



Pennar Aluminium Company Limited



16th Annual Report 2005



Pennar Aluminium Company Limited

BOARD OF DIRECTORS

Nrupender Rao	Chairman
Vijay Chandra Puljal	Director
Bhaskara Rao	Director

PRESIDENT & COO

S. Mohinta

AUDITORS

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

BANKERS

The IndusInd Bank Limited
'Laxmi' 100, Sardar Patel Road,
Begumpet, Secunderabad

REGISTERED OFFICE

Plot No.56, Sancharpuri Colony, Phase-II
New Bowenpally, Secunderabad - 500 011.

**NOTICE TO SHAREHOLDERS**

Notice is hereby given that the 16th Annual General Meeting of the Company will be held on Thursday, the 31st August, 2006 at 9.00 A M at registered office of the Company to transact the following business:

Ordinary Business

1. To receive, consider and adopt the 16th Directors' Report, Balance Sheet as at 31st December, 2005, 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 Shri. Vijaya Chandra Puljal 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.

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 from 24.08.2006 to 31.08.2006 (both days inclusive).

Secunderabad
22.07.2006

By Order of the Board

P. Bhaskara Rao
Director

Details of the Director proposed to be appointed/re-appointed in Annual General Meeting to be held on 31st August, 2006

Name of Director	:	Shri. Vijay Chandra Puljal
Date of Birth	:	01.03.1951
Date of Appointment	:	20.01.2005
Qualification	:	Post Graduate in Agricultural Science
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
Chairman / Member of the Committees of Directors of Companies in Which he is a Director.	:	NIL



DIRECTORS' REPORT

To
The Members

Your Directors present the Sixteenth Annual Report together with the Audited Accounts and Cash Flow Statement for the financial year ended 31st December, 2005.

FINANCIAL RESULTS

Your Company has continued its operations mainly on job work basis as in the previous years. It has manufactured 16327 MT (previous year 13704 MT) of rolled products during the year under review of which a small quantity has been sold on direct sales basis and balance was on job work basis. The Revenue Income of the Company during the year under review is Rs 2457 lakhs (previous years 1970 lakhs). The Company has incurred a loss of Rs.600 Lakhs (previous year Rs. 307 lakhs) before interest and depreciation. Considering the interest payable the net loss for the year is Rs.3468 (previous year Rs.3175 lakhs) which is carried forward to the balance sheet. Depreciation has not been provided. The Operations of the Company were discontinued with effect from 28th February, 2006 as the Asset Reconstruction Company (India) Limited (ARCIL) had taken over the Plant and machinery and sold the same to another Company under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI).

AUDITORS QUALIFICATIONS

The qualifications made by the auditors in their report regarding the accounts for the year ended 31st December, 2005 have been dealt with in the Notes to Accounts (Schedule 16) and are self-explanatory.

ACQUISITION AND SALE OF COMPANY'S ASSETS UNDER SARFAESI ACT

ARCIL acquired the financial assets of the Company from majority of the secured lenders of the Company and issued a notice under Section 13(2) of the SARFAESI Act on 8th October, 2004. Thereon, ARCIL took possession of the Company's immovable properties on 25th August, 2005 under Section 13(4) of SARFAESI Act read with Rule 6(2) and 8(6) of Security Interest and Enforcement Rules, 2002. ARCIL has sent letters inviting quotations for sale of assets of the Company on as is where is basis. After scrutiny of the various offers received, ARCIL has sold the assets of Palco and handed over the same to the buyer on

4th March, 2006. Earlier ARCIL has issued 60 days notice to the Company to close down the operations and handover the assets to the successful buyer selected by Arcil. With this the Company had to close the operations, with effect from 28th February, 2006. The sale consideration on account of sale of assets of Palco was received directly by Arcil and adjusted against the secured dues of the Company. The terms of sale of assets also include payment, by the successful buyer, of all statutory dues / gratuity to employees of the Company. Since this transaction has taken place on 4th March, 2006 the effect of this major change to the balance sheet and schedules thereon will be considered in the ensuing year.

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) they 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) they 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) they have prepared the annual accounts on a going concern basis.

COST AUDIT

Shri. 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, 2004 with the approval of the Central Government. The Cost Audit Report for the year 2004 was submitted to the Central Government on 7th November, 2005.

INTERNAL AUDIT

M/s. G. S. Murty & Associates, Chartered Accountants, Hyderabad, have been working as Internal Auditor of



the Company and are submitting reports to the Company on a quarterly basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Company was in the field of manufacture of aluminium rolled products and aluminium conductors. It has two divisions. The Company was declared sick during the year 1998 and all the working capital facilities were withdrawn by the banks. The Conductor Division of the Company was closed since 1998 due to non availability of working capital. The Conductor sales could only be made to Power Grid Corporation and State Electricity Boards. Without adequate working capital, the Conductor business could not be continued. The Company was operating only the rolled product division mostly on job work basis and was producing at about 50% of its capacity utilization. Due to lack of working capital, the Company could not develop its own market during the past few years. Due to this reason, despite excellent manufacturing facilities and excellent human resources, the Company has not been able to reach to full capacity utilization.

Since the Company could not service its debts the Securitization Act has been invoked and the assets of the Company have been sold off by Arcil under SARFAESI Act. This resulted in the Company becoming a shell company without having any assets and its operations have come to a standstill. Hence, the Company is unable to present here the complete report on management discussion and analysis regarding the Industry in which it is operating.

REDEMPTION OF DEBENTURES

After Arcil has received the proceeds of the sale of assets of the Company under SARFAESI Act, Arcil has set aside Rs.29,06,50,567/- towards redemption of 28,25,000 secured debentureholders of Rs.100/- each. Out of this Rs.24,20,88,773/- have been already paid to the institutional debentureholders holding 23,53,470 debentures. This amount has been directly disbursed by Arcil. Balance amount of Rs. 4,85,61,794/- pertaining to 4,71,530 debenture holders has been remitted to a no lien account. The Company has requested the public debenture holders to surrender their debenture certificates to the Company to make payment at Rs. 103/- per debenture out of the no lien account.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Audit committee of the Company has reviewed various areas of audit and accounts. The Committee is comprise of Shri Nrupender Rao and Shri Vijay Chandra Puljal.

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 fee for 2005-06 to BSE, Mumbai.

PERSONNEL

Your Directors place on record their appreciation for the dedicated work put in by the employees. All the employees have been reemployed by the buyer of the assets of the company.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the guidance and assistance received from BIFR, ARCIL, Auditors and the Registrar and Share Transfer Agents.

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

Your Directors acknowledge the dedicated work done by the employees at various levels.

For and on behalf of the Board

Secunderabad
Date : 22.07.2006

Nrupender Rao
Chairman



Pennar Aluminium Company Limited

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 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

	2005	2004
1. Electricity		
a) Purchased Units	13672300	12183640
Total Amount		
(Rs.in Lakhs)	512.85	468.33
Avg. Cost / KWH (Rs.)	3.75	3.84
b) Own Generation	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil		
(incl. of LDO & LSHS)		
Qty. (K.Ltr.)	2465.040	2076.881
Total Amount		
(Rs.in Lakhs)	363.66	271.10
Avg. Cost/K.Ltr. (Rs.)	14760	13053
4. Others/Internal Generation	NIL	NIL

(B) Consumption per unit of Production

Products	2005	2004
Aluminium Conductors		
Electricity (KWH/Tonne)	N.A.	N.A.
Aluminium Strips		
Electricity (KWH/Tonne)	837	889
Furnace Oil (Ltrs./Tonne)	123	131

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 3897 MT of rolled products i.e., towards job work.
- b) The foreign exchange used and earned:

	2005	2004
Used	411	289
Earned	NIL	NIL

Rs. in Lakhs.

CORPORATE GOVERNANCE

Composition of Board

The Board comprises three Directors. The Chairman of the Board is a non-executive director. The Board formulates policy decisions so as to lead and control the Company.

Board Meetings

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



Director	No. of Meetings held	Attended	Attended last AGM
Shri Nrupender Rao	5	5	Yes
Dr P.P. Shashtri*	5	3	Yes
Shri Vijay Chandra Puljal	5	4	Yes
Shri A B Telang**	5	2	No
Shri P. Bhaskara Rao	5	5	Yes

* UTI has withdrawn his nomination from the Board of Directors w.e.f 24.4.2006.

** BIFR has withdrawn his nomination from the Board of Directors w.e.f 06.08.2005.

Number of other directorships held :

Director	Category	Number of Directorships held
Shri Nrupender Rao	Chairman & Non-Executive Director	6
Shri Vijay Chandra Puljal	Non-Executive Director	2
Shri P. Bhaskara Rao	Director	3

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 Shri. Nrupender Rao and Shri. Vijay Chandra Puljal. The terms of reference of the Audit Committee is 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

Mr. P V R Kumar, Finance Manager is the Compliance officer.

Shareholder Information

a) Annual General Meeting

Date : 31.08.2006
Time : 9.00 A M
Venue : Plot No.56, Phase II
Sancharpuri Colony
New Bowenpally
Secunderabad - 500011

b) Book Closure : From Thursday the 24.8.2006
to Thursday the 31.08.2006
(both days inclusive).



Pennar Aluminium Company Limited

- c) Registered Office : Plot No.56, Sancharpuri Colony,
Phase-II, New Bowenpally,
Secunderabad - 500 011.
- d) Registrar and Transfer Agent : Dakshin Consultants (P) Ltd.,
6-3-655/2/4,
Civil Supplies Bhavan Lane,
Somajiguda, Hyderabad – 500 082
- e) Listing on Stock Exchanges : The shares of the Company are listed on the Hyderabad
and Mumbai Stock Exchanges.
- f) Listing Fee : Paid the annual listing fee for 2005-06 to BSE.
The listing fee for the year 2003-04, 2004-2005 and
2005-06 to HSE is yet to be paid.
- g) Compliance Officer : Mr. PVR Kumar, Finance Manager
Pennar Aluminium Co. Limited
Plot No.56, Sancharpuri Colony,
Phase-II, New Bowenpally,
Secunderabad - 500 011.
- 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.