



**Pennar Aluminium
Company Limited**

Report  junction.com

13th Annual Report 2002



Pennar Aluminium Company Limited

BOARD OF DIRECTORS

Nrupender Rao	Chairman
G V Ranganadham	Nominee of IDBI
P P Shastri	Nominee of UTI
S N Mathur	Nominee of BIFR
P Bhaskara Rao	

G M - FINANCE & COMPANY SECRETARY

R Ravi

AUDITORS

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

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.



NOTICE TO SHAREHOLDERS

Notice is hereby given that the 13th Annual General Meeting of the Company will be held on Friday, the 27th June, 2003 at 4.00 P. M. at Kamat Lingapur Hotel, 1-10-44/2, Chikoti Gardens, Begumpet, Hyderabad- 500 016, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the 13th Directors' Report, Balance Sheet as at 31st December, 2002, Profit & Loss Account for the year ended on that date and the report of the Auditors thereon.
2. To appoint a Director in place of Mr. Nrupender Rao, who retires by rotation and offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

4. To consider and if thought fit to pass with or without modifications, the following as Special Resolution:

RESOLVED that pursuant to the provisions of Section 163 of the Companies Act, 1956, approval be and is hereby accorded to keep the Register of Members together with index of members, and copies of all Returns prepared

under Section 159 of the Companies Act, 1956 as also copies of the certificates and documents required to be annexed thereto under Section 161 of the said Act at the office of M/s. CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad – 500 001, who are appointed as the Company's Share Registrar & Transfer Agent to handle both physical share work and the electronic connectivity work.

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 nine days from Thursday, the 19th June, 2003 to Friday, the 27th June, 2003 (both days inclusive).
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto.

By Order of the Board

Hyderabad
30th April, 2003

P. Bhaskara Rao
Director

Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956.

Item No.4

Under Section 163 of the Companies Act, 1956, documents such as Register of Members and Index of Members which are normally required to be kept at the Registered Office of the Company may be kept at any other place, if such other place has been approved by a Special Resolution passed by the Company in General Meeting. The documents covered by the said Section 163 are presently kept at the Registered Office of the Company.

Securities and Exchange Board of India (SEBI) vide its Circular dated 27th December, 2002 advised all the listed companies to have common agency for share registry work in terms of both physical shares and electronic connectivity to avoid delay in dematerialization, non-reconciliation of share

holding between different agencies, etc. Accordingly, the Company appointed M/s. CIL Securities Limited (CIL), 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001 as the Registrar & Share Transfer Agent both for physical shares and electronic connectivity by entering into Agreement with them on 7th March, 2003. CIL has the authorization from SEBI to act as the Securities Registrar & Transfer Agent.

Approval of the members is sought in terms of Section 163 of Companies Act, 1956, to keep the Register of Members, Index of Shareholders and other returns, books, certificates and documents pertaining thereto at the Office of the said CIL at 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad – 500 001 with effect from 1st July, 2003.



None of the Directors of the Company is in any way concerned or interested in the resolution under Item No. 4.

Copy of the Agreement dated 7th March, 2003 entered into with CIL and copy of SEBI Circular dated 27th December, 2002 are available for

inspection at the Registered Office of the Company during business hours.

Hyderabad
30th April, 2003

By Order of the Board

P. Bhaskara Rao
Director

Details of the Director seeking reappointment in Annual General Meeting to be held on 27th June, 2003.

Name of Director	:	Mr. Nrupender Rao
Date of Birth	:	26.06.1945
Date of Appointment	:	01-09-1989
Qualification	:	B.Tech., M.S.
Expertise in specific functional areas	:	Promoter - Significant experience as industrialist and overall business management.
List of other companies in which directorships held	:	Pennar Industries Limited Pennar Profiles Limited Pennar Chemicals Limited Thomas Betts & Pennar Limited Nagarjuna Oil Corporation Ltd MG Pennar Aluminium Limited, Hong Kong.
Chairman / Member of the Committees of Directors of Companies in which he is a Director	:	Pennar Industries Limited Pennar Profiles Limited

DIRECTORS' REPORT

To
The Members

Your Directors present the Thirteenth Annual Report together with the Audited Accounts and Cash Flow Statement for the financial year ended 31st December 2002.

FINANCIAL RESULTS

During the year under review, your Company incurred losses due to continued financial difficulties. Your Company could not procure raw material to run the plant continuously as the banks have suspended all credit facilities to your Company. During the year under review, your Company carried on its operations mainly on a job work basis.

During the year under review, your Company has manufactured 12439 MT (previous year 10943 MT) of rolled products, thus achieving a capacity utilisation of only 41%. Out of this, the job work production is 11088 MT (previous year: 9723 MT). The net sales, together with income on job works and other income,

for the year under review were Rs.2726 lakhs (previous year: Rs.2630 lakhs). The manufacturing expenses (including financial charges) were Rs.5767 lakhs as compared to Rs.5654 lakhs for previous year. The Company has incurred a net loss of Rs. 3041 lakhs (previous year: Rs.3024 lakhs), which has been carried forward to the Balance Sheet.

The operations of your Company's conductor plant continued to be shut down for non-availability of bank guarantee and letters of credit.

With regard to the qualifications made by the Auditors in their Report, the Directors would like to state that:

- (i) No provision has been made in the accounts towards interest on debentures amounting to Rs.507.69 lakhs in view of the losses incurred by the Company.
- (ii) Depreciation amounting to Rs.1070.83 lakhs has not been provided for the year as the plant could not run full period regularly and due to accumulated losses.



- (iii) Interest on Secured Loans has been provided for at document rate of interest. No provision is made for penal interest, liquidated damages, etc. The Company has sought waiver of these amounts from the secured creditors.
- (iv) The cumulative amount which has not been set aside to debenture redemption reserve is Rs.1415 lakhs. The same has not been set aside this year also in view of the losses incurred by the Company.

REHABILITATION

IDBI, the Operating Agency appointed by BIFR for preparation of rehabilitation scheme for the Company, is evaluating the offers received from the parties for takeover / acquisition of the Company. We understand that IDBI is in the process of taking a final decision and report to BIFR regarding suitable rehabilitation package for the Company.

DIRECTORS

Mr. Nrupender Rao retires by rotation at the ensuing Annual General Meeting and offers himself for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors have prepared the annual accounts on a going concern basis.

COST AUDIT

Mr. A.V.N.S. Nageswara Rao, Cost Accountant, Hyderabad was appointed as the Cost Auditor of the Company for the financial year ended 31st December, 2001 with the approval of the Central Government. The Cost Audit Report for the year 2001 was submitted to the Central Government on 31st August, 2002.

INTERNAL AUDIT

Ms. Sharadhā Suresh, Chartered Accountant, Nagpur is functioning as the Internal Auditor of the Company. The Internal Auditor has been submitting reports to the Company on quarterly basis.

CORPORATE GOVERNANCE

A brief report on Compliance with Corporate Governance and the relative Auditor's Certificate are attached to this report.

AUDIT COMMITTEE

The Audit Committee of the Company is reviewing various areas of audit and accounts. The Committee comprises Mr. G.V. Ranganadham (Chairman), Dr. P.P. Shastri, Mr. S.N.Mathur and Mr. P. Bhaskara Rao.

AUDITORS

M/s Rambabu & Co., 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.

LISTING OF SECURITIES

Your Company's securities are listed on two Stock Exchanges, viz: (1) The Hyderabad Stock Exchange Limited, Hyderabad and (2) The Stock Exchange, Mumbai. Your Company has paid the annual listing fees for 2002-03 to the Stock Exchanges.

PERSONNEL

Your Directors place on record their appreciation for the dedicated work put in by the employees.

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 BIFR, 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

Hyderabad
30th April, 2003

Nrupender Rao
Chairman

**ANNEXURE TO THE 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:**

Since the Company has not been running its plant 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**

	<u>2002</u>	<u>2001</u>
1. Electricity		
a) Purchased Units	11768700	9972150
Total Amount	466.33	420.15
(Rs. in lakhs)		
Avg. Cost/KWH (Rs.)	3.96	4.21
b) Own Generation	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil		
(incl. of LDO & LSHS)		
Qty. (K.Ltr.)	1756.40	1580.23
Total Amount	171.86	135.98
(Rs. in lakhs)		
Avg. Cost/K.Ltr. (Rs.)	9785	8605
4. Others/Internal Generation	NIL	NIL

(B) Consumption per unit of Production

	<u>2002</u>	<u>2001</u>
Products		
Aluminium Conductors		
Electricity (KWH/Tonne)	N.A.	N.A.
Aluminium Strips		
Electricity (KWH/Tonne)	946	911
Furnace Oil (Ltrs./Tonne)	132	130

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 absorbed the technology given by Pechiney Rhenalu of France fully and the Company is in a position to produce its products matching international quality.

C. Foreign Exchange Earnings and Outgo

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

During the year under review, the Company exported 4384 MT of rolled products which includes 4355 MT towards job work.

- b) Total foreign exchange used and earned:

	<u>2002</u>	<u>2001</u>
Used	64	23
Earned	25	NIL

Rs. lakhs



CORPORATE GOVERNANCE

We at Pennar Aluminium Company Limited are committed to the concept and philosophy of corporate governance as a means of effective internal control, fair and transparent decision making process and fullest support of the Board and Management for enhancing customer satisfaction and shareholder value.

Given below is a brief report on the practices followed at Pennar Aluminium Company Limited towards achievement of good Corporate Governance.

Composition of Board

The Board comprises five Directors. The non-executive directors bring with them rich and varied experience in different facets of corporate functioning. The Chairman of the Board is a non-executive director. The Board formulates policy decisions so as to lead and control the Company. All the members of the Board (excepting the Nominee Directors) are liable to retire by rotation and one-third of them are retiring every year by rotation.

Board Meetings

The attendance at various meetings of the Board of Directors and the Annual General Meeting during the year 2002 is as follows :

Director	No. of Meetings held	Attended	Attended last AGM
Mr. Nrupender Rao	5	5	Yes
Mr. G.V. Ranganadham	5	3	No
Dr. P.P. Shastri	5	5	Yes
Mr. S.N. Mathur	5	2	No
Mr. P. Bhaskara Rao	5	5	Yes

Number of other directorships held:

Director	Category	Number of directorships held
Mr. Nrupender Rao	Chairman	6
Mr. G.V. Ranganadham	Non-Executive Director	1
Dr. P.P. Shastri	Non-Executive Director	1
Mr. S.N. Mathur	Non-Executive Director	2
Mr. P. Bhaskara Rao	Director	2

Audit Committee

The Audit Committee of the Board of Directors of the Company was constituted to review various areas of audit and accounts. The Audit Committee comprises Mr. G.V. Ranganadham (Chairman), Dr. P.P. Shastri, Mr. S.N. Mathur and Mr. P. Bhaskara Rao. The terms of reference of the Audit Committee have been in conformity with the provisions of the listing agreement and the Companies Act.

Share Transfer Committee

The Board had delegated the authority to approve transfer of shares to a Committee of Directors. The meetings of the committee are held every month to approve transfers, transmissions, splitting and consolidation of shares issued by the Company. The minutes of the Meetings of the Share Transfer Committee are placed before the Board for its information.

Compliance

The Company has a competently staffed legal department which ensures compliance with the legal requirements of the Company. The Secretarial Department headed by the Company Secretary is responsible for compliance in respect of company law and other allied laws, SEBI, Stock Exchange rules and regulations.

Management Information System

As a matter of transparency and good governance, key operational and financial data and also other relevant information is furnished to the Directors in every meeting of the Board


General Shareholder Indormation

- a) Annual General Meeting
- Date : 27.6.2003
- Time : 4.00 P. M.
- Venue : Kamat Lingapur Hotel
1-10-44/2, Chikoti Gardens,
Begumpet, Hyderabad - 500 016.
- b) Book Closure : From Thursday, the 19th June, 2003 to Friday,
the 27th June, 2003 (both days inclusive).
- c) Registered Office : 1-10-63/4/1, Chikoti Gardens,
Begumpet, HYDERABAD – 500 016.
- d) Registrar and
Transfer Agent : CIL Securities Limited
214, Raghava Ratna Towers,
Chirag Ali Lane, Abids, Hyderabad – 500 001.
- e) Listing on Stock Exchanges : The shares of the Company are listed on the
Hyderabad and Mumbai Stock Exchanges.
- f) Listing Fee : Paid for all the above stock exchanges as per the
Listing Agreement
- g) Compliance Officer : Mr. S. Sudhakaram
AGM – Corporate Services
Pennar Aluminium Co. Limited
1-10-63/4/1, Chikoti Gardens,
Begumpet, Hyderabad – 500 016.
- h) Dematerialisation of equity shares
- Trading in equity shares of the Company became mandatory in dematerialised form w.e.f. 29th September, 2000. To facilitate trading in dematerialised form, the Company has entered into agreement with both the depositories, viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Shareholders can open account with any of the depository participants registered with any of the above depositories.
- i) Simultaneous dematerialisation of shares sent for transfer
- The Company provides facility of simultaneous transfer and dematerialisation of equity shares. Upon receipt of the share certificate for transfer or splitting and upon completion of the process thereof, investor is intimated about the option of dematerialisation of shares. The investor may send his / her demat request within a period of 21 days from the date of option letter failing which share certificate is despatched to the investor. The investors who wish to exercise the option to demat their shares are required to submit dematerialisation request form (DRF) duly filled in along with the original option letter to the depository participant (DP).
- j) Nomination facility
- The members holding shares in dematerialised form may contact their respective depository participant (DP) for availing the nomination facility.
- k) Secretarial Audit
- The Company gets the secretarial audit done by a practising company secretary for purpose of reconciliation of the total admitted capital with both the depositories and the total issued and listed capital. The Secretarial Audit Report is placed before the Board of Directors on quarterly basis and is also sent to the Stock Exchanges where the Company's shares are listed.