER NON CURRENT ASSETS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Deposit against sales tax liability	54	54
VAT receivable	63	70
Electricity Deposit	207	216
Rent Deposit	130	43
Water Deposit	21	21
Total	**475**	**404**

NOTE 16 : INVENTORIES (AS VALUED AND CERTIFIED BY MANAGEMENT)

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Raw Material	1,708	2,048
Stores & Spares	3,482	3,072
Work in Progress	4,878	5,039
Finished Goods	1,756	1,534
Scrap	297	244
Total	**12,121**	**11,937**

Notes Forming Part of Financial Statements

NOTE 17 : TRADE RECEIVABLES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good	-	-
Unsecured, considered good (Note 17.1)	1,011	817
Other Trade receivables		
Secured, considered good		
Unsecured, considered good (Note 17.2)	17,842	16,624
Total	**18,853**	**17,441**

17.1 Trade receivables outstanding for a period exceeding 6 months includes an amount of ₹155 lakhs which is doubtful for recovery, Company has filed legal cases against customers for recovery of such dues. Hence, management is confident of recovering the same.

17.2 Other Trade Receivables includes an amount of ₹1473 lakhs from subsidiary M/s Pennar Engineered Building Systems Limited.

NOTE 18 : CASH AND BANK BALANCES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
i) Cash and Cash Equivalents		
a. Cash on hand	9	7
b. Cheques on hand	-	-
c. Balances with banks		
- in current accounts	101	46
- in Collection accounts	606	471
ii) Other Bank Balances		
a. unclaimed dividend accounts	68	42
b. margin money accounts (Note 18.1)	265	279
c. Fixed Deposit under lien (Note 18.2)	200	200
Total	**1,249**	**1,045**
Cash and Cash Equivalents for Cash Flow Statement	**716**	**524**

18.1 Out of the Margin money Deposits, an amount of ₹155 lakhs has maturity period of more than 12 months.

18.2 The company has provided a collateral security by way of a lien on fixed deposit of ₹200 lacs towards the Term Loans and Working Capital Loans taken by subsidiary M/s Pennar Engineered Building Systems Limited from State Bank of India.

NOTE 19 : SHORT TERM LOANS AND ADVANCES

(Unsecured, considered good, recoverable in cash or in kind for value to be received)

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Loans & Advances to Staff	42	46
Advances for Raw Material	75	176
Advances for Capital Goods	1,051	35
Advances to others	370	93
Cenvat Credit	479	501
Other Deposits	6	5
Total	**2,023**	**856**

Notes Forming Part of Financial Statements

NOTE 20 : OTHER CURRENT ASSETS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Prepaid Expenses	170	137
Sales tax incentive receivable	133	-
Interest Receivable	82	82
Accrued Income	11	-
Total	**396**	**219**

NOTE 21 : REVENUE FROM OPERATIONS

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Revenue From Operations (Note 21.1)		
Sale of Products	84,980	96,706
Sale of Services (Job work)	190	507
	85,170	97,213
Less : Excise Duty/Service Tax	8,677	9,129
Sales Tax	2,909	3,278
	11,586	12,407
Net Revenue	**73,584**	**84,806**

21.1 Revenue generated out of scrap sales of of ₹4,358 lakhs (Previous Year ₹4,588 lakhs) is accounted under Raw material consumption.

NOTE 22 : OTHER OPERATING REVENUE

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Incentives on Sales tax & Power (Note 22.1)	133	-
Total	**133**	-

22.1 During the year, company has filed applications with District Industries Centre under Andhra Pradesh Industrial Investment Promotion Policy 2010-15 for claiming sales tax incentive of ₹128 lakhs and power incentive for an amount of ₹5 lakhs totalling to ₹133 lakhs.

NOTE 23 : OTHER INCOME

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Interest Income	55	51
Profit on sale of fixed assets	-	8
Miscellaneous Income	20	12
Rent received	1	13
Gain on Exchange Fluctuations	-	3
Total	**76**	**87**

Notes Forming Part of Financial Statements

NOTE 24 : RAW MATERIAL CONSUMED

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Opening Stocks	2,048	1,955
Add : Purchases	56,445	65,686
	58,493	67,641
Less : Closing Stocks	1,708	2,048
Consumption	56,785	65,593
Less : Scrap Revenue (Note 24.1)	(4,358)	(4,588)
Raw Material consumed	**52,427**	**61,005**

24.1 Revenue generated from sale of scrap was reduced from Raw material consumption.

NOTE 25 : CHANGE IN INVENTORIES

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Opening Stocks		
Work in Progress	5,039	6,460
Finished Goods	1,534	306
Scrap	244	116
	6,817	**6,882**
Closing Stocks		
Work in Progress	4,878	5,039
Finished Goods	1,756	1,534
Scrap	297	244
	6,931	**6,817**
Change in Inventories	**(114)**	**65**

NOTE 26 : MANUFACTURING EXPENSES

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Job work charges	1,735	1,805
Stores & Spares	4,687	4,620
Power	1,471	1,181
Repairs & Maintenance - Buildings	6	56
Repairs & Maintenance - Plant & Machinery	52	112
Repairs & Maintenance - Others	66	76
Miscellaneous manufacturing expenses	260	181
Total	**8,277**	**8,031**

26.1 Stores and Spares Consumption

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Opening Stocks	3,072	2,982
Add : Purchases	5,097	4,710
Less : Closing Stocks	3,482	3,072
Consumption	**4,687**	**4,620**

Notes Forming Part of Financial Statements

NOTE 27 : EMPLOYEE BENEFITS EXPENSE

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Salaries & Wages	3,886	3,443
Contribution to Gratuity,PF & Super Annuation	293	344
Staff Welfare Expenses	295	425
Total	**4,474**	**4,212**

27.1 Out of the contribution to Gratuity, PF & Superannuation, Gratutity is a funded Scheme.

NOTE 28 : OTHER EXPENSES

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Insurance	9	9
Travelling & Conveyance	460	391
Rent	185	84
Rates & Taxes	26	46
Advertisement & Sales Promotion	50	92
Sales Commission	198	139
Communication Expenses	66	61
Freight Outward	1,706	1,886
Technical, Legal & Professional	273	205
Managerial Remuneration	55	305
Directors' Fees & Expenses	2	2
Printing & Stationery	52	38
Repairs and Maintenance	72	35
Office Maintenance	100	25
Auditors' Remuneration (Note 28.1)	23	19
Loss on sale of asset	7	-
Miscellaneous Expenses	136	71
Total	**3,420**	**3,408**

28.1 Auditors Remuneration (Excluding Service Tax)

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Audit Fees	20	16
Tax Audit Fees	2	2
Certification & Others	1	1
Total	**23**	**19**

NOTE 29 : FINANCE COST

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Interest on Term Loans	198	206
Interest on Working Capital	814	890
Interest on Vehicle Loans	7	-
Bank Charges	828	875
Total	**1,847**	**1,971**

29.1 Bank charges include an amount of ₹269 lakhs towards Bill discounting charges paid to Banks.

Notes Forming Part of Financial Statements

NOTE 30 : EARNING PER SHARE

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Net profit for basic EPS (₹ in lakhs)	1,258	3,114
Weighted Average No. of shares	12,13,30,905	12,20,24,000
Annualized Basic Earning per share - (₹)	1.04	2.55

NOTE 31 : CONTINGENT LIABILITIES

₹ in lakhs

Sl No	Particulars	As at 31st March, 2014	As at 31st March, 2013
i)	Bank Guarantees	1,038	666
ii)	Corporate Guarantee given for loans taken by subsidiary (Note 31.1 & 31.2)	18,473	16,826
iii)	Claims by Customs & Sales Tax (Note 31.3 & 31.4)	210	210
iv)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net)	983	154
v)	LC/Bills Discounted	347	4,128

31.1 Corporate guarantee has been given to State bank of India and Axis Bank Limited to the tune of ₹9,973 lakhs and ₹7,500 lakhs respectively for Working capital loans and Term Loans taken by the subsidiary M/s Pennar Engineered Building Systems Ltd (PEBSL). The company also provided a collateral security by way of lien on fixed deposit of ₹200 lacs and pledge of shares of Pennar Engineered Building Systems Ltd to the extent of 61,50,000 shares of ₹10/- each amounting to ₹615 lakhs.

31.2 Corpoarte guarantee to Axis Bank Limited to the tune of ₹1,000 lakhs for Working capital loans, Letter of credit and Bank gurantee facilities taken by the subsidiary M/s Pennar Enviro Ltd.

31.3 Details of disputed dues to customs & Sales tax are given below:

₹ in lakhs

Sl No	Nature of Statue	Nature of dues	Forum Where dispute is pending	Amount
1	Customs Act 1962	Interest on Customs Duty Paid	High Court	45
2	AP VAT Act	Entry Tax on Cix	The Supreme Court of India	219

31.4 Out of the disputed due amount of ₹219 lakhs against Entry Tax on CIX, an amount of ₹54 lakhs has been deposited. The Unpaid amount is ₹165 lakhs.

NOTE 32 : DISCLOSURES REQUIRED UNDER SECTION 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year (Refer note 9)	1.00	3.00
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

Notes Forming Part of Financial Statements

NOTE 33 : MANAGERIAL REMUNERATION

₹ in lakhs

Sl No	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
1	Directors Salaries & Allowances	184	132
2	Providend Fund & Superannuation	34	26
3	Other Perquisites	15	34
4	Commission	55	113
	Total	288	305

NOTE 34 : RELATED PARTY DISCLOSURES

Sl No	Relationship	Name
1	Subsidiary Companies	Pennar Engineered Building Systems Limited
		Pennar Enviro Limited
2	Significant Influence	Saven Technologies Limited
3	Key Management Personnel	Mr. Nrupender Rao
		Mr. CH. Anantha Reddy
		Mr. Aditya N Rao
		Mr. Suhas Baxi
4	Relatives of Key Management Personnel	Mrs J Rajya Lakshmi
		Mrs CH Prabha

34.1 Aggregate Related Party Transactions:

Details of Related party transactions during the year ended 31st March,2014 and balances outstanding As at 31st March, 2014.

₹ in lakhs

Sl No	Particulars	Subsidiaries		Significant Influence		Key Managerial Personnel		Relatives of Key Managerial Personnel	
		For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013
1	Purchases Made during the year	28	15	-	-	-	-	-	-
2	Sales Made during the year	4,681	1,947	-	-	-	-	-	-
3	Other Services Rendered	34	28	-	-	-	-	-	-
4	Other Services Received	221	79	17	13	-	-	-	-
5	Remuneration	-	-	-	-	288	305	-	-
6	Rent	-	-	-	-	-	-	3	26
7	Advances Paid	130	-	-	-	-	-	-	-
8	Advances Received	130	-	-	-	-	-	-	-
9	Balances payable	2	4	1	-	-	-	-	-
10	Balances Receivable	1,473	596	-	-	-	-	-	-

Notes Forming Part of Financial Statements

NOTE 35 : EMPLOYEE BENEFITS UNDER DEFINED BENEFITS PLAN

₹ in lakhs

Particulars	year ended 31st March, 2014		year ended 31st March, 2013	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Components of employer expense				
Current service cost	35	37	46	40
Interest cost	39	7	34	5
Actuarial losses/(gains)	(11)	(27)	(10)	9
Total expense recognised in the Statement of Profit and Loss	**63**	**17**	**70**	**54**
Actual contribution and benefit payments for year				
Actual benefit payments	(76)	(20)	(35)	(39)
Actual contributions	80	20	-	39
Net liability recognised in the Balance Sheet				
Present value of defined benefit obligation	(76)	(20)	408	47
Expenses as above	63	17	70	54
	(13)	(3)	478	101
Classification of Net liability recognised in the Balance Sheet				
Long term provision	446	89	410	10
Short term provision	19	9	68	91
	465	**98**	**478**	**101**
Change in defined benefit obligations (DBO) during the year				
Present value of DBO at beginning of the year	478	-	443	86
Current service cost	35	46.11	46	-
Interest cost	39	34.02	34	-
Actuarial (gains) / losses	(11)	(10.00)	(35)	-
Benefits paid	(76)	(35.00)	(10)	-
Present value of DBO at the end of the year	**465**	**35.13**	**478**	**86**
Actuarial assumptions				
Discount rate	9.00%	9.00%	8.00%	8.00%
Salary escalation	2.00%	2.00%	3.00%	3.00%
Attrition	8.00%	8.00%	9.25%	9.25%

NOTE 36 : SEGMENT DETAILS

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

Notes Forming Part of Financial Statements

NOTE 37 : FOREIGN CURRENCY TRANSACTIONS

₹ in lakhs

Sl No	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
a)	**Outflow in foreign currency**		
i)	Foreign Travel Expense	8	7
ii)	Raw Material	-	-
iii)	Capital Equipment & Components	-	129
b)	**Inflow in foreign currency**		
i)	FOB value of exports	-	116

NOTE 38

Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest lakh of rupees.

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Consolidated Financial Statement

Independent Auditor's Report

To the Board of Directors of
Pennar Industries Limited

1. **Report on Consolidated Financial Statements**

   We have audited the accompanying consolidated financial statements of M/s. PENNAR INDUSTRIES LIMITED ('the Company') which comprise the consolidated Balance Sheet as at 31st March 2014, and the consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant Accounting policies and other explanatory information.

2. **Managements Responsibility for the Consolidated Financial Statements**

   Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. **Auditor's Responsibility**

   Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

5. **Opinion**

   In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) In the case of the consolidated Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;

   b) In the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

   c) In the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

6. **Other Matters**

   We have audited the Financial statements of the subsidiary namely M/s. Pennar Enviro Limited which reflects total assets (net) of ₹1,717.64 lakhs as at March 31, 2014, total revenue (net) of ₹1,610.46 lakhs and net cash flows amounting to (₹115.36) lakhs for the year ended 31st March, 2014.

   We did not audit the financial statements of Subsidary namely M/s. Pennar Engineered Building Systems Limited, whose financial statements reflect total assets (net) of ₹26,417.95 lakhs as at March 31, 2014, total revenues (net) of ₹36,540.84 lakhs and net cash flows amounting to (₹2,389.04) lakhs for the year ended 31st March, 2014. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the reports of the other auditors.

For **RAMBABU & Co.**
Chartered Accountants
Firm Registration No: 002976S

Ravi Rambabu
Partner
Membership No: 018541

Place: Hyderabad
Date: 07-05-2014

Consolidated Balance sheet as at 31st March, 2014

₹ in lakhs

Particulars	Note	As at 31st March, 2014	As at 31st March, 2013
I EQUITY AND LIABILITIES			
1) Shareholders' Funds			
a) Share Capital	3	6,579	6,979
b) Reserves & Surplus	4	31,057	27,809
c) Minority Interest		3,647	2,452
		41,283	37,240
2) Non Current Liabilities			
a) Long Term Borrowings			
- Secured	5	1,996	945
- UnSecured		2,304	2,327
b) Deffered Tax Liability (Net)	6	1,872	1,484
c) Other Long Term Liabilities	7	229	166
d) Long Term Provisions	8	243	199
		6,644	5,121
3) Current Liabilities			
a) Short Term Borrowings			
- Secured	9	10,667	12,274
b) Trade Payables	10	17,867	10,943
c) Other Current Liabilities	11	6,208	7,532
d) Short Term Provisions	12	556	2,251
		35,298	33,000
Total (1+2+3)		83,225	75,361
II ASSETS			
1) Non Current Assets			
a) Fixed Assets			
- Tangible Assets	13	25,303	23,172
- InTangible Assets		1,468	299
- Capital Work In Progress		1,282	1,699
b) Non Current Investments	14	2	2
c) Long Term Loans and Advances	15	593	583
d) Other Non Current Assets	16	1,035	674
		29,683	26,429
2) Current Assets			
a) Current Investments	17	2,550	330
b) Inventories	18	18,881	16,583
c) Trade Receivables	19	24,977	23,326
d) Cash and Cash Equivalents	20	1,905	4,108
e) Short Term Loans & Advances	21	3,851	1,675
f) Other Current Assets	22	1,378	2,910
		53,542	48,932
Total (1+2)		83,225	75,361
Significant Accounting Policies and Notes on Financial Statements	1 to 42		

In terms of our report attached.

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Consolidated Statement of Profit & Loss for the year ended 31st March, 2014

₹ in lakhs

	Particulars	Note	For the year ended 31st March, 2014	For the year ended 31st March, 2013
I	Revenue from operations	23	107,051	111,514
II	Other Operating Revenue	24	395	305
III	Other Income	25	368	178
	Total Revenue (I + II + III)		**107,814**	**111,997**
IV	**Expenses :**			
	Raw Material Consumed	26	70,619	73,518
	Changes in Inventory	27	(1,391)	210
	Manufacturing Expenses	28	15,415	14,880
	Employee Benefits Expense	29	7,035	6,094
	Other Expenses	30	6,789	5,465
			98,467	**100,167**
	Profit before Interest, Depreciation & Tax		9,347	11,830
	Finance Cost	31	2,647	3,126
	Depreciation		1,884	1,804
			4,531	**4,930**
	Profit before Tax		**4,816**	**6,900**
VI	**Tax Expense**			
	Current Tax		1,354	2,349
	Deferred Tax Liabilities (Asset)		388	(12)
			1,742	**2,337**
	Net Profit after Tax		**3,074**	**4,563**
	Less : Minority Interest		480	377
	Net Profit after Tax after Minority Interest		**2,594**	**4,186**
	Earning Per Share (having a face value of ₹5 each)			
	- Basic and Diluted	32	2.14	3.43
	Significant Accounting Policies and Notes on Financial Statements	1 to 42		

In terms of our report attached.

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Consolidated Cash Flow Statement for the year ended 31st March, 2014

₹ in lakhs

Particulars		For the year ended 31st March, 2014	For the year ended 31st March, 2013
A	**Cash Flows from operating activities :**		
	Net Profit Before Tax	4,816	6,900
	Add: Loss from sale of assets	14	
	Add: Depreciation	1,887	1,809
	Add: Finance Cost	2,648	3,097
	Add: Bad Debts written off	(1)	2
	Add: Provision for doubtful trade and other receivables, loans and advances	204	71
	Add: Net unrealised exchange loss	-	29
	Less: Interest Received	(269)	(45)
	Less: Rent Received	(164)	(54)
	Less: Proceeding from sale of fixed assets	-	(8)
	Operating Profit before working capital changes	**9,135**	**11,801**
	Adjustment for:		
	Trade receivables	(2,794)	(2,124)
	Inventories	(2,124)	(370)
	Loans and Advances & other assets	561	(424)
	Trade payables and Other Payables	5,401	1,701
		1,044	(1,217)
	Cash Generated From Operation	**10,179**	**10,584**
	Less : Income Tax Paid	(1,812)	(1,773)
	Net cash from operating activities " A "	**8,367**	**8,811**
B	Cash Flows from Investing activities :		
	Purchase of fixed assets	(5,079)	(2,046)
	Proceedings from sale of fixed assets	6	8
	Purchase of Current Investments	(2,550)	(330)
	Purchase of Long Term Investments	-	(1)
	Investments	-	(406)
	Interest Received	261	20
	Rent Received	165	54
	Net cash used in investing activities " B "	**(7,197)**	**(2,701)**
C	Cash Flows from Financing activities :		
	Repayment of Equity share capital	(357)	-
	Repayment of preference share capital	1,857	-
	Proceeds from issues of preference shares	-	1,394
	Proceeds from Long Term Borrowings	1,531	-
	Repayment of Long Term Borrowings	(796)	(869)
	Net increase/(decrease) of working capital borrowings	125	245
	Proceeds from other short term borrowings	-	1,976
	Repayment of other short-term borrowings	(1,732)	(2,539)
	Finance Cost	(2,686)	(3,047)
	Dividends and Dividend Distribution Tax paid	(1,427)	(1,418)
	Net Cash used in financing activities " C "	**(3,485)**	**(4,258)**
	Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	**(2,315)**	**1,852**
	Cash and Cash Equivalents at the beginning #	**3,236**	**1,384**
	Cash and Cash Equivalents at the end	**921**	**3,236**

Cash and Cash equivalents includes cash and cash equivalents of the company and subsidiaries Pennar Engineered Building Systems Limited and Pennar Enviro Limited.

In terms of our report attached.

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Notes Forming Part of Consolidated Financial Statements

1. CORPORATE INFORMATION

Pennar Industries Limited is a multi-location, multi-product company manufacturing Cold Rolled Steel Strips, Precision Tubes, Cold Rolled Formed Sections, Electro Static Precipitators, Profiles, Railway Wagons and Coach Components, Press Steel Components and Road Safety Systems. Pennar Industries Limited has manufacturing facilities at Patancheru and Isnapur (in A.P.), Chennai and Hosur (Tamil Nadu) Tarapur (Maharashtra). Further Pennar has set up a subsidiary, Pennar Engineered Building Systems, Which at its state of the art manufacturing facility at Sadashivpet, near Hyderabad designs, manufactures and erects pre-engineered steel buildings. During the year, company has acquired the subsidiary Pennar Enviro Limited which is engaged in the business of manufacturing and distribution of Fuel Additives and Water Treatment Chemicals, Water and Waste Water Treatment Solution Providers and EPC contracts.

2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

2.1 Accounting Conventions :

The financial statements have been prepared under the historical cost conventions in accordance with the generally accepted accounting principles in India including the Accounting Standards notified by the Government of India and issued by the Institute of Chartered Accountants of India, as applicable, 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.

2.2 Use of Estimates:

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, provision for doubtful debts/advances/contingencies, allowances for slow/non moving inventories, useful lives of fixed assets, provision for taxation, etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

2.3 Inventories:

Inventories have been valued as under:

i) Raw materials, stores and spares and traded goods have been valued at cost. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.

ii) Due allowance is made for slow / non moving items, based on Management estimates.

iii) Finished goods and work-in-progress have been valued at cost or net realizable value whichever is lower. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

iv) 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.

2.4 Cash and Cash equivalents (for purposes of Cash Flow Statement):

Cash comprises of cash on hand, amount in current accounts and deposit accounts.

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.5 Depreciation and Amortization:

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.

Intangible assets are amortized over the estimated useful life as follows:
License fee – 6 years (2 years remaining as on Balance Sheet Date)

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each financial year and the amortization method is revised to effect the changed pattern.

Notes Forming Part of Consolidated Financial Statements

2.6 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.

Dividend income on investments is accounted for when the right to receive the payment is established.

2.7 Expenditure:

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

2.8 Tangible 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 and excludes duties and taxes to the extent recoverable from tax authorities.

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

2.9 Intangible assets:

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

2.10 Foreign Exchange Transactions:

Initial Recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company at the Balance Sheet date are restated at the year-end rates.

Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

2.11 Government Grants, Subsidies and Export Incentives:

Government grants and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants / subsidy will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

2.12 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.

Notes Forming Part of Consolidated Financial Statements

2.13 Employee Benefits:

a) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and short term compensated absences etc. are recognized in the period in which the employee renders the related service.

b) Long Term Employee Benefits

Defined Contribution Plan

The Company makes contribution in respect of selected employees to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

Defined Benefit Plans

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method. Actuarial gains / losses are immediately recognized in the Statement of Profit and Loss.

In respect of Provident Fund and Pension Fund, Contributions are made by the Company in accordance with the relevant rules and fully charged off to Statement of Profit and Loss.

The company provides for leave encashment based on valuations, as at the balance sheet date, made by independent actuaries.

2.14 Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.15 Taxes on Income

Income tax liability for the year is calculated in accordance with the relevant tax laws and regulations applicable to the Company. Deferred tax is recognized on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

2.16 Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. The recoverable amount of such assets is estimated. Where the carrying amount of the asset exceeds the recoverable amount, the impairment loss is recognized in the Statement of profit and loss.

2.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

Notes Forming Part of Consolidated Financial Statements

NOTE 3 : SHARE CAPITAL

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
3.1 AUTHORISED SHARE CAPITAL		
Equity Shares		
15,00,00,000 Equity Shares of ₹5/- each (previous year 15,00,00,000 equity shares of ₹5/- each)	7,500	7,500
3.2 Preference Shares		
Series - A : 5,00,000 Cumulative Redeemable Preference Shares of ₹100/- each (previous year 5,00,000 Cumulative Redeemable Preference Shares of ₹100/- each)	500	500
Series - B : 4,00,00,000 Cumulative Redeemable Preference Shares of ₹5/- each (previous year 4,00,00,000 Cumulative Redeemable Preference Shares of ₹5/- each)	2,000	2000
	10,000	**10,000**
3.3 ISSUED, SUBSCRIBED & PAID UP		
Equity Shares		
12,04,61,410 Equity Shares of ₹5/- each (previous year 12,20,24,000 equity shares of ₹5/- each) (Note 3.3.1 and 3.3.2)	6,023	6,101
3.4 Preference Shares - Series B		
1,66,49,119 Cumulative redeemable Preference Shares of ₹3.34/- each	556	878
(1,75,53,299 Cumulative redeemable Preference Shares of ₹5/- each) (Note 3.4.1)		
Total	**6,579**	**6,979**

3.3.1 All Equity Shares issued by the company carry equal voting and participatory rights

3.3.2 Persuant to board of directors approval for buy back of equity shares under section 77 A of the companies act, 1956, the company has bought back 15,62,590 shares of ₹5/- each through open market for an aggregate amount of ₹357 lakhs. Out of the said amount, an amount of ₹279 lakhs debited to share premium account and the balance amount ₹78 lakhs has been reduced from share capital. 60,16,069 equity shares out of the issued, subscribed and paid up capital were bought back and extinguished in the last five years out of which 15,62,590 pertains to current FY 2013-14.

3.3.3 The details of share holders holding more than 5% shares :

Name of the share holder	As at 31st March, 2014		As at 31st March, 2013	
	No of Shares	% held	No of Shares	% held
Saif Advisors Mauritius Limited A/C Saif India IV	1,21,38,080	10.08	1,21,38,080	9.95
My Home Constructions P Ltd	1,15,73,375	9.61	1,15,73,375	9.48
Eight Capital Master Fund Limited	87,11,854	7.23	87,11,854	7.14
Palguna Consultants Pvt. Ltd	63,20,148	5.25	85,21,261	6.98
Thapati Trading Pvt. Ltd	-	-	69,55,218	5.70
Copthall Mauritius Investment Limited	-	-	63,20,148	5.18

3.3.4 The reconciliation of the no of equity shares outstanding is set out below :

Particulars	As at 31st March, 2014 No. of shares	As at 31st March, 2013 No. of shares
Equity Shares at the beginning of the year	12,20,24,000	12,20,24,000
Add/(Less) : Shares bought back and extinguished	15,62,590	-
Equity Shares at the end of the year	12,04,61,410	12,20,24,000

Notes Forming Part of Consolidated Financial Statements

NOTE 3 : SHARE CAPITAL *(contd.)*

3.4.1 During the year the Company has redeemed 9,04,180 Cumulative redeemable preference shares @ ₹5/- per share issued to IFCI on conversion of Funded Interest Term Loan.

3.4.2 Balance Cumulative redeemable preference shares of 1,66,49,119 were also redeemed during the year @ ₹1.66 per share being 1/3rd of the nominal value. Balance amount of ₹3.34 per share shall be redeemable in two equal installments during the year 2014-15 and 2015-16.

NOTE 4 : RESERVES AND SURPLUS

₹ in lakhs

Particulars	As at 31st March, 2014		As at 31st March, 2013	
Revaluation Reserve (Note 4.1)				
Opening Balance	2,759		3,013	
Less : Transferred to statement of Profit and Loss on account of depreciation on revalued assets.	254		254	
Closing Balance		2,505		2,759
Capital Redemption Reserve				
Opening Balance	223		223	
Add : Transferred from general reserve (Note 4.2)	400	623	-	223
Capital Reserve on account of consolidation of Pennar Enviro Limited	23	23	23	23
Profit on forfeiture of shares				
Opening Balance	6	6	6	6
Securities Premium				
Opening Balance	6,158		5,310	
Add : Preimium on shares issued during the year by PEBS	1,187		848	6,158
Less:Utilized for extinguishment of equity shares (Note 4.3)	(279)	7,066		
General Reserve				
Opening Balance	2,351		2,115	
Less : Transferred to Capital Redemption Reserve (Note 4.2)	(400)			
Add : Transferred from statement of Profit and Loss	-		236	
Closing Balance		1,951		2,351
Statement of Profit and Loss				
Opening Balance	16,289		13,766	
Add : Profit for the year	2,594		4,186	
	18,883		17,952	
Less : Appropriations				
Proposed dividend on Equity Shares	-		1,220	
Proposed dividend on Preference Shares ₹8,325/- (Previous year ₹8,777/-)	-		-	
Dividend Distribution Tax	-		207	
General Reserve	-		236	
Closing Balance		18,883		16,289
Total		31,057		27,809

4.1 Cumulative amount withdrawn on account of depreciation on revaluation reserve is ₹3,790 lakhs as on 31.03.2014 out of ₹6,296 lakhs

4.2 An amount of ₹400 lakhs is transferred from General reserve to Capital Redumption reserve on account of (i) ₹45 lakhs being nominal value of 9,04,180 Cumulative redeemable Preference Shares of ₹5/- each which were issued to IFCI on conversion of Funded Interest Term Loans (ii) ₹277 lakhs being 1/3rd of nominal value of 1,66,49,119 Cumulative redeemable Preference shares of ₹5/- each. and (iii) ₹78 lakhs being the nominal value for 15,62,590 Equity shares of ₹5/- each brought back during the year.

4.3 Persuant to board of directors approval for buy back of equity shares under section 77 A of the companies act, 1956, the company has bought back 15,62,590 shares of ₹5/- each through open market for an aggregate amount of ₹357 lakhs. Out of the said amount, an amount of ₹279 lakhs debited to share premium account and the balance amount ₹78 lakhs has been reduced from share capital.

Notes Forming Part of Consolidated Financial Statements

NOTE 5 : LONG TERM BORROWINGS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
From Banks - Secured		
Axis Bank Limited (Note 5.1,5.2 and 5.3)	1,906	942
IFCI	-	3
From NBFC - Secured		
Kotak Mahindra Prime Ltd (Vehicle loans) (Note 5.4)	90	-
	1,996	945
Unsecured		
Sales Tax Deferment Loan (Note 5.5)	2,304	2,327
Total	4,300	3,272

5.1 During the FY 2011-12, company has taken term loan from Axis Bank for an amount of ₹1,500 lakhs at interest rate of 12.75% p.a which is repayable in 16 quarterly installments being ₹93.75 lakhs per quarter starting from Dec 2012.

5.2 During current FY 2013-14, Axis Bank has sanctioned a Term loan of ₹3,000 lakhs to the company at interest rate of 12.25% p.a out of which an amount of ₹1,531 lakhs is withdrawn during the year. The Term loan is repayable in 16 quarterly installments being ₹187.50 lakhs per quarter starting from Mar 2015.

5.3 Term Loans obtained from Axis Bank are secured by first charge on all immovable properties by deposit of title deeds and second charge on all current assets both present and future and guaranteed by the chairman of the company in his personal capacity.

5.4 During the year company has obtained vehicle loans from Kotak Mahindra Prime Ltd at interest rate of 10.07 % p.a. The said loans are repayable in 60 equal monthly installments and are secured by way of hypothication of same vehicles.

5.5 **Sales Tax deferment availed till the current account period is due for repayment as under :**

Year of Repayment	₹ in lakhs
2018-19	258
2019-20	375
2020-21	393
2021-22	431
2022-23	297
2023-24	335
2024-25	215
Total	2,304

NOTE 6 : DEFERRED TAX LIABILITY

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Opening Deferred Tax Liability	1,484	1,496
Deferred Tax Liability recognised during the year		
On a/c of depreciation	388	(12)
Closing Deferred Tax Liability	1,872	1,484

Notes Forming Part of Consolidated Financial Statements

NOTE 7 : OTHER LONG TERM LIABILITIES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Trade Payables	149	148
Trade/Security Deposits Received	80	18
Total	229	166

NOTE 8 : LONG TERM PROVISIONS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Compensated absences	145	126
Gratuity	98	73
Total	243	199

NOTE 9 : SHORT TERM BORROWINGS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Secured		
Cash Credit from Banks - Secured (Note 9.1)		
State Bank of India	7,179	8,181
Axis Bank Limited	2,701	1,300
State Bank of Patiala	787	1,061
Term Loans repayable on demand	-	1,732
Total	10,667	12,274

9.1 Working capital facilities sanctioned by State Bank of India, Axis Bank and State Bank of Patiala are secured by first charge on all current assets both present and future. These are further secured by way of second charge on the immovable properties of the company and also guaranteed by the Chairman of the company in his personal capacity.

NOTE 10 : TRADE PAYABLES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Creditors for Raw Materials	6,643	5,396
Creditors for expenses	10,835	5,515
Due to Micro, Small and Medium Enterprises	389	32
Total	17,867	10,943

Notes Forming Part of Consolidated Financial Statements

NOTE 11 : OTHER CURRENT LIABILITIES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Current Maturities of Long Term Debt		
a. From Banks - Secured (Note 11.1)		
Axis Bank Limited	563	770
b. From NBFC - Secured		
Kotak Mahindra Prime Ltd (Vehicle loans)	29	-
c. Sales Tax Deferment Loan	18	44
Interest accrued but not due on borrowings	-	26
Interest accrued and due on borrowings	18	30
Creditors for capital goods	1,063	17
Unclaimed Dividend	68	54
Preference share holders payable	276	-
Advances from customers	2,658	2,782
VAT Payable	202	424
Forward Contract Payable	-	1,806
Other Liabilities	1,313	1,579
Total	**6,208**	**7,532**

11.1 Out of the Axis bank Limited Current maturities of ₹563 lakhs an amount of ₹375 lakhs pertains to the Term loan of ₹1,500 lakhs taken in the FY 2011-12 and ₹188 lakhs pertains to the Term loan of ₹3,000 lakhs taken during the Current FY 2013-14

NOTE 12 : SHORT TERM PROVISIONS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Provision for Gratuity	34	28
Provision for Leave Encashment	22	57
Provision for Equity Dividend	-	1,220
Provision for Preference Divided ₹8,325/- (Previous year ₹8,777/-)	-	-
Provision for Dividend Distribution Tax	-	207
Provision for Tax (net of advance tax)	500	739
Total	**556**	**2,251**

Notes Forming Part of Consolidated Financial Statements

NOTE 13 : FIXED ASSETS SCHEDULE

₹ in lakhs

S. NO	Asset Group	Gross Block (At Cost)					Accumulated Depreciation & Amortisation					Net Book Value	
		Op Block As on 1.4.2013	Additions FY 2013-14	Disposals FY 2013-14	Other Adjustment	As on 31.03.2014	Op Block As on 1.4.2013	For the year 2013-14	Disposals Adjustment FY 2013-14	Other Adjustment	As on 31.03.2014	As on 31.03.2014	As on 31.03.2013
	Tangible Assets												
1	Land	1,331	109	-	-	1,440	-	-	-	-	-	1,440	1,331
	(Previous Year)	*(1,307)*	*(24)*	-	-	*(1,331)*						*(1,331)*	*(1,307)*
2	Roads	495	-	-	-	495	31	8	-	-	39	456	464
	(Previous Year)	*(495)*	-	-	-	*(495)*	*(23)*	*(8)*			*(31)*	*(464)*	*(471)*
3	Buildings	10,016	1,457	-	-	11,473	2,346	317	-	-	2,663	8,810	7,670
	(Previous Year)	*(9,983)*	*(33)*	-	-	*(10,016)*	*(2,028)*	*(318)*			*(2,346)*	*(7,670)*	*(7,911)*
4	Plant & Machinery	25,020	2,207	7	-	27,220	13,684	1,419	(4)	(2)	15,097	12,123	11,336
	(Previous Year)	*(24,670)*	*(401)*	*(51)*	-	*(25,020)*	*(12,387)*	*(1,348)*	*(51)*	-	*(13,684)*	*(11,336)*	*(12,283)*
5	Electricals	2,769	80	-	-	2,849	1,268	170	-	-	1,438	1,411	1,501
	(Previous Year)	*(2,678)*	*(91)*	-	-	*(2,769)*	*(1,084)*	*(184)*			*(1,268)*	*(1,501)*	*(1,594)*
6	Computers	673	78	2	-	749	430	76	(2)	-	504	245	243
	(Previous Year)	*(584)*	*(89)*	-	-	*(673)*	*(364)*	*(66)*			*(430)*	*(243)*	*(213)*
7	Office Equipments	463	96	-	-	559	223	27	-	-	250	309	240
	(Previous Year)	*(445)*	*(18)*	-	-	*(463)*	*(175)*	*(48)*			*(223)*	*(240)*	*(270)*
8	Furniture	329	46	-	-	375	124	18	-	(4)	138	237	205
	(Previous Year)	*(312)*	*(17)*	-	-	*(329)*	*(106)*	*(18)*			*(124)*	*(205)*	*(206)*
9	Vehicles	205	155	42	-	318	68	26	(12)	-	82	236	137
	(Previous Year)	*(161)*	*(44)*	-	-	*(205)*	*(53)*	*(15)*			*(68)*	*(137)*	*(69)*
10	Lease Hold Improvements	84	-	-	-	84	39	13	-	(4)	48	36	45
	(Previous Year)	(84)	-	-	-	(84)	(26)	(13)			(39)	(45)	(57)
	Sub Total-1	750	4,228	-	-	45,562	18,213	2,074	(18)	(10)	20,259	25,303	23,172
	(Previous Year)	*(40,719)*	*(717)*	*(51)*	*(12)*	*(41,385)*	*(16,246)*	*(2,018)*	*(51)*	-	*(18,213)*	*(23,172)*	*(24,381)*
	Intangible Assets												
10	Licence Fee	436	1,237	-	-	1,673	137	68	-	-	205	1,468	299
	(Previous Year)	*(417)*	*(19)*	-	-	*(436)*	*(81)*	*(56)*			*(137)*	*(299)*	*(336)*
	Sub Total-2	19	1,237	-	-	1,673	137	68	-	-	205	1,468	299
	(Previous Year)	*(417)*	*(19)*	-	-	*(436)*	*(81)*	*(56)*			*(137)*	*(299)*	*(336)*
	Total (1 + 2)	769	5,465	-	-	47,235	18,350	2,142	(18)	(10)	20,464	26,771	23,471
	(Previous Year)	*(41,136)*	*(736)*	*(51)*	*(12)*	*(41,821)*	*(16,327)*	*(2,074)*	*(51)*	-	*(18,350)*	*(23,471)*	*(24,717)*

13.1 Depreciation for the year includes an amount of ₹253 lakhs on revalued value of the Fixed assets and has been debited to Revalution Reserve Account

Notes Forming Part of Consolidated Financial Statements

NOTE 14 : NON CURRENT INVESTMENTS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Other Investments		
Unquoted (At cost):		
In Others		
a. Mana Effluent Treatment Plant Limited During the year the company has invested in the Common ETP Plant at Mallapur for 200 equity shares at ₹1000 each	2	2
b. 2689 Equity Shares of ₹10/- each fully paid up in Patancheru Enviro-Tech Limited - ₹26,890 (Previous Year - ₹26,890)	-	-
Total	2	2

NOTE 15 : LONG TERM LOANS AND ADVANCES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Unsecured and Considered Good		
Capital Advances	17	2
Advance Tax (Net of Provision)	576	581
Total	593	583

NOTE 16 : OTHER NON CURRENT ASSETS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Deposit against sales tax liability	54	54
VAT receivable	63	70
Electricity Deposit	208	217
Rental and Other Deposit	316	163
Water Deposit	21	21
Unaccrued Finance Charges	-	2
Deferred Revenue Expenses		
- Expenses for increasing Authorised Share Capital(Note 16.1)	1	2
- Water Treatment Chemicals (Technology) (Note 16.2)	1	2
- Water Treatment Chemical (Market Development) (Note 16.3)	9	12
- Water Projects Division (Note 16.4)	362	131
Total	1,035	674

16.1 The Subsidiary M/s Pennar Enviro Limited has incurred an amount ₹3 lakhs towards increasing the Authorised Share Capital during the FY 2011- 12 was deferred and amortized over a period of five years. Accordingly, during the year the company has amortized an amount of ₹1 Lakh and charged to the statement of Profit and Loss under the head depreciation and amortization expenses.

Profit and Loss under the head depreciation and amortization expenses.

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Expenses for increasing Authorised Share Capital	2	3
Less: Amortised during the year	1	1
Closing Balance	1	2

Notes Forming Part of Consolidated Financial Statements

NOTE 16 : OTHER NON CURRENT ASSETS *(contd.)*

16.2 The Subsidiary M/s Pennar Enviro Limited has incurred an amount of ₹6 lakhs during the FY 2009 - 10 towards technology for manufacture of Water Treatment Chemicals was deferred and amortized over a period of five years. Accordingly, during the year, the company has amortized an amount of ₹1 Lakh and charged to statement of Profit and Loss under the head depreciation and amortization expenses.

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Water Treatment Chemicals (Technology)	2	3
Less: Amortised during the year	1	1
Closing Balance	1	2

16.3 The Subsidiary M/s Pennar Enviro Limited has incurred an amount of ₹15 lakhs towards market development expenditure for Water Treatment Chemicals was deferred and amortized over a period of five years. Accordingly, during the year the company has amortized an amount of ₹3 lakhs and charged to statement of Profit and Loss under the head depreciation and amortization expenses.

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Water Treatment Chemical (Market Development)	12	15
Less: Amortised during the year	3	3
Closing Balance	9	12

16.4 The following amounts of the Subsidiary M/s Pennar Enviro Limited incurred towards business development, designing various models of ETPs, Bio Toilets and softner plants were accumulated and treated as deferred revenue expenses . This expenditure will be amortised over a period of Five years commencing from FY 2014-15.

Financial Year	₹ in lakhs
2011-12	71
2012-13	61
2013-14	230
Total	**362**

NOTE 17 : CURRENT INVESTMENTS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Investment in equity instruments of subsidiaries (unquoted, fully paid up)		
9,999 equity shares of ₹10/- each in Pennar Building Systems Private Limited	1	1
Less: Provision for diminution in value of current portion of long-term investments	1	1
Total	-	-
Investment in mutual funds (Note 17.1)	2,550	330
Total	**2,550**	**330**
Aggregate value of quoted Investment	**2,550**	**330**
Aggregate market value of quoted Investment	**2,552**	**331**
Aggregate value of un-quoted investment	**-**	**-**

Notes Forming Part of Consolidated Financial Statements

NOTE 17 : CURRENT INVESTMENTS *(contd.)*

17.1 Investment in mutual funds

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
102089.156 (31 March 2013 - Nil) units of Birla sun life cash plus - Daily dividend-Regular Plan -Reinvestment face value of ₹100.3288 each	102	-
2006898.915 (31 March 2013 - Nil) units of HDFC liquid fund dividend daily investment Reinvest face value of ₹10.1982	205	-
317029.972 (31 March 2013 - Nil) units of ICICI pru liquid - Regular Plan -Daily dividend face value of ₹100.0662	317	-
1994733.701 (31 March 2013 - Nil) units of JM Floater Short Term Fund-Daily dividend Option (73) face value of ₹10.0883	201	-
2000000 (31 March 2013 - Nil) units of IDBI FMP-Dividend Pay-out face value of ₹10.0993	200	-
24719.84 (31 March 2013 - Nil) units of L N T Liquid Fund Daily dividend Reinvestment plan - INF917K01JB4 face value of ₹1011.6349	250	-
56771.866 (31 March 2013 - Nil) units of SBI Debt fund Series - 90 DAYS Plan dividend face value of ₹1003.25	570	-
29740.328 (31 March 2013 - Nil) units of Reliance liquid -treasury plan face value of ₹1528.74	455	-
24996.995 (31 March 2013 - Nil) units of Axis Liquid - Daily Dividend face value of ₹1000.1178	250	-
998.07 (31 March, 2012 - Nil) units of SBI Magnum Insta Cash Fund (Growth) face value of ₹1000 each	-	20
16843.07 (31 March, 2012 - Nil) units of SBI Premier Liquid Fund (Growth) face value of ₹1000 each	-	310
Total	2,550	330

NOTE 18 : INVENTORIES (AS VALUED AND CERTIFIED BY MANAGEMENT)

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Raw Material	4,272	3,729
Raw Material - in transit	328	39
Work in Progress	6,994	4,120
Finished Goods	3,000	6,065
Stores & Spares	3,802	2,270
Stores & Spares - in transit	188	107
Scrap	297	253
Total	18,881	16,583

Notes Forming Part of Consolidated Financial Statements

NOTE 19 : TRADE RECEIVABLE

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Outstanding for more than 6 months		
Secured	5	-
Unsecured (Note 19.1)	2,077	1,494
Doubtful	204	45
	2,286	1,539
Less : Provision for doubtful trade receivables	(204)	(45)
	2,082	**1,494**
Other Trade Receivables (Note 19.2)		
Secured	2,602	1,889
Unsecured	20,293	19,943
	22,895	**21,832**
Total	**24,977**	**23,326**

19.1 Trade receivables outstanding for a period exceeding 6 months includes an amount of ₹158 lakhs which is doubtful for recovery. Company has filed legal cases against customers for recovery of such dues. Hence, management is confident of recovering the same.

19.2 Other Trade Recivables Includes an amount of ₹2,279 lakhs (31 March, 2013 - ₹3,632 lakhs) which in accordance with the terms of the contract were not due for payment.

NOTE 20 : CASH AND BANK BALANCES

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
i) **Cash and Cash Equivalents**		
a. Cash on hand	10	7
b. Cheques on hand	-	63
c. Balances with banks		
- in current accounts	305	699
- in deposit accounts	-	1,996
- in Collection accounts	606	471
ii) **Other Bank Balances**		
a. unclaimed dividend accounts	68	42
b. margin money accounts (Note 20.1)	677	625
c. Fixed Deposit under lien (Note 20.2)	239	205
Total	**1,905**	**4,108**
Cash and Cash Equivalents for Cash Flow Statement	**921**	**3,236**

20.1 Out of the margin money balance, an amount of ₹155 lakhs has maturity period of more than 12 months.

20.2 The company has provided a collateral security, a lien on fixed deposit of ₹200 lacs towards the Term Loans and Working Capital Loans taken by subsidiary M/s Pennar Engineered Building Systems Limited from State Bank of India and ₹39 lacs towards the Working capital Loan taken by subsidiary M/s Pennar Enviro Limited from Axis Bank Limited.

Notes Forming Part of Consolidated Financial Statements

NOTE 21 : SHORT TERM LOANS AND ADVANCES

(Unsecured, considered good, recoverable in cash or in kind for value to be received) ₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Loans & Advances to related parties	-	2
Security Deposits	46	41
Loans & Advances to Staff	49	78
Advances for Raw Material	85	515
Advances for Capital Goods	1,051	35
Advances to others	1,436	94
Balances with govt authorities	1,077	904
Inter-corporate deposits	100	-
Other Deposits	7	6
Total	**3,851**	**1,675**

NOTE 22 : OTHER CURRENT ASSETS

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
Prepaid Expenses	240	195
Sales tax incentive receivable	978	735
Interest Receivable	84	83
Unbilled Revenue	17	69
Interest Accrued on Deposits	20	35
Unamortised expenses of ancillary borrowing cost	-	11
Others		
i) Amortised Premium on Forward Contract	-	50
ii) Receivables from related parties	39	-
iii) Forward Contract Receivable	-	1,732
Total	**1,378**	**2,910**

NOTE 23 : REVENUE FROM OPERATIONS

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Revenue From Operations		
Sale of Products	119,630	124,098
Contract Sales	1,080	-
Sale of Services	2,534	3,339
	123,244	127,437
Less : Excise Duty	12,308	11,810
Sales Tax	3,885	4,113
	16,193	15,923
Total	**107,051**	**111,514**

23.1 Revenue generated out of scrap sales of of ₹5,041 lakhs (Previous Year ₹5,097 lakhs) is accounted under Raw material consumption.

Notes Forming Part of Consolidated Financial Statements

NOTE 24 : OTHER OPERATING REVENUE

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Incentives on Sales tax & Power	395	305
Total	**395**	**305**

24.1 During the year, company has filed applications with District Industries Centre under Andhra Pradesh Industrial Investment Promotion Policy 2010-15 for claiming sales tax and power incentive for an amount of ₹395 lakhs.

NOTE 25 : OTHER INCOME

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Interest Income	202	96
Dividend Income on mutual funds	40	
Net profit on sales on Mutual Funds	83	
Profit on sale of fixed assets	-	8
Rent received	1	13
Gain on Foreign exchange fluctuations	2	36
Liabilities/Provision no longer required written back	1	-
Miscellaneous Income	39	25
Total	**368**	**178**

NOTE 26 : RAW MATERIAL CONSUMED

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Opening Stocks	3,729	3,698
Add : Purchases	76,109	78,811
	79,838	82,509
Less : Materials Capitalised	80	165
Less : Closing Stocks	4,098	3,729
Consumption	75,660	78,615
Less : Scrap Sales (Note 26.1)	(5,041)	(5,097)
Consumption	**70,619**	**73,518**

26.1 Revenue generated from sale of scrap was reduced from Raw material consumption.

NOTE 27 : CHANGE IN INVENTORIES

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Opening Stocks		
Work in Progress	6,087	7,689
Finished Goods	2,559	1,295
Scrap	253	125
	8,899	**9,109**
Closing Stocks		
Work in Progress	6,994	6,087
Finished Goods	2,999	2,559
Scrap	297	253
	10,290	**8,899**
Net (increase)/Decrease	**(1,391)**	**210**
Total	**(1,391)**	**210**

Notes Forming Part of Consolidated Financial Statements

NOTE 28 : MANUFACTURING EXPENSES

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Job Work Charges	4,212	5,014
Stores & Spares	7,128	8,024
Erection Expenses	2,004	-
Power	1,614	1,362
Repairs & Maintenance - Buildings	6	56
Repairs & Maintenance - Plant & Machinery	54	116
Repairs & Maintenance - Others	70	80
Miscellaneous manufacturing expenses	327	228
Total	**15,415**	**14,880**

28.1 Stores and Spares Consumption

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Opening Stocks	2,377	3,407
Add : Purchases	8,741	6,994
	11,118	10,401
Less : Closing Stocks	3,990	2,377
Consumption	**7,128**	**8,024**

NOTE 29 : EMPLOYEE BENEFITS EXPENSE

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Salaries & Wages	6,134	5,097
Contribution to Gratuity,PF & Super Annuation	500	492
Staff Welfare Expenses	401	505
Total	**7,035**	**6,094**

29.1 Out of the contribution to Gratuity, PF & Superannuation, Gratutity is a funded Scheme.

NOTE 30 : OTHER EXPENSES

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Insurance	44	57
Travelling & Conveyance	965	738
Rent	358	243
Rates & Taxes	96	66
Advertisement & Sales Promotion	58	141
Sales Commission	407	321
Communication Expenses	126	100
Freight Outward	3,117	2,741
Technical, Legal & Professional	433	324
Managerial Remuneration	288	305

Notes Forming Part of Consolidated Financial Statements

NOTE 30 : OTHER EXPENSES *(contd.)*

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Directors' Fees & Expenses	3	2
Printing & Stationery	92	73
Bad Trade and Other Receivables	204	46
Provision for advances	-	25
Provision for investment losses	-	1
Repairs and Maintenance	72	
Office Maintenance	245	
Loss on sale of Fixed Assets	14	-
Auditors' Remuneration (Note 30.1)	36	33
Miscellaneous Expenses	254	279
Less : Capitalised towards capital projects	(23)	(30)
Total	**6,789**	**5,465**

30.1 Auditors Remuneration (Excluding Service Tax)

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Audit Fees	32	30
Tax Audit Fees	3	2
Certification & Others	1	1
Total	**36**	**33**

NOTE 31 : FINANCE COST

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Interest on Term Loans	198	423
Interest on Working Capital	1,343	1,462
Interest on delayed payment of Taxes	14	47
Bank Charges	1,085	1,157
Interest on Vehicle Loan	7	1
Loss on foreign currency transactions	-	36
Total	**2,647**	**3,126**

NOTE 32 : EARNING PER SHARE

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Net profit after adjusting minority interest (₹ in lakhs)	2,594	4,186
Weighted Average No. of shares	12,13,30,905	12,20,24,000
Annualized Basic Earning per share (₹)	2.14	3.43

Notes Forming Part of Consolidated Financial Statements

NOTE 33 : CONTINGENT LIABILITIES

₹ in lakhs

Sl No	Particulars	As at 31st March, 2014	As at 31st March, 2013
i)	Bank Guarantees given by banks	1,038	666
ii)	Claims by Customs & Sales Tax	210	234
iii)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net)	983	177
iv)	LC/Bills Discounted	347	4,128

33.1 Details of disputed dues to customs & Sales tax are given below:

₹ in lakhs

Sl No	Nature of Statue	Nature of dues	Forum Where dispute is pending	Amount
1	Customs Act 1962	Interest on Customs Duty Paid	High Court	45
2	AP VAT Act	Entry Tax on Cix	The Supreme Court of India	219

33.2 Out of the disputed due amount of ₹219 lakhs against Entry Tax on CIX, an amount of ₹54 lakhs has been deposited. The Unpaid amount is ₹165 lakhs.

NOTE 34 : DISCLOSURES REQUIRED UNDER SECTION 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

₹ in lakhs

Particulars	As at 31st March, 2014	As at 31st March, 2013
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	390	32
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	9	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	9	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	9	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

NOTE 35 : MANAGERIAL REMUNERATION

₹ in lakhs

Sl No	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
1	Directors Salaries & Allowances	184	132
2	Providend Fund & Superannuation	34	26
3	Other Perquisites	15	34
4	Commission	55	113
	Total	**288**	**305**

Notes Forming Part of Consolidated Financial Statements

NOTE 36 : RELATED PARTY DISCLOSURES

Sl No	Relationship	Name
1	Significant Influence	Saven Technologies Limited
2	Key Management Personnel	Mr. Nrupender Rao
		Mr. Aditya N Rao
		Mr. CH. Anantha Reddy
		Mr. Suhas Baxi
3	Relatives of Key Management Personnel	Mrs J Rajya Lakshmi
		Mrs CH Prabha

36.1 Aggregate Related Party Transactions:

₹ in lakhs

Sl No	Particulars	Significant Influence		Key Managerial Personnel		Relatives of Key Managerial Personnel	
		For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013	For the year ended 31st March, 2014	For the year ended 31st March, 2013
1	Purchases Made during the year	-	-	-	-	-	-
2	Sales Made during the year	-	-	-	-	-	-
3	Other Services Rendered	-	-	-	-	-	-
4	Other Services Received	17	13	-	-	-	-
5	Remuneration	-	-	288	305	-	-
6	Rent	-	-	-	-	3	26

NOTE 37 : EMPLOYEE BENEFITS UNDER DEFINED BENEFITS PLAN

₹ in lakhs

Particulars	year ended 31st March, 2014		year ended 31st March, 2013	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Components of employer expense				
Current service cost	75	69	79	64
Interest cost	45	13	37	7
Actuarial losses/(gains)	(21)	(66)	(7)	6
Total expense recognised in the Statement of Profit and Loss	**99**	**16**	**109**	**77**
Actual contribution and benefit payments for year				
Actual benefit payments	(76)	(20)	(35)	(39)
Actual contributions	80	20	-	39
Net liability recognised in the Balance Sheet				
Present value of defined benefit obligation	479	186	447	68
Expenses as above	99	16	109	77
Settlements made		(15)		(2)
	578	188	556	143
Classification of Net liability recognised in the Balance Sheet				
Long term provision	544	124	483	45
Short term provision	35	22	74	98
	578	**146**	**556**	**143**

Notes Forming Part of Consolidated Financial Statements

NOTE 37 : EMPLOYEE BENEFITS UNDER DEFINED BENEFITS PLAN *(contd.)*

₹ in lakhs

Particulars	year ended 31st March, 2014		year ended 31st March, 2013	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Change in defined benefit obligations (DBO) during the year				
Present value of DBO at beginning of the year	479	186	447	68
Current service cost	75	69	79	64
Interest cost	45	13	37	7
Actuarial (gains) / losses	(21)	(66)	(7)	6
Benefits paid		(15)		(2)
Present value of DBO at the end of the year	**578**	**188**	**556**	**143**
Actuarial assumptions				
Discount rate	9%	9%	8%	8%
Salary escalation	2%	2%	3%	3%
Attrition	8.00%	8.00%	9.25%	9.25%

NOTE 38 : SEGMENT DETAILS

The holding 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 building which is in context of Accounting Standard -17 issued by the Institute of Chartered Accountants of India is considered as single segment.

NOTE 39 : FOREIGN CURRENCY TRANSACTIONS

₹ in lakhs

Sl No	Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
a)	**Outflow in foreign currency**		
i)	Foreign Travel Expense	11	10
ii)	Raw Material	-	196
iii)	Capital Equipment & Components	173	610
iv)	Royalty	12	5
b)	**Inflow in foreign currency**		
i)	FOB value of exports	8	116

39.1 Details on derivatives instruments and unhedged foreign currency exposures

The following derivative positions are open as at 31 March, 2014. These transactions have been undertaken to act as economic hedges for the Company's exposures to various risks in foreign exchange markets and may qualify or be designated as hedging instruments.

Forward exchange contracts being derivative instruments, which are not intended for trading or speculative purposes but for hedge purposes to establish the amount of reporting currency required or available at the settlement date of certain payables.

Outstanding forward exchange contracts entered into by the Company as on 31 March, 2014

Currency	Amount	Buy / Sell	₹ in lakhs
USD	-	Buy	0.00
USD	(3,190,000)	Buy	(1,732)

Note: Figures in brackets relate to the previous year

Notes Forming Part of Consolidated Financial Statements

NOTE 40 : DETAILS OF LEASING ARRANGEMENTS

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Details of leasing arrangements		
As Lessee		
The Company has entered into operating lease arrangements for certain surplus facilities. The lease is non-cancellable for a period of 5 years from 20-JAN-2011 and may be renewed for a further period of 5 years based on mutual agreement of the parties.		
Future minimum lease payments		
not later than one year	96	135
later than one year and not later than five years	86	331
later than five years	-	-
	182	466

40.1 Lease payment recognized in statement of profit and loss for the year ₹315 lakhs (Previous year ₹199 lakhs)

40.2 Aggregate lease payment received under operating lease amount to ₹164 lakhs (Previous Year ₹45 lakhs) has been net off with rentals.

NOTE 41

The Board of Directors of the Subsidiary M/s Pennar Engineered Building systems Limited at its meeting held on 8th February, 2013 passed a resolution for closure of its Wholly Owned Subsidiary, M/s. Pennar Building Systems Private Limited (PBSPL). The Company has filed required documents with the Registrar of Companies, Uttarakand on 7th May, 2013 for striking off its name from the register of Companies, and upon receiving necessary approvals investment would be written off.

NOTE 42

Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest lakh of rupees

For and on behalf of the Board of Directors

For **RAMBABU & Co.,**
Chartered Accountants
Firm Reg No: 002976S

Aditya N Rao
Vice Chairman and MD

Nrupender Rao
Chairman

Ravi Rambabu
Partner
Membership.No:018541

Mirza Mohammed Ali Baig
Company Secretary

JS Krishna Prasad
GM Finance

Place : Hyderabad
Date : 07.05.2014

Pennar Engineered Building Systems Limited

Sixth Annual Report 2013-14

Board of Directors
Mr. Nrupender Rao

Mr. Aditya N Rao

Mr. C Parthasarathy

Mr. Mukul Gulati

Mr. Manish Sabharwal

Mr. Karthik Bhat

Mr. Vijay Chandra Puljal

Mr. P V Rao (Managing Director)

Key Managerial Personnel

Chief Financial Officer
Mr. Shrikant Bhakkad

Executive Company Secretary
Ms. Namrata Maheshwari

Registered Office Address:
9th Floor, DHFLVC Silicon Towers,
Kondapur, Hyderabad-500 084.

Statutory Auditors:
M/s. Deloitte Haskins & Sells,
Chartered Accountants
1-8-384 & 385, 3rd Floor, Gowar Grand,
S P Road, Begumpet, Hyderabad – 3

Plant
Sy No. 144,145 Anakapalli,
Chandapur Village, Sadasivpet Mandal,
Medak District, Telangana.

Bankers
State bank of India

Axis Bank Limited

Yes Bank Limited

Directors Report

Dear members

Your Directors take pleasure in presenting the Sixth Annual Report together with the audited statements for the financial year ended 31st March, 2014.

Financial Results:

The performance of the Company for the financial year ended 31st March, 2014 is summarized below:

₹ in lakhs

Particulars	Financial Year 2013-14	Financial Year 2012-13
Revenue from Operations	36540.84	28699.49
Profit before Interest, Depreciation and Tax (PBIDT)	3714.21	3554.02
Profit Before Tax	2890.14	2181.74
Current Tax and Deferred Tax	1063.29	741.87
Profit After Tax (PAT)	1826.85	1439.87

Operations:

The operations of the Company cover building and framing, steel structures and components, solar structures, building additions, building components and building accessories. The Company has secured orders across a number of sectors from reputed customers like Reliance Jio Infocomm Limited, Sobha Developers Limited, Hyderabad Metro Rail Limited, Volvo India Private Limited, etc. and also received repeated orders from Larsen & Turbo Limited, Ultratech Cement, AGI Glass PAC, Gland Pharma Limited, Schindler India Private Limited, Shimizu Corporation India Private Limited, etc.

Revenue from Operations of the Company stood at Rs. 36540.84 lakhs for the Financial Year 2013-14 as compared to Rs. 28699.49 lakhs of previous financial year i.e., showing a growth of 27.32%. The operating profit (PBIDT) of the Company has increased to Rs.3714.21 lakhs from Rs. 3554.12 lakhs of the previous year. Profit After Tax (PAT) increased by 27.88% as compared to last year, and stood at Rs. 1826.85 lakhs.

Wholly Owned Subsidiary:

The Company had a subsidiary named M/s. Pennar Building Systems Private Limited (PBSPL). The Board of Directors at its meeting held on 8th February, 2013 decided for closure of it. The Company has filed required documents with the Registrar of Companies, Uttarakand on 7th May, 2013 for striking off its name from the register of Companies, and upon receiving necessary approvals investment would be written off.

Finance:

CARE has affirmed 'CARE A (SO)' [Single A (Structured Obligation)] rating assigned for your Company's long term bank facilities and enhanced 'CARE A1' (A One) for short term bank facilities. Your Company has not accepted any Fixed Deposits during the financial year. No dividend has been declared and no amount has been carried forward to the General Reserves during the year.

Directors:

Mr. Karthik Bhat was appointed (in place of Mr. Vishal Avinash Dixit) as Non-executive Additional Director with effect from 7th November, 2013.

Mr. Ch. Anantha Reddy has offered resignation from the Directorship of the Company from the close of business hours on 30th January, 2014 which has accepted and Board placed on record its appreciation for services rendered by him during his tenure as a Director of the Company.

Mr. Aditya Rao, who retires by rotation at the end of this Annual General Meeting, has been on the Board from 21st January, 2008 and offers himself for re-appointment. Your Board recommends his appointment.

Statutory Auditors:

M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad, Statutory Auditor of the Company, hold office till the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Pursuant to the provisions of section 139 of the Companies Act, 2013 and rules framed thereunder, it is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad, as Statutory Auditor of the Company from the conclusion of the forthcoming Annual General Meeting till the conclusion of the 10th Annual General Meeting (subject to ratification of their appointment at every Annual General Meeting).

The Company has received letter from M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad to the effect that their re-appointment, if made, would be within the prescribed limits under section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for re–appointment.

Cost Auditors:

The Central Government approved the appointment of M/s. DZR & Co., Cost Accountants, Hyderabad, as the Cost Auditor of the Company for conducting the audit of cost records for the Financial Year 2013-14 The Cost Auditor's Report for the Financial Year 2013-14 shall be submitted to the Central Government within the stipulated period.

Human Resources:

Your Company recognizes the importance and contribution of human capital and it has built an open, transparent and meritocratic culture to nurture this asset. Performance orientation and ethics are high priority areas for your Company. The work environment and career opportunities help retain talent. Company's consistent growth was made possible by the hard work, solidarity, co-operation and support of all the employees. Your Directors recognize the team's valuable contribution and place on record the appreciation in Pennar Engineered Building Systems Limited.

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, forms part of this report. However as per the provisions of Section 219 of the Act, the Report and Accounts are being sent excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. Any Member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy thereof.

Particulars regarding Energy Conversation, Technical absorption:

The Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in:

Energy Conversation: See Annexure 1

Technical Absorption: See Annexure 2

Foreign Exchange Earnings:

The Foreign Exchange earnings and outgoings for the Financial Year under review are as follows:

1. Inflows: 7.79 lakhs

2. Outflows: 182.95 lakhs

Directors Responsibility Statement:

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

i. In the preparation of the annual accounts for the financial year ended 31st March, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. The directors have, in the selection of the Accounting Policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,

iv. The Directors have prepared the annual accounts for the financial year ended 31st March, 2014 on a 'going concern' basis.

Acknowledgements:

Your Directors would like to place on record their gratitude for the valuable guidance, co-operation and assistance provided by Company's Bankers, Customers, Suppliers, Investors, regulatory, government authorities, project & other business associates and stakeholders. The Directors also place on record their appreciation of the commitment, commendable efforts, team work and professionalism of all the employees of the Company.

The Directors look forward to their continue support in future.

Your Directors value your involvement as shareholders and look forward to your continuing support.

By Order of the Board
for **Pennar Engineered Building Systems Limited**

Place: Hyderabad
Date : 6th May, 2014

Nrupender Rao
Chairman

Annexure 1

Particulars	01.04.2013 to 31.03.2014	01.04.2012 to 31.03.2013
A. Power and Fuel consumption		
1. Electricity		
a. Purchase of Units	16,80,459	12,70,358
Total Amount (Rs.)	1,37,14,435	91,14,617
Average Rate Per KWH (Rs.)	8.16	7.17
b. Own Generation		
500KVA units	1,51,910	354,439
Units per liter of diesel oil	0.30	0.32
Average Cost of Diesel per unit (Rs.)	16.53	15.94
2. Diesel Oil		
Quantity (KL)	46,038	1,12,397
Total Amount (Rs.)	25,10,654	56,48,925
Average Rates per KL (Rs.)	54.53	50.26
B. Consumption Per Unit of production		
Production (MT)	35,062	32,240
Electricity (KWH)/MT	47.93	39.40
Diesel (Ltrs)/MT	1.31	3.49
C. Solar Power Generation (Units generated since commissioning)	122,848	88,474

* Solar Plant for 0.5 MW installed on 29th March, 2014.

Annexure 2

Your Company has technical association with M/s. NCI building Systems which provides Technical Knowhow with regard to Manufacture, Distribution, Marketing, and Sale, of NCI's Double- Lok ® Roof system.

Advantages of Double- Lock® Roof System

a) Reduce risk of leakage from roof.
b) System versality facilities thermal expansion and contraction of the panel without any damage
c) Tested by Factory Mutual Research Corporation for wind uplift, fire and hail damage.
d) Simple, Flexible and Durable.
e) Pre punched panels and components.

Independent Auditor's Report

To the Members of
Pennar Engineered Building Systems Limited

Report on Financial Statements

We have audited the accompanying financial statements of PENNAR ENGINEERED BUILDING SYSTEMS LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   (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 Statement of Profit and Loss 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 Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).

   (e) On the basis of the written representations received from the directors as on March 31, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2014 from being appointed as a director in terms of Section 274(1) (g) of the Act 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

Ganesh Balakrishnan
Partner
(Membership No. 201193)

Place: Secunderabad
Date: May 6, 2014

Annexure to the Independent Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business during the year, clauses (xii), (xiii), (xiv), (xix) and (xx) of paragraph 4 of the Order are not applicable to the Company.

(i) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and is in the process of updating situation of fixed assets for the additions made during the year.

(b) The Company has a program for verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year and the Company is in the process of reconciliation of the assets verified with the fixed assets register. According to the information and explanations 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 inventories:

(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 explanations 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 records of inventories maintained by Company need to be strengthened in relation to raw materials, work in progress and stores and spares 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 covered 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 in 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 ` 5 lakhs in respect of any party, having regard to our comments in paragraph (iv) above, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time, other than certain purchases which are of a special nature for which comparable quotations are not available and in respect of which we are, therefore, unable to comment if the transactions have been carried out at prices having regard to the prevailing market prices at the relevant time.

(vi) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.

(vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(viii) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(ix) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities except Service Tax.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2014 for a period of more than six months from the date they became payable.

(c) No disputed amounts payable in respect of Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess as at March 31, 2014.

(x) The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions and banks. The Company has not issued any debentures.

(xii) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.

(xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.

(xiv) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

(xv) During the year the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xvi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No. 008072S)

Ganesh Balakrishnan
Partner
(Membership No. 201193)

Place: Secunderabad
Date: May 6, 2014

Balance sheet as at 31st March, 2014

₹ in lakhs

Particulars	Note	As at 31st March, 2014	As at 31st March, 2013
I EQUITY AND LIABILITIES			
1) Shareholders' Funds			
a) Share Capital	3	3,046.88	2,749.05
b) Reserves & Surplus	4	7,729.88	4,298.78
		10,776.76	7,047.83
2) Non Current Liabilities			
a) Long-term borrowings	5	15.11	-
b) Deferred tax liabilities (net)	32	272.45	134.42
c) Other long-term liabilities	6	229.23	165.92
d) Long-term provisions	7	152.70	107.29
		669.49	407.63
3) Current Liabilities			
a) Short Term Borrowings	8	3,446.26	4,944.27
b) Trade Payables	9	8,355.20	5,296.81
c) Other Current Liabilities	10	2,642.86	5,279.35
d) Short Term Provisions	11	527.38	791.97
		14,971.70	16,312.40
Total		26,417.95	23,767.86
II ASSETS			
1) Non Current Assets			
a) Fixed Assets			
(i) Tangible assets	12.A	6,082.25	4,458.47
(ii) Intangible assets	12.B	166.02	169.89
(iii) Capital work-in-progress	36	614.44	1,374.98
		6,862.71	6,003.34
b) Long-term loans and advances	13	191.59	113.14
c) Other non-current assets	14	-	380.12
		7,054.30	6,496.60
2) Current Assets			
a) Current investments	15	2,550.14	330.00
b) Inventories	16	6,503.71	4,555.90
c) Trade receivables	17	6,929.35	6,336.06
d) Cash and cash equivalents	18	613.38	2,589.92
e) Short-term loans and advances	19	1,856.39	860.02
f) Other current assets	20	910.68	2,599.36
		19,363.65	17,271.26
Total		26,417.95	23,767.86
Corporate information and significant accounting policies.	1 & 2		

The accompanying notes are an integral part of the financial statements

In terms of our report attached.

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

PV Rao
Managing Director

Aditya N Rao
Vice Chairman

Ganesh Balakrishnan
Partner

Namrata Maheshwari
Executive Company Secretary

Shrikant Bhakkad
Chief Financial Officer

Place : Hyderabad
Date : 07.05.2014

Statement of Profit & Loss for the year ended 31st March, 2014

₹ in lakhs

	Particulars	Note	For the year ended 31st March, 2014	For the year ended 31st March, 2013
1	Revenue from operations (gross)	21	41,719.35	32,580.36
	Less: Excise duty, Service tax and Sales tax		5,178.51	3,880.87
	Revenue from operations (net)		36,540.84	28,699.49
2	Other operating revenue	22	262.26	305.07
3	Other income	23	280.77	90.41
4	**Total Revenue (1+2+3)**		**37,083.87**	**29,094.97**
5	Expenses			
	(a) Cost of materials consumed	24A	22,137.60	17,340.66
	(b) Changes in inventories of finished goods and work-in-progress	24 C	(1,284.80)	139.13
	(c) Employee benefits expense	25	2,230.69	1,811.28
	(d) Finance costs	26	770.03	1,153.66
	(e) Depreciation and amortisation expense	12 C	334.82	309.03
	(f) Other expenses	27	10,005.41	6,159.47
	Total Expenses		**34,193.75**	**26,913.23**
6	**Profit before tax (4-5)**		**2,890.12**	**2,181.74**
7	Tax expense:			
	(a) Current tax expense		925.26	862.03
	(b) Deferred tax		138.03	(120.56)
	(c) Fringe benefit tax relating to prior years		-	0.40
			1,063.29	741.87
8	**Profit for the year (6-7)**		**1,826.83**	**1,439.87**
9	Earnings per equity share (nominal value of share ` 10 each):	28		
	(a) Basic		7.09	5.66
	(b) Diluted		6.05	5.66
	Corporate information and significant accounting policies	1 & 2		

The accompanying notes are an integral part of the financial statements

In terms of our report attached.

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

PV Rao
Managing Director

Aditya N Rao
Vice Chairman

Ganesh Balakrishnan
Partner

Namrata Maheshwari
Executive Company Secretary

Shrikant Bhakkad
Chief Financial Officer

Place : Hyderabad
Date : 07.05.2014

Cash Flow Statement for the year ended 31st March, 2014

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
A. Cash flow from operating activities :		
Profit before Tax	2,890.12	2,181.74
Adjustments for:		
Depreciation and amortisation	334.82	309.03
Finance costs (excluding unrealised exchange loss)	770.03	1,124.64
Loss on sale of assets	6.85	0.02
Provision for doubtful trade and other receivables, loans and advances (net)	203.58	69.95
Provision for trade receivable written back	(1.17)	-
Provision for losses of subsidiary companies	-	1.00
Dividend Received	(40.13)	-
Net gain on sale of investment	(82.94)	-
Interest income	(145.74)	(45.03)
Rental income from operating leases	(164.17)	(45.09)
Liabilities / provisions no longer required written back	-	(0.19)
Net unrealised exchange loss	-	29.02
Operating profit before working capital changes	**3,771.25**	**3,625.09**
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Trade receivables	(795.64)	(2,014.57)
Inventories	(1,947.81)	(233.13)
Short-term loans and advances	(896.19)	(81.89)
Long-term loans and advances	(63.47)	10.63
Other current assets	1,696.96	187.49
Other non current assets	346.17	(24.85)
Adjustments for (increase) / decrease in operating Liabilities:		
Other current liabilities	(2,187.30)	1,191.67
Other long-term liabilities	63.31	96.02
Short-term provisions	(24.59)	5.52
Long-term provisions	45.41	40.10
Trade payables	3,058.39	755.77
Cash generated from operations	3,066.49	3,557.85
Net income tax (paid) / refunds	(1,165.32)	(182.76)
Net cash flow from operating activities " A "	**1,901.17**	**3,375.09**
B. Net Cash from Investing activities :		
Purchase of fixed assets, including capital work-in-progress and capital advances	(1,276.55)	(1,240.28)
Proceeds from sale of fixed assets	6.10	0.16
Balances held as margin money towards bank gurantee	(412.50)	
Interest received	171.41	44.30
Current Investments		
- Purchased	(10,418.51)	(330.00)
- Proceeds from Sale	8,321.46	-
Inter corporate deposit placed	(100.18)	-
Rental income from operating leases	164.17	49.97
Net cash used in investing activities " B "	**(3,544.60)**	**(1,475.85)**

Cash Flow Statement for the year ended 31st March, 2014

₹ in lakhs

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
C. Cash Flow from financing activities		
Proceeds from issue of preference shares (net of expenses)	1,902.10	1,394.42
Proceeds from long-term borrowings	1,598.17	-
Repayment of long term borrowings	(1,939.95)	(408.70)
Net increase in working capital borrowings	233.68	729.06
Proceeds from short term borrowings		1,976.14
Repayment of other short-term borrowings	(1,731.69)	(2,533.83)
Finance Cost	(807.92)	(1,074.90)
Net cash from / (used) financing activities " C "	**(745.61)**	**82.19**
Net increase in Cash and cash equivalents (A+B+C)	**(2,389.04)**	**1,981.43**
Cash and cash equivalents at the beginning of the year	2,589.92	608.49
Cash and cash equivalents at the end of the year	200.88	2,589.92
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents (Refer Note 18)	613.38	2,589.92
Less: Bank balances not considered as Cash and cash equivalents		
as defined in AS 3 Cash Flow Statements:		
(i) In earmarked accounts		
Balances held as margin money towards bank guarantees	412.50	-
Net Cash and cash equivalents		
(as defined in AS 3 Cash Flow Statements) included in Note 18		
Cash and cash equivalents at the end of the year*	**200.88**	**2,589.92**
* **Comprises:**		
(a) Cash on hand	0.07	0.19
(b) Cheques, drafts on hand	-	60.00
(c) Balances with banks		
(i) In current accounts	200.81	533.73
(ii) In deposit accounts - Refer Note - (a)	-	1,996.00
Cash and cash equivalents at the end of the year	**200.88**	**2,589.92**

Note

a. Balance with scheduled banks include ` 400.00 lakhs (31 March, 2013 ` 400.00 lakhs) representing margin money for letters of credit and bank guarantees issued.

b. Cash Flow Statement has been prepared under the Indirect method as set out in the Accounting Standard 3 on Cash Flow Statements.

See accompanying notes forming part of the financial statements - Notes 1 & 2

In terms of our report attached.

For and on behalf of the Board of Directors

For **Deloitte Haskins & Sells**
Chartered Accountants

PV Rao
Managing Director

Aditya N Rao
Vice Chairman

Ganesh Balakrishnan
Partner

Namrata Maheshwari
Executive Company Secretary

Shrikant Bhakkad
Chief Financial Officer

Place : Hyderabad
Date : 07.05.2014

PENNAR INDUSTRIES LIMITED
THIRTY-EIGHTH ANNUAL REPORT 2013 - 14

Corporate information

Board of Directors

Mr. Nrupender Rao - *Chairman*
Mr. C Parthasarathy
Mr. Ravi Chachra
Mr. B Kamalaker Rao
Mr. Manish Sabharwal
Mr. J Ramu Rao
Mr. Vishal Sood
Mr. Varun Chawla
Mr. K Lavanya Kumar
Mr. Aditya Rao - *Vice Chairman & Managing Director*

Company Secretary & Compliance Officer

Mr. Mirza Mohammed Ali Baig

Registered Office Address
Floor No. 3, DHFLVC Silicon Towers,
Kondapur, Hyderabad - 500 084

Registrar and Transfer Agents
M/s. Karvy Computershare Private Limited
Plot No. 17-24, Vithalrao Nagar, Madhapur,
Hyderabad - 500 081

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

Bankers
State Bank of India
State Bank of Patiala
M/s. Axis Bank Limited

Plants

Patancheru Unit:
IDA Patancheru - 502 307
Medak (Dist), Telangana.

Isnapur Unit:
Isnapur Village - 502 307
Medak (Dist), Telangana.

Chennai Unit:
Kannigaipair Village,
Uthukottai Tq Thiruvellore Dist,
Tamil Nadu - 601 102

Tarapur Unit:
J-72, MIDC, Tarapur, Maharashtra - 401 506

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

Pennar Engineered Building Systems Limited
Chandapur Village, Sadasivpet Mandal,
Medak (Dist)

Pennar Enviro Limited
186/A & 188/A, IDA Mallapur,
RR (Dist) - 500 076

A TRISYS product
info@trisyscom.com

PENNAR INDUSTRIES LTD
FLOOR NO. 3, DHFLVC SILICON TOWERS
KONDAPUR
HYDERABAD - 500 084
TELANGANA
INDIA