



509470

**ANNUAL REPORT**  
**1999 - 2000**

Report  junction.com

**Pennar Industries Limited**



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of PENNAR INDUSTRIES LIMITED will be held at 03.00 PM on Saturday, September 30, 2000 at Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Basheerbagh-King Kofi Road, Hyderabad-500 029 to transact the following business:

1. To receive, consider and adopt the Report of the Directors and Balance Sheet as at March 31, 2000 and the Profit and Loss Account for the financial year ended March 31, 2000 and the Report of the Auditors thereon.
2. To appoint a Director in place of Shri D. Seetharamaiah, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri K. S. Raju, 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 resolution as a Special Resolution:

"RESOLVED THAT M/s.Rambabu & Co., Chartered Accountants, Hyderabad, the retiring Auditors, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till 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."

### SPECIAL BUSINESS:

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

"RESOLVED THAT, pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company, be and are hereby altered in the manner following, that is to say:

- (i) the following be inserted as Clause (c) in Article 3 of the Articles of Association of the Company:

- (c) Subject to the provisions of the Companies Act, 1956, and any other statutory enactment / order / regulation / notification as may be in force from time to time and these Articles, the Company shall have power to issue fully convertible and / or partly convertible Warrants carrying right of conversion into equity shares at such time or during such period and in such manner as may be decided at the time of issue of such Warrants in accordance with the provisions of the said Act / other enactment / order / regulation or Guidelines issued by the Securities and Exchange Board of India (SEBI) or other authority and in force from time to time and any resolution of the Company that may be passed in General Meeting in that behalf."

- (ii) the following be inserted as Article 64A in the Articles of Association of the Company:

- 64A. Notwithstanding anything contained in these Articles, every holder of shares or debentures or other securities of the Company may, at any time, nominate, in the prescribed manner, a person to whom the shares or debentures or other security or securities held by such holder shall vest in the event of his death, and the provisions of Sections 109A and 109B of the Act shall apply in respect of such nomination.

6. To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the Memorandum and Articles of Association of the Company and subject to the approval of the financial institutions and such other consents, sanctions, permissions or approvals as may be necessary and being obtained, the Company hereby accords its

consent to the Board of Directors of the Company ("the Board") to transfer by way of sale the Company's Wind Mills together with the rights and benefits attached thereto and the lands comprising the Wind Mill Farm whereupon the said Wind Mills are erected or standing and the buildings and structures in the said lands situate near Udumalpet, Coimbatore Dist., in the State of Tamilnadu, on such terms and conditions including the price consideration thereof as the Board may deem fit in the best interests of the Company."

"RESOLVED FURTHER THAT the Board (including any Committee of the Board) be and is hereby authorised to do and perform all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, desirable or appropriate, and execute all such deeds, agreements, documents and writings as it may consider necessary, desirable or proper for the purpose of giving effect to this resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in conformity with the Regulations / Guidelines issued by the Securities and Exchange Board of India (SEBI) and subject to all consents, approvals and permissions as may be required by law and subject to such conditions and modifications as may be imposed and/or accepted by the Board of Directors of the Company (hereinafter referred to as the "Board", which expression shall include any Committee of Directors), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot on preferential basis, to Promoters, their associates and friends whether such persons are existing members of the Company or not and whether they are Indian citizens, NRIs or foreign nationals, as the Board may deem fit, Warrants not exceeding in the aggregate 50,00,000 (fifty lakhs only) fully convertible, at the option of the holders thereof, into equal number of equity shares, for cash at a price of Rs.10/- each or at the price which would be applicable in accordance with the SEBI Guidelines for pricing of Warrants to be issued on preferential basis, whichever is higher PROVIDED THAT conversion of the said Warrants may take place in one or more tranches as the Board may determine subject always to the condition that no Warrant shall be converted in less than three months or more than eighteen months from the date of issue of the Warrants and 10% of the said price shall be payable on or before the date of allotment of the Warrants and the balance 90% shall be payable before the date the equity shares are allotted on conversion of the Warrants."

"RESOLVED FURTHER THAT no interest or dividend shall be payable on the said Warrants which shall be subject to the terms prescribed by the Board and the relevant provisions of the Memorandum and Articles of Association of the Company and upon conversion the resultant equity shares shall rank pari passu in all respects with the existing equity shares of the Company except that with respect to dividend, if any, declared for the financial year of the Company in which the said equity shares are allotted they shall qualify for dividend only on a pro-rata basis from the date such equity shares shall have been allotted."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions and matters arising out of and incidental to the proposed issue and to take all steps which the Board in its absolute discretion considers necessary, proper or expedient for implementing this resolution."

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

"RESOLVED THAT, pursuant to the provisions of Section 31 of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered in the manner and to the extent as set out below:

- (A) Existing Article 2 be substituted by the following:

2. In the interpretation of these Articles, unless repugnant to the subject or context:

"The Company" or "this Company" means PENNAR INDUSTRIES LIMITED.



## Pennar Industries Limited

"The Act" means The Companies Act, 1956 or any statutory modification or re-enactment thereof for the time being in force.

"In writing" and "written" include printing, lithography, typing and other modes of representing or reproducing words in a visible form.

"Beneficial Owner" means the beneficial owner as defined under Clause (a) of Sub - Section 1 of Section 2 of the Depositories Act, 1996.

"Depositories Act" shall mean the Depositories Act, 1996 and includes any statutory modification or re-enactment thereof for the time being in force and "Depository" shall have the meaning assigned thereto by the Depositories Act.

"Member" means the duly registered holder from time to time of the shares of the Company and includes the subscribers to the Memorandum of Association of the Company and every person holding shares in the capital of the Company, whose name is entered as beneficial owner in the records of a depository.

"Office" means the Registered Office for the time being of the Company.

"Paid up" includes credited as paid-up.

"Persons" include Corporations as well as individuals.

"The Registrar" means the Registrar of Companies, Andhra Pradesh.

"Secretary" includes a temporary or Assistant Secretary and any person or persons appointed by the Board to perform any of the duties of a Secretary.

"Seal" means the Common Seal for the time being of the Company.

"Year" means the calendar year and "financial year" shall have the meaning assigned thereto by Section 2(17) of the Act.

Words imparting the singular number include, where the context admits or requires, the plural number and vice-versa.

Words and expressions used in these Articles and not defined in the Act but defined in the Depositories Act shall have the same meanings respectively assigned to them in that Act.

Save as aforesaid, any words or expressions defined in the Companies Act, 1956, shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

- (B) Existing Article 12 of the Articles of Association of the Company be substituted by the following:

**12A.** Each share in the capital of the Company shall be distinguished by an appropriate number provided however that this provision shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in dematerialised form and the shares which are dematerialised are to be in fungible form. No share shall be subdivided except in the manner hereinbefore mentioned in these Articles. Every forfeited or surrendered share shall continue to bear the number, if any, by which the same was originally distinguished.

**12B.** Notwithstanding anything contained in these Articles, when the shares are dealt with in a Depository, the Company shall intimate the details of allotment of shares to the Depository immediately on allotment of such shares.

- (C) The following be inserted, after sub-clause 21(h), in Article 21 of the Articles of Association of the Company:

**21(i).** Notwithstanding anything contained in these Articles, when the shares are dealt with in a Depository, no share certificates shall be issued by the Company. However, in respect of shares held in a Depository, the investor shall have the option to

request the Company to issue share certificate in physical form at any time, subject to the provisions of the Depositories Act.

- (D) Existing Article 23 of the Articles of Association of the Company be substituted by the following:

**23.** Unless otherwise expressly provided in these presents, and except as ordered by a Court of competent jurisdiction, or as by law required, the Company shall not be bound to recognise an equitable, contingent, future or partial interest in any share, or any right in respect of a share, other than an absolute right thereto in accordance with these Articles, in the person from time to time registered as the holder thereof, or whose name appears as the beneficial owner of shares, in the records of a Depository, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.

- (E) The following be inserted as Article 64B of the Articles of Association of the Company:

**64B.** Nothing contained in the foregoing Articles shall apply to transfer of shares effected by the transferor, and the transferee both of whom are entered as beneficial owners in the records of a Depository. In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and where such shares or securities are being held in any electronic form in a Depository, the provisions of the Depositories Act shall apply.

- (F) The following be inserted as Article 64C of the Articles of Association of the Company:

**64C.** Except as otherwise expressly provided, the provisions contained in these presents shall be applicable to shares or other marketable securities held in a Depository, so far as they apply to shares or such securities in the physical form, subject however to the provisions of the Depositories Act and other regulations as may be applicable.

- (G) The following be inserted as Article 64D of the Articles of Association of the Company:

**64D.** Notwithstanding anything contained in these Articles, the Company shall have the power to dematerialise its shares including Preference Shares, Debentures and other securities, to rematerialise the same and to offer and issue new shares, debentures or other securities in a dematerialised form in accordance with the provisions of the Depositories Act. The rights and obligations of the concerned parties in respect of the shares, debentures and other securities in the dematerialised form, and all matters connected therewith and/or incidental thereto shall be governed by the provisions of the Depositories Act and the relevant provisions of the Companies Act, 1956. The Company shall cause to be kept a Register and Index of Members in accordance with the applicable provisions of the Companies Act, 1956 and the Depositories Act, with details of shares held in physical or dematerial forms in any media as may be permitted by law, including in any form of electronic media. The Company shall be entitled to keep in any State or Country outside India, a Branch Register of the Members resident in that State or Country.

Provided further that a Register of Index of beneficial owners maintained by a Depository under the applicable provisions of the Depositories Act, shall be deemed to be an Index of Members of other securities, as the case may be, for the purpose of the Act.

- (H) The following be inserted as Article 64E of the Articles of Association of the Company:

**64E.** Notwithstanding anything contained herein, in the case of shares, whether preference and/or equity or other marketable securities, where the Company has not issued any certificates and where such shares or securities are being held in an

## Pennar Industries Limited



electronic and fungible form in a Depository, generally the provisions of Depositories Act, shall apply.

- (i) The following be inserted as Article 64F of the Articles of Association of the Company:

**64F.** All documents or notices to be served or given by Members on or to the Company or to any Officer thereof shall be served or given by sending it to the Company or Officer at the office by post or leaving it at the office, PROVIDED THAT where the securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or media.

By Order of the Board

Place : Hyderabad,  
Date : August 26, 2000

G. Ranganathan  
GM(Finance)-cum-Secretary

### NOTES :

- i) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL TO VOTE ON HIS/HER BEHALF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.

- ii) The Register of Members and the Share Transfer Books of the Company will remain closed from September 28, 2000 to September 30, 2000 (both days inclusive).
- iii) The relevant explanatory statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto and forms part of this Notice.
- iv) Members are requested to notify the change of address, if any, to the Company's Registrars and Share Transfer Agents, viz. Dakshin Consultants Pvt. Ltd. 3rd Floor, Saptagiri Towers, S.P. Road, Begumpet, Hyderabad-500 016.
- v) Members are requested to bring their copies of the Annual Report to the meeting.
- vi) As a result of the amendments introduced through Sections 205 to 205C of the Companies Act, 1956, the amount of dividend unpaid/unclaimed for a period of seven years shall be transferred to the Investors Education and Protection Fund.
- vii) The Company has entered into agreements with National Securities Depository Ltd. and Central Depository Services (India) Ltd. for dematerialisation of the equity shares. The ISN allotted to the Company is **INE932A01016**. Members may contact their Depository Participant for facilitating dematerialisation of share certificates.
- viii) As per the provisions of the Companies Act, 1956, facility for making nominations is now available to the shareholders in respect of shares held by them. Nomination Forms can be obtained from the Company.

## EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

### Item No.5:

The Company is proposing to issue Warrants convertible into equity shares. Resolution set out at Item No.5(i) seeks to amend the Articles of Association of the Company to enable the Company to have the power necessary to issue Warrants. Further, in terms of the newly introduced Section 109A and 109B of the Companies Act, 1956, any holder of shares or debentures of the company has been given an option to nominate a person to whom his shares or debentures shall vest in the event of his death. In order to reflect the said change in law, it is considered necessary to amend the Articles of Association of the Company as set out in Item 5(ii).

The Directors commend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the said resolution.

The Memorandum and Articles of Association of the Company shall be available for inspection between 03.00 PM and 05.00 PM on any working day at the Registered Office of the Company.

### Item No.6:

Economic liberalisation and integration of India with global markets have adversely affected the domestic steel industry. This has affected the operations of your Company and consequently its cash flow. The Company is having a Wind Mill Farm near Udumalpet, Coimbatore Dist., Tamilnadu. The power generated through the said Wind Mill Farm is presently sold to Tamilnadu Electricity Board under a Power Purchase Agreement. However, the return from the said Wind Mill Farm is not commensurate with the investment cost of this project. In order to improve the cash flow, the Company is negotiating with prospective buyers to sell the wind mills together with the land comprising the Wind Mill Farm and building, structures, rights and benefits, for such consideration and on such terms and conditions as the Board may deem fit in the best interests of the Company.

The proposed sale of the said Wind Mill Farm is also subject to such approvals, sanctions and permissions as may be necessary. The Company will be taking steps to obtain such approvals to the extent necessary.

Section 293(1)(a) of the Act requires the consent of the Company in General Meeting to be obtained before the sale or disposal of the whole or substantially the whole of any undertaking of the Company. Even though the proposed sale of the Wind Mill Farm will not amount to sale or disposal of the whole or substantially the whole of any undertaking of the Company, the resolution set out at Item No.6 of the accompanying Notice is proposed as a measure of abundant precaution.

The Directors commend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the said Resolution.

### Item No.7:

Consequent to the amalgamation of NSL Ltd. with the Company, the Company has consolidated its position in the market. However, margins on the products have been tight due to adverse fluctuations in the demand-supply position. Being raw material intensive, the prospects of the Company are very much linked to the developments at the raw material suppliers' end. During the last two years, the Company's cash flows had to be oriented towards raw material suppliers' requirement for establishment of Letters of Credit / advance payment. However, the Company's bankers are not able to extend additional working capital limits. This has been affecting the operations of the Company. In the circumstances, it is considered necessary to bring in additional funds which will help not only in improving the much needed liquidity position but also serve as a driver for growth. Hence, it is proposed to issue to the promoters, their associates and friends, Warrants not exceeding in the aggregate 50,00,000 (fifty lakhs only) fully convertible at the option of the allottees into equal number of equity shares, for cash at a price of Rs.10/- each or the





## Pennar Industries Limited

price which would be applicable in accordance with the SEBI Guidelines with regard to pricing of warrants to be issued on preferential basis, whichever is higher, whereof 10% shall be payable on or before the date of allotment and the balance 90% shall be payable before the date the equity shares are allotted on conversion of the Warrants. The said 10% shall be forfeited if the option to acquire equity shares is not exercised within the time prescribed. It is proposed to give the Board the liberty to effect conversion in one or

more tranches subject always to the condition that no Warrant shall be converted in less than three months or more than eighteen months from the date of the issue of the Warrants.

The following details are furnished in compliance with the Amendment to SEBI (Disclosure and Investor Protection) Guidelines, 2000, issued by SEBI on August 4, 2000:

- (i) Object of the issue through the preferential offer : To improve the liquidity position of the Company by meeting part of the working capital requirements.
- (ii) Intention of Promoters / Directors / Key Management Persons to subscribe to the offer : Promoters, their associates and friends intend to subscribe to this offer

(iii) Shareholding Pattern before and after the offer:

Shareholding Pattern					
Sl. No.	Particulars	No. of Shares	Before the offer %	No. of Shares	After the offer %
01	Promoters	46,63,963	27.86	96,63,963	44.45
02	Financial Institutions and Banks	43,70,340	26.11	43,70,340	20.10
03	NRIs	3,54,654	2.12	3,54,654	1.63
04	Public	73,51,249	43.92	73,51,249	33.82
	Total:	1,67,40,206	100.00	2,17,40,206	100.00

- (iv) Proposed time within which the allotment shall be completed : The Warrants will be allotted within three months from the date of approval by the shareholders and conversion will take place in not less than three months and not more than eighteen months from the date of issue of Warrants.
- (v) Identity of the proposed allottees and the percentage of post-preferential issue capital that may be held by them : The Warrants will be allotted to the following promoters, their associates and friends:  
M/s. Nrupender Rao, J. Naresh Kumar, V.C. Puljal, J. Rajyalakshmi Rao, Ramchandra Raju Manthena, Ch. Sridhar, Ch. Arathi, Exel Engineering Ltd., Mourya Enterprises Private Ltd., Zen Trading Private Ltd., Growwell Constructions Private Ltd.  
Percentage : 23

The Warrants/equity shares allotted, pursuant to the special resolution at Item No.7 of the accompanying notice, shall be locked-in according to guidelines issued by SEBI for a minimum period of one year and a maximum period of three years from the date of allotment.

Consent of the Members is sought in terms of Section 81(1A) of the Companies Act, 1956 for the issue of Warrants as aforesaid. The Board shall have absolute authority to vary or modify the terms hereinabove subject always to the guidelines which may be issued by SEBI.

The Directors commend the resolutions for your approval.

The Directors of the Company may be deemed to be concerned or interested to the extent of the Warrants that may be offered to them and the resultant equity shares that may be allotted on conversion of the Warrants. Save as aforesaid, none of the Directors is in any way concerned or interested in the resolutions.

The Memorandum and Articles of Association of the Company shall be available for inspection between 03.00 PM and 05.00 PM on any working day at the Registered Office of the Company.

### Item No.8

With the enactment of the Depositories Act, 1996, the Company entered into agreement with National Securities Depository Ltd. and Central Depository Services (India) Ltd., for dematerialisation of the Company's shares in accordance with the provisions of the Depositories Act, 1996. Effective from July 24, 2000, your Company's equity shares are compulsorily required to be traded in electronic form. Certain provisions of the Companies Act, 1956 were also modified, when the Depositories Act, 1996 was introduced. Consequent to these changes, certain enabling resolutions for amendment in the Articles of Association of the Company, pursuant to Section 31 of the Companies Act, 1956, is submitted to the Members for approval.

The Directors commend the resolutions for your approval.

None of the Directors is interested or concerned in this item of business.

The Memorandum and Articles of Association of the Company shall be available for inspection between 03.00 PM and 05.00 PM on any working day at the Registered Office of the Company.



## Pennar Industries Limited

Regd. Office: 1-10-75/1/1-6, S.P. Road, 3rd Floor,  
Saptagiri Towers, Begumpet, Hyderabad - 500 016.

### Proxy Form

Regd. Folio No. .... No. of Shares held .....

I/We .....  
of .....  
being a Member/Members of Pennar Industries Limited hereby appoint .....  
of ..... or failing him/her .....  
of ..... or failing him/her .....  
of ..... or failing him/her .....  
of ..... as my/our proxy to vote for me/us and  
on my/our behalf, at the Annual General Meeting of the Company to be held on Saturday, the 30th September,  
2000 at 3.00 p.m.

Signed this ..... day of ..... 2000.

0.30 ps.  
Revenue  
Stamp

Signature of the Member

Note : This form duly completed should be deposited at the Registered Office of the Company, not less than  
48 hours before the commencement of the Meeting.



## Pennar Industries Limited

Regd. Office: 1-10-75/1/1-6, S.P. Road, 3rd Floor,  
Saptagiri Towers, Begumpet, Hyderabad - 500 016.

### Attendance Slip

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only members or  
their proxies are entitled to be present at the Meeting.

Member's Reg. Folio No. .... No. of Shares .....

Name and Address .....  
.....  
.....

I hereby record my presence at the 24th Annual General Meeting held on Saturday, September 30, 2000 at  
"Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, Basheerbagh- King Koti Road,  
Hyderabad - 500 029.

Signature of the Shareholder/Proxy

Note : Please note that Gifts will not be given at the AGM

**Pennar Industries Limited****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  
(UPTO 31.07.2000)

SHRI J. NARESH KUMAR

SHRI K. LAKSHMAN RAO

PROF. LAXMI NARAIN

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

SHRI C. RANGAMANI (GIC Nominee)

**G.M. FINANCE - CUM - SECRETARY**

SHRI G. RANGANATHAN

**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,  
3RD FLOOR, SAPTAGIRI TOWERS,  
BEGUMPET, HYDERABAD - 500 016.**FACTORY**

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

**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**DAKSHIN CONSULTANTS (P) LTD.  
1-10-75/1/1-6, S.P. ROAD  
3RD FLOOR, SAPTAGIRI TOWERS  
BEGUMPET,  
HYDERABAD - 500 016.

Contents	Page No.
Directors' Report	2
Auditors' Report	7
Balance Sheet	9
Profit and Loss Account	10
Schedules	11
General Business Profile	22
Cash Flow Statement	24



## Pennar Industries Limited

### DIRECTORS' REPORT

To  
The Members

Your Directors present the 24th Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

#### FINANCIAL RESULTS :

(Rs. Lakhs)

	Year ended 31.03.2000	Year ended 31.03.1999
Sales & Other Income	23977	27365
Profit before Interest and depreciation	3088	3292
Less: Interest	2483	2138
Depreciation	575	617
Profit before Tax	30	537
Provision for Taxation	--	7
Profit after Tax	30	530
Add: Brought forward from previous year	124	409
	<u>154</u>	<u>939</u>
Appropriations:		
Dividend on Preference Shares paid	--	74
Additional tax on Dividend	--	7
Preference Shares		
Redemption Reserve	--	100
Debenture Redemption Reserve	--	63
Voluntary Separation Scheme/ Voluntary Retirement Scheme	55	471
Transfer to General Reserve	--	100
Balance Carried Forward	99	124
	<u>154</u>	<u>939</u>

#### PERFORMANCE :

During the year, recession in the industrial sector coupled with increased competition in the major segment of end users of the company's products namely auto and white goods sectors continued to

prevail. The Hot Rolled Coil manufacturers, raw material suppliers, aided by good export demand, tightened the terms of supply with regard to price and credit terms. All this resulted in a decrease in turnover by 13% as compared to the previous year. The profitability of the Company was also affected due to lower sales margin as well as increased raw material prices, which more than off set the benefits accrued on account of reduction in fixed cost saved through man power rationalization and various cost control measures.

During the year, the company acquired manufacturing facilities in the cold forming sections/ products of Tube Investments of India Ltd. at Tarapur and Chennai. Consequent to this the company has emerged as the leader in the cold forming profile industry in the country.

The Company continues to hold ISO 9002 Quality System Certification awarded by RWTUV, Germany.

#### OUTLOOK :

Our endeavour is to move towards value added and speciality steel products. Plans are underway to establish press shops close to the major user companies to cater exclusively to their requirement of components. A few presses are being installed at Hosur near Bangalore to service the customers in that area.

Negotiations are on for a foreign technological tie-up to strengthen our market position in highway safety systems like guard rails.

#### DIVIDEND :

##### Preference/Equity Shares

In the absence of sufficient profits, your Directors are unable to recommend dividend on the preference and equity shares for the year under review.

#### DIRECTORS :

With effect from 30.09.99 Shri C. Rangamani was nominated as Director on the Board on behalf of General Insurance Corporation of India and its Subsidiaries.



**Pennar Industries Limited**

Sarva Shri D. Seetharamaiah and K.S. Raju retire by rotation. Being eligible, they offer themselves for reappointment.

Shri Rameshchandra L. Dalal resigned as Director of the Company with effect from 01.08.2000. Your Directors wish to place on record their deep appreciation for the services rendered by Shri Rameshchandra L. Dalal during his tenure as Director of the Company.

**AUDITORS :**

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

**REPLY ON THE OBSERVATIONS OF THE AUDITORS :**

- i) Observations in Para 2 (iv) of the Auditors' Report

The Company's policy of valuation of stock, which is being followed consistently since inception has been dealt with in detail in Note No.9 of the Schedule 18 to the Accounts.

- ii) Observation in Para 13 of the Annexure to Auditors' Report

In the absence of adequate liquid funds, the company could not maintain liquid assets in proportion to the fixed deposits maturing within one year, as required under Section 58A of the Companies Act. The company has approached Company Law Board for permission for deferment of payment of fixed deposits.

- iii) Observation in Para 17 of the Annexure to Auditors' Report

Due to severe cash flow problem there was delay in depositing the PF & ESI dues for two monthly payments.

**STATUTORY :**

Details regarding the present energy consumption including captive generation, technology absorption and foreign exchange earnings and outgo are

furnished in the Annexure as per the requirements of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

**PUBLIC DEPOSITS AS ON 31ST MARCH, 2000 :**

The total amount of Fixed Deposits as on 31st March, 2000 was Rs.983.67 lakhs. Deposits amounting to Rs.64.83 lakhs were due and unclaimed as of year end. Of these, deposits amounting to Rs.20.00 lakhs have since been renewed/repaid as on the date of this report.

**PERSONNEL :**

Your Directors compliment Employees of the Company, whose co-operation and dedicated team work made it possible to record another reasonably successful year of operation even under trying circumstances.

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 set out in the Annexure to the Report.

**Y2K COMPLIANCE :**

The Y2K transition was smooth.

**LISTING OF COMPANY'S SHARES :**

Your company's securities are listed at The Hyderabad Stock Exchange Ltd., 3-6-275, Himayath Nagar, Hyderabad and The Stock Exchange, Mumbai, P.J. Towers, Dalal Street, Mumbai - 400 001 and the company is regular in paying the annual listing fee to these Stock Exchanges.

**ACKNOWLEDGEMENTS :**

The Board wish to thank the IDBI, ICICI, IFCI and the Consortium of Banks led by State Bank of India, Customers, Suppliers and other stake holder for their continued support.

For and on behalf of the Board

Place : Hyderabad  
Date : 26 August 2000

**Nrupender Rao**  
Executive Chairman