

ANNUAL REPORT 1998-99



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Pennar

Pennar Industries Limited

Chairman's Review

Dear Friends,

I have great pleasure in welcoming you to this Annual General Meeting of Pennar Industries Limited.

The year under review continued to be an extremely difficult one with the economic downturn coupled with lack of business confidence. However, it is a matter of great satisfaction that despite these adverse conditions, your company was able to put up a creditable performance by focussing on specialised and value added products.

The company was able to record a sales revenue of Rs.271.63 crores with a net profit of Rs.5.30 crores. With the general improvement in the industrial sector, particularly the automotive sector, the demand for your company's products is expected to be better in the current financial year. Your company, being the second largest player in South India in its line of business, is positioning itself to meet the expected increase in the demand. Our Wind Energy Farm near Coimbatore has been performing satisfactorily and the power generation so far has been better than in the previous year.

Your company will continue to restructure itself through reengineering and redesigning its processes to maximise value addition and eliminate waste.

I am confident that your company supported by its dedicated staff and workmen will further improve upon its performance. I thank you, the employees and the management for their dedicated efforts.

I look forward to your continued support.

Place : Hyderabad

Date : 31.07.1999



Nrupender Rao

Executive Chairman



BOARD OF DIRECTORS

SHRI NRUPENDER RAO (Executive Chairman)

SHRI K.S. RAJU

SHRI D. SEETHARAMAIAH

SHRI T.S. GANAPATHY (IDBI Nominee)

SHRI RAMESH CHANDRA L. DALAL

SHRI J. NARESH KUMAR

SHRI K. LAKSHMAN RAO

PROF. LAXMI NARAIN

SHRI T.A.N. DEVALKAR (SICOM Nominee)

BANKERS

STATE BANK OF INDIA
STATE BANK OF HYDERABAD
ANDHRA BANK
CANARA BANK
THE BANK OF RAJASTHAN LTD.
IDBI BANK LTD.
BANK OF BAHRAIN & KUWAIT B.S.C.

REGISTERED OFFICE

1-10-75/1/1-6, S.P. ROAD,
1ST FLOOR, SAPTHAGIRI TOWERS,
BEGUMPET, HYDERABAD - 500 016.

FACTORY

- ISNAPUR UNIT
ISNAPUR VILLAGE
SANGAREDDY
MEDAK DISTRICT (A.P.)
- PATANCHERU UNIT
IDA, PATANCHERU
MEDAK DISTRICT (A.P.)

COMPANY SECRETARY

SHRI M.R. RAJARAM

AUDITORS

M/s. RAMBABU & CO.
CHARTERED ACCOUNTANTS
31, PANCOM CHAMBERS, 6-3-1090/1/A
RAJBHAVAN ROAD, SOMAJIGUDA
HYDERABAD - 500 082.

REGISTRARS & SHARE TRANSFER AGENTS

PENNAR INVESTOR SERVICES (P) LTD.
1-10-75/1/1-6, S.P. ROAD
1ST FLOOR, SAPTHAGIRI TOWERS
BEGUMPET,
HYDERABAD - 500 016.

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Pennar Industries Limited

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the 23rd Annual Report together with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS :

	Year ended 31.03.1999	(Rs. lakhs) Year ended 31.03.1998
Sales & Other Income	27366	31926
Profit before interest and depreciation	3293	3445
Less:		
Interest	2138	2302
Depreciation	617	621
Profit before Tax	538	522
Provision for Taxation	7	88
Profit after Tax	531	434
Add : Brought forward from previous year	409	491
Debenture Redemption Reserve written back	--	39
	<u>940</u>	<u>964</u>
Appropriations:		
Dividend on Equity Shares	--	89
Dividend on Preference Shares	74	16
Additional Tax on Dividend	7	25
Preference Shares Redemption Reserve	100	100
Debenture Redemption Reserve	63	125
Voluntary Separation Scheme/ Voluntary Retirement Scheme Compensation	471	--
Transfer to General Reserve	100	200
Balance Carried forward	<u>125</u>	<u>409</u>
	<u>940</u>	<u>964</u>

PERFORMANCE :

Your company was able to sustain its performance despite the slowdown in the economy during the year under review. Although turnover decreased

by 14% as compared to the previous year, there is an increase in the profit after tax.

Substantial reduction in the fixed cost and operational cost was effected through rationalisation of manpower and effective cost control measures. The company continues to enjoy preferred supplier status with many reputed customers like TELCO, BAJAJ, TVS, HERO HONDA, etc. The company continues to hold ISO 9002 Quality System Certification awarded by RWTUV, Germany.

FUTURE OUTLOOK :

Our thrust is to manufacture and market value added products and speciality steel products. In the Cold Rolled Formed Section Division, the business activity continues to move towards development of speciality products and systems such as pre-fabricated metal systems, automated storage systems, high way safety systems and decking systems. All these find extensive use in the building and infrastructure sectors.

DIVIDEND :

Equity Shares :

Your Directors are of the view that in the best interests of the company, it would be desirable to conserve the resources and therefore, they have decided not to recommend any equity dividend for the year under review.

Preference Shares :

The Directors recommend dividend on redeemable preference shares of Rs.100/- each issued and allotted on private placement basis. A sum of Rs.74.00 lacs will be required to pay dividend for the year 1998-99 on such preference shares as per the terms of issue, and a further sum of Rs.7.00 lacs will have to be set apart as additional tax on such dividend.

DIRECTORS :

During the year under review, Prof. Laxmi Narain was appointed as an Additional Director w.e.f. 30.10.1998. He holds office till the ensuing Annual

Pennar Industries Limited

General Meeting. A notice has been received from a member proposing his candidature for election as a Director.

IDBI, Mumbai, nominated Shri T.S. Ganapathy in place of Shri A.V.S. Hameed as Director of your company.

Dr. Ram K. Rao and Shri V.N. Misra have resigned as Directors of the company.

Shri J. Naresh Kumar and Shri K. Lakshman Rao retire by rotation and being eligible offer themselves for reappointment.

Your Directors place on record the deep appreciation for the services rendered by Shri A.V.S. Hameed, Dr. Ram K. Rao and Shri V.N. Misra during their tenure as Directors of the company.

AUDITORS :

M/s. Rambabu & Co., Chartered Accountants, retire at the forthcoming Annual General Meeting and are eligible for reappointment.

STATUTORY DISCLOSURES :

Details regarding the energy consumption, including captive generation, technology absorption and foreign exchange earnings and outgo are annexed as per the requirements of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

PUBLIC DEPOSITS :

The total Fixed Deposits on 31.03.99 were Rs.998.16 lakhs. 139 deposits totalling Rs.16.00

lakhs were due and remained unclaimed at the year end. Of these, 25 deposits amounting to Rs.4.75 lakhs have since been renewed/repaid as on the date of this report. Reminders are regularly being sent to ensure renewal/repayment of the unclaimed deposits.

PERSONNEL :

Dedicated work by the workmen, supervisors and executives of the company made it possible to achieve success under trying and difficult circumstances. Your Directors compliment the personnel at all levels.

As required under Section 217(2A) of the Companies Act, 1956, the particulars of employees drawing an aggregate remuneration of Rs.6,00,000 or above per annum, are Annexed to this Report.

Y2K COMPLIANCE :

The Company has already upgraded its hardware and modified the software to make them Y2K compliant.

ACKNOWLEDGEMENTS :

The Board wishes to thank the IDBI, ICICI, IFCI and the Consortium of Banks led by State Bank of India, customers, suppliers and other stake holders for their continued support to the company.

For and on behalf of the Board

Place : Hyderabad
Date : 17 June, 1999

NRUPENDER RAO
Executive Chairman


Pennar Industries Limited
ANNEXURE TO DIRECTORS' REPORT
FORM A

Particulars	01.04.98 To 31.03.99	01.04.97 To 31.03.98
A. POWER & FUEL CONSUMPTION		
1. Electricity :		
a) Purchased Units (KWH)	17721145	18744744
Total Amount (Rs.)	71907715	71904923
Rate per unit (Rs.)	4.06	3.84
b) Own Generation		
Through Diesel Generators		
Units (KWH)	600490	511807
Units per litre of diesel oil	3.12	3.11
Cost of diesel per KWH(Rs.)	3.08	2.64
2. COAL :		
Quantity (Tonnes)	1251	1431
Total Amount (Rs.)	2466592	2600022
Average Rate (Rs.)	1971	1817
3. DIESEL OIL :		
Quantity (KL)	1289	3436.75
Total Amount (Rs.)	12537508	31366150
Average Rate (Rs.)	9726	9127
4. C IX OIL :		
Quantity (Tonnes)	1382	--
Total Amount (Rs.)	11260165	--
Average Rate (Rs.)	8147	--
B. CONSUMPTION PER UNIT OF PRODUCTION :		
a. Product : CR Steel Strips		
Unit : Tonnes		
Electricity (KWH)	192	192
Diesel (Ltrs)	14.43	27.56
Coal (Kgs)	27	29.67
C IX (Kgs.)	15.47	--
b. Product : Cold Rolled Metal Profiles		
Unit : Tonnes		
Electricity (KWH)	61.15	66.17

**FORM B****RESEARCH AND DEVELOPMENT****1. SPECIFIC AREAS IN WHICH R & D CARRIED OUT BY THE COMPANY :**

The company has made specific efforts on R & D activity in the following areas:

Modernisation to process variables to achieve alternative use on various input raw materials to match requirements of critical automotive applications.

Modification of process control parameters to produce Cold Rolled Steel Strips with uniform properties, so as to enable consistency during application.

Optimisation of inputs and cycle times to reduce conversion costs.

Improvement of methods and synthesis of activities to increase throughput and reduce delivery lead times.

Technological innovation for high rise self supporting racking system, to suit specific requirements of customers, was developed.

2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R & D :

Lowering of cost of production and improvement in quality of products.

Improvement in reliability of the delivered product for application and compliance to delivery schedules.

Productivity improvement.

3. FUTURE PLAN OF ACTION :

Development of Special Steels for Automotive applications.

Experimentation with different sources of raw material inputs to gain flexibility in usage.

Improving automation for control of process variables to enhance quality and reduce cost of conversion.

4. EXPENDITURE ON R & D :

Equipments have been installed to monitor the operations at various stages of the process.

5. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

Continuous in-house research is being carried out which had yielded results in product development such as prefabricated building structures, high rise self supporting racking system.

Benefit derived is continuous improvement in quality and reduction in cost.

6. FOREIGN EXCHANGE EARNINGS & OUTGO:

Earnings : Nil.

Outgo : Rs.2631.54 lacs

During the year under review, the company could not export as it had concentrated on marketing its products in domestic markets. However, the company would strive to export its products in the future.



Statement U/S 217 (2A) of the Companies Act,1956 as Amended by the Companies Act, 1988 read with the Companies (Particulars of Employees) (Amendment) Rules,1998.

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.1999

Sl. No.	Name of the Employee	Designation	Remuneration (Rs.)	Qualification	Experience	Date of Joining	Age	Last Employment
1	Ch Anantha Reddy	Sr.Vice President(Mfg)	650018	B.E (Metal)	27 Years	01.01.1986	51 Years	Mfg. Manager Nagarjuna Signode Ltd
2	R S Sampath**	Sr.Vice President (Fin)	622717	B.Com., F.C.A	27 Years	21.10.1992	53 Years	Dy.Chief Internal Auditor Voltas Limited
3	Rahul Malhotra**	President	641033	B.Tech., PGDM	24 Years	05.07.1995	47 Years	Sr.Gen.Manager NSL Limited
4	Nrupender Rao**	Executive Chairman	455026	B.Tech., M.S	28 Years	01.09.1998	54 Years	Vice Chairman & Wholetime Director Pennar Aluminium Co. Ltd.
5	N R Sudheer**	Vice President (E&CD)	536072	B.E.(Metal)	22 Years	01.07.1998	49 Years	General Manager Nagarjuna Fertilisers & Chemicals Ltd.
6	S K Sah**	Sr.Vice President (Coml)	671909	B.Sc. Mett.Engg	31 Years	13.04.1998	52 Years	Sr.Vice President (Marketing) Ispat Industries

NOTE: 1. Remuneration includes salary, commission, allowances, medical benifits, leave travel allowance, company's contribution to provident and other funds, other perquisites as applicable but does not include gratuity.

2. Executive Chairman's employment is on contractual basis. Except Sri. J. Naresh Kumar, he is not related to any other Director.

** 3. Employed for a part of the period.