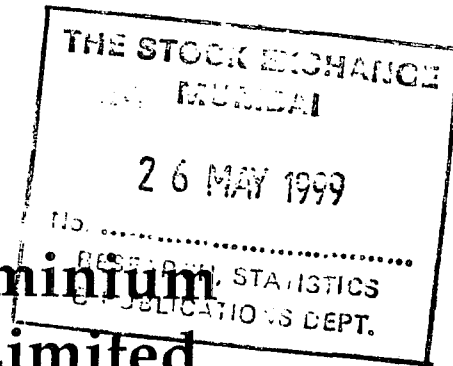




Pennar Aluminium Company Limited



44289

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	NA
TRA	✓			✓
AGM	✓			✓
YE	✓	✓		✓

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9th Annual Report 1997-98



Pennar Aluminium Company Limited

BOARD OF DIRECTORS

S Samarapungavan
Nrupender Rao
P Bhaskara Rao
S M M V Krishna Rao
T A N Devalkar
P P Shastri
M N Rao
Vijay Chandra Puljal

Chairman
Vice Chairman
President & CEO
Nominee of IDBI
Nominee of SICOM
Nominee of UTI

GM - FINANCE & COMPANY SECRETARY

R Ravi

AUDITORS

M/s Rambabu & Company
Chartered Accountants
31, Pancom Chambers
6-3-1090/1/A, Rajbhavan Road
Somajiguda, Hyderabad - 500 482.

BANKERS

State Bank of India
State Bank of Hyderabad
State Bank of Mysore
Vijaya Bank
The South Indian Bank Ltd.
Syndicate Bank
Canara Bank
IndusInd Bank Ltd.

REGISTERED OFFICE

1-10-63/4/1, Chikoti Gardens
Begumpet, Hyderabad - 500 016.

WORKS

Dahali Village, Mouda Taluk
Nagpur District,
Maharashtra - 441 104.

REGISTRARS & SECURITY TRANSFER AGENTS

Pennar Investor Services (P) Ltd.
1-10-75/1/1-6, S P Road
1st Floor, Saptagiri Towers
Begumpet, Hyderabad - 500 016.

Pennar Aluminium Company Limited



NOTICE TO SHAREHOLDERS

Notice is hereby given that the Ninth Annual General Meeting of the Members of Pennar Aluminium Company Limited will be held on Wednesday, the 2nd June 1999 at 11.00 a.m. at Hotel Green Park, Greenlands area, Begumpet, Hyderabad - 500 016, to transact the following business :

1. To receive, consider and adopt the 9th Directors' Report, Balance Sheet as at 31st December 1998, Profit & Loss Account for the period ended on that date and the report of the Auditors thereon.
2. To appoint a Director in place of Mr. S Samarapungavan, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Nrupender Rao, who retires by rotation and, being eligible, offers himself for reappointment.
4. To consider and if thought fit to pass with or without modifications, the following as a Special Resolution.

RESOLVED that pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s Rambabu & Company, Chartered

Accountants, retiring Auditors of the Company, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this annual general meeting until the conclusion of the next annual general meeting on such remuneration and out-of-pocket expenses as may be fixed by the Board of Directors of the Company.

By Order of the Board

Hyderabad
1st May 1999

P Bhaskara Rao
Wholtime Director

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, in the event of a poll, to vote on his behalf. A proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not later than 48 hours before the time of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed for seven days from Thursday, the 27th May 1999 to Wednesday, the 2nd June 1999 (both days inclusive).

DIRECTORS' REPORT

To
The Members

Your Directors present the Ninth Annual Report together with the Audited Accounts and Cash Flow Statement for the 15 months' period ended 31st December 1998.

FINANCIAL RESULTS

During the period under review, your Company continued to have financial difficulties and incurred losses. Since the Company's working capital account with banks is irregular, it could not procure sufficient quantities of raw material to run the plant. The production and sales volumes have therefore fallen drastically. However, the Company did some conversion works in the plant; thereby earning some income.

During the period under review, your Company has manufactured 6274 MT of rolled products and

3066 MT of conductors, thus achieving a capacity utilisation of only 18%. The financial results are as follows:

	For the period ended 31 st Dec '98 (15 months)	Rs. in lakhs For the period ended 30 th Sep '97 (18 months)
Net Sales	8418	20064
Financial Charges	3724	5513
Net Loss	5953	8889

REHABILITATION

Upon making a reference to the Board for Industrial & Financial Reconstruction (BIFR) under the proviso to sub-section (1) of Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985, the BIFR at the hearing held on 27th April 1998 declared the Company 'sick'. BIFR has



Pennar Aluminium Company Limited

appointed Industrial Development Bank of India (IDBI) as the Operating Agency to prepare and submit a report for rehabilitation of the Company.

DIRECTORS

Mr. S Samarapungavan and Mr. Nrupender Rao retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

SICOM has withdrawn the nomination of Mr.D.M.Chawathe as Director with effect from 30th July 1998 and Mr.T.A.N.Devalkar has been nominated on the Board with effect from that date.

His Excellency Sheikh Ahmed A A Al Sabah, Mr.Friedhelm Anhuth and Mr.Ghulam Ghouse, Directors, resigned from the Board with effect from 28th January 1999.

Your Directors place on record their appreciation of the services rendered by His Excellency Sheikh Ahmed A A Al Sabah, Mr. Friedhelm Anhuth, Mr. Ghulam Ghouse and Mr. D M Chawathe, during their tenure as Directors of the Company.

AUDITORS

M/s. Rambabu & Company, Chartered Accountants, Hyderabad, the Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

The qualifications made by the Auditors in their report on the accounts for the period ended 31st December, 1998 have been dealt with in the Notes to Accounts (Schedule XVI). Steps are being taken to strengthen and streamline the existing internal controls, systems and procedures.

LISTING OF SECURITIES

Your Company's securities are listed on two Stock Exchanges, viz. (1) The Hyderabad Stock Exchange Limited, 3-6-275 Himayat Nagar, Hyderabad - 500 029 and (2) The Stock Exchange, P.J.Towers, Dalal Street, Mumbai - 400 021. Your Company is regular in paying the annual listing fees to the above two Stock Exchanges.

The Company by its letter dated 20th February, 1997 requested The Stock Exchange, Ahmedabad

to delist the Company's Securities on the Exchange with effect from 1st April, 1997. The listing fees upto 31st March, 1997 had been fully paid to the said Exchange.

PERSONNEL

Employee relations remained cordial during the year. Your Directors place on record their appreciation to the dedicated work put in by the employees.

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, are annexed.

Y2K COMPLIANCE

The Company has instituted a contingency plan to meet any possible disruption or impact on the operations of the Company due to Y2K non compliance on internal and external computers and related systems. The complete Y2K compliance is expected to be achieved by end September 1999 to ensure that there is no disruption or impact on the operations of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo is annexed.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the guidance and assistance received from Financial Institutions and Banks.

Your Directors express their gratitude to the shareholders and debentureholders for the confidence reposed in the Company.

For and on behalf of the Board

New Delhi
7th May 1999

S Samarapungavan
Chairman

Pennar Aluminium Company Limited



ANNEXURE TO DIRECTORS' REPORT

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy

(a) Energy Conservation measures taken:

The studies initiated during 1995-96 are in progress. Since the Company has not been running continuously due to financial crisis, fresh studies have not been conducted.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

NIL

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

NOT APPLICABLE

FORM - 'A'

(A) Power and Fuel Consumption

	1997-98 (15 Months)	1996-97 (18 Months)
1. Electricity		
a) Purchased Units	10161130	25358000
Total Amount		
(Rs. in lakhs)	449.00	881.41
Rate/Unit (Rs.)	4.42	3.47
b) Own Generation	Nil	Nil
2. Coal	Nil	Nil
3. Furnace Oil (incl. of LDO & LSHS) Qty. (K.Ltr.)	740	3577
Total Amount		
(Rs. in lakhs)	51.51	272.41
Avg. Rate (Rs.)	6961.00	7616.00
4. Others/Internal generation	Nil	Nil

(B) Consumption per unit of Production

	1997-98 (15 Months)	1996-97 (18 Months)
Products		
Aluminium Conductors		
Electricity (Unit/Tonne)	737	476
Aluminium Strips		
Electricity (Unit/Tonne)	1247	1169
Furnace Oil (Ltrs./Tonne)	117	186

FORM - 'B'

B. Technology Absorption Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company	:	Nil
2. Benefits derived as a result of the above R&D	:	Nil
3. Future plan of action	:	Nil
4. Expenditure on R&D	:	Nil

Technology Absorption, Adaptation and Innovation

The Company has entered into a Technical Collaboration Agreement with Pechiney Rhenalu of France for a period of six years. The process of technology transfer and training during the project phase has been completed.

C. Foreign Exchange Earnings and Outgo

a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans

During the year under review, the Company exported 327 MT of rolled products valuing Rs. 2.46 Crores.

b) Total foreign exchange used and earned (Rs. in lakhs)

	1997-98 (15 Months)	1996-97 (18 Months)
Used	1480	3216
Earned	246	5008



ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, forming part of the Directors' Report for the 15 months period ended 31st December, 1998.

Sl. No.	Name	Age (years)	Qualifications	Date of commencement of Employment	Designation	Gross Remuneration (Rs.)	Experience (years)	Last employment held
1.	Nrupender Rao *	54	B.Tech. M.S	14.09.1991	Vice Chairman & Wholetime Director	6,99,000	28	Chairman & Wholetime Director, ITW Signode India Limited

* Remuneration paid for part of the year.

- Notes :**
1. The conditions of employment of the Wholetime Director are contractual.
 2. Gross remuneration includes perquisites also.

Pennar Aluminium Company Limited**AUDITORS' REPORT**

To
The Shareholders
Pennar Aluminium Company Limited
Hyderabad.

We have audited the attached Balance Sheet of M/s. Pennar Aluminium Company Limited, Hyderabad as at 31.12.1998 and the Profit & Loss Account for the period ended on that date annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government under Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above:
 - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion, proper books of account have been kept by the company as required by the Company Law so far as appears from our examination of such books.
 - iii. The Balance Sheet and Profit and Loss account referred to in the report are in

agreement with the Books of Account.

- iv. The Company has not provided depreciation during the period as a result of which the Loss understated to the extent of Rs.1321.44 lakhs (see Note 14 of Schedule XVI).
- v. Short provision of interest on debentures held by Institutions, Mutual Funds and others amounting to Rs. 506 lakhs as stated in Note 17 of Schedule XVI.
- vi. Subject to the above points and Point No.16 in Notes on Account, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the schedules annexed thereto read with notes made thereon give a true and fair view:
 - (a) in the case of Balance Sheet of the state of affairs of the Company as at 31st December, 1998 and
 - (b) in the case of Profit and Loss Account of the Loss of the Company for the period ended on that date.

for **RAMBABU & CO.**
Chartered Accountants

Hyderabad
1st May 1999

RAVI RAMBABU
Partner

ANNEXURE TO THE AUDITORS' REPORT

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

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its Fixed Assets. As explained and informed to us the Fixed Assets have been physically verified during the period by the management and no material discrepancies have come to notice on such physical verification.
2. None of the fixed assets have been revalued during the period.
3. We are informed that the stocks of raw materials, finished goods, stores and spare parts have been physically verified by the management at reasonable intervals during the period.
4. The procedures followed for the purpose of physical verification of stocks are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noted on such physical verification as compared to book records were not material and the same have been properly dealt with in the books of accounts.