



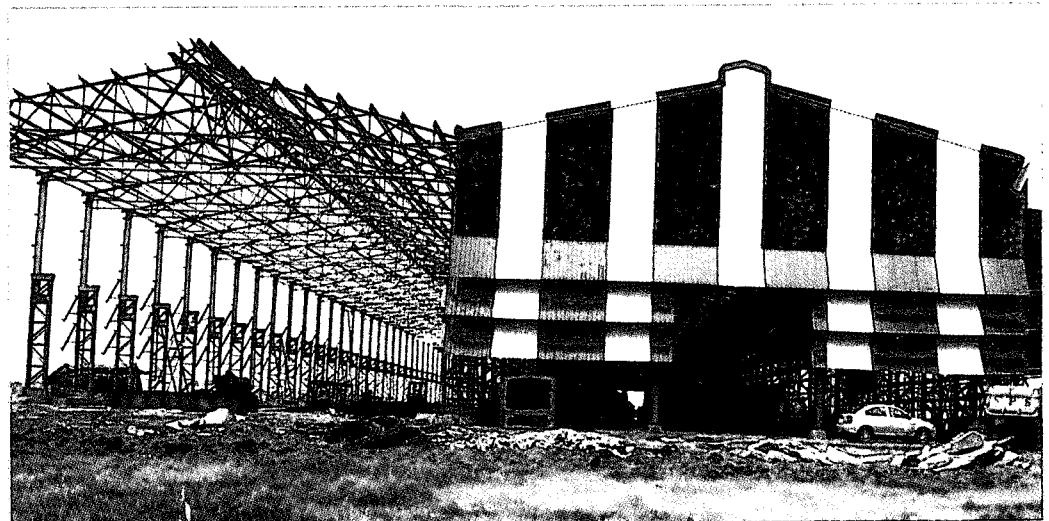
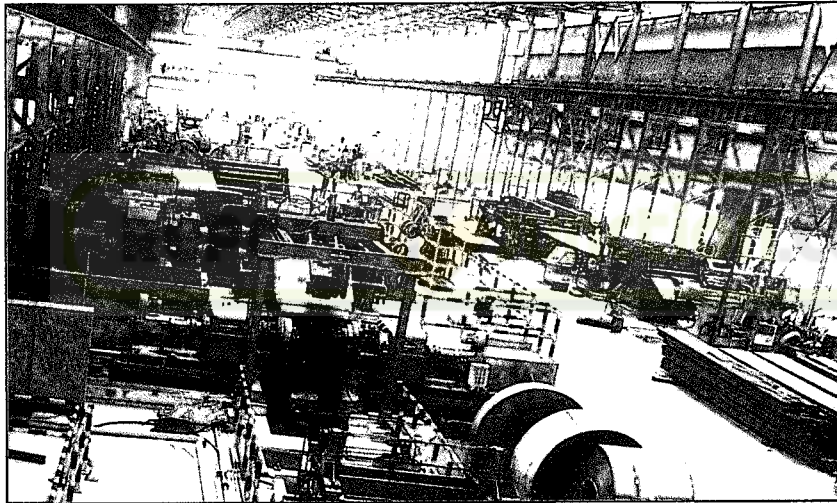
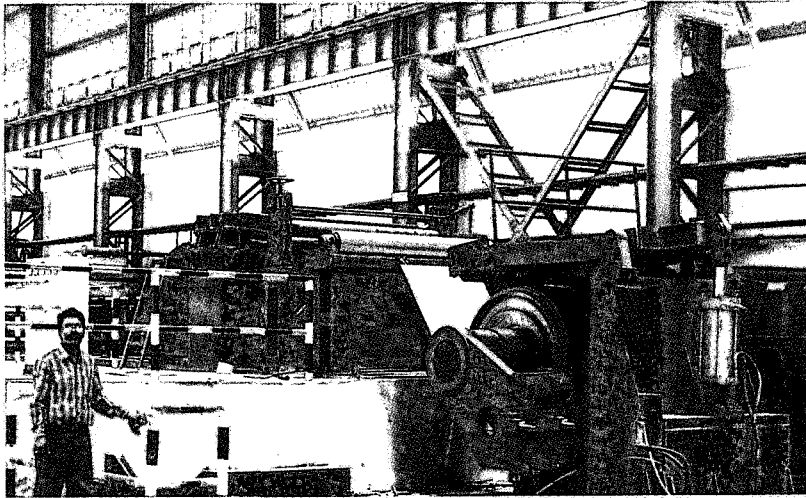
GLOBAL VISION

REPORT

DIVERSE PRODUCTS

NEW MARKETS

Our New Plant at Chennai

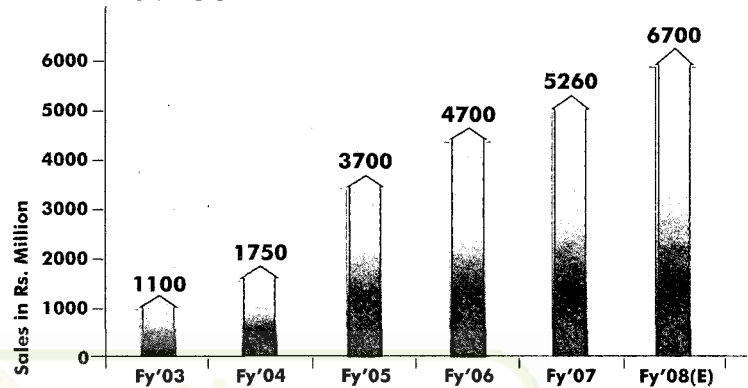


Pennar on a dynamic growth path

Pennar's impressive performance over the last five years and its recent business and financial restructuring have put it on a firm growth path. With a global vision, it has embarked on a new course to manufacture diverse value added steel products and develop new markets both within the country and overseas.

Pennar's sales and profits have improved significantly during the last few years and it is confident of continuing this growth trajectory into the future. Annualised sales have increased from Rs. 1100 million in 2003 to Rs. 5260 million in 2007 and in the current year, sales are projected at Rs. 6700 million. Gross profit (EBIDTA) increased from Rs. 14.2 million in 2003 to Rs. 526.5 million in 2007 and the budgeted figure for the current year is Rs. 670.9 million.

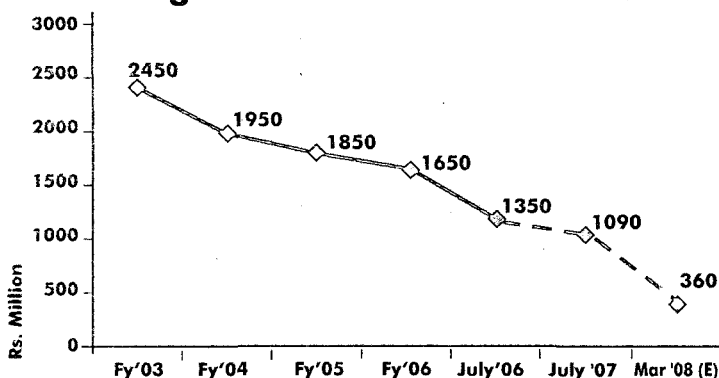
Sales Growth in Rs. Million



India, is currently in the middle of an unprecedented period of economic growth and technological evolution. Disposable incomes are rising at high rates all over the country, and the infrastructure, retail, and manufacturing sectors have recorded very high growth rates. Pennar believes that in this macro-economic climate, it is strategically imperative to move up the value chain to take advantage of the emerging opportunities.

Pennar plans to leverage its modern infrastructure, technical expertise and long years of experience to provide high quality and cost effective value added metal products to its customers. The proportion of value added products which was 20% a few years ago has now increased to 50% and it is planned to be increased further to 70% in three years time.

Long Term Debt in Rs. Million



A year ago, Pennar implemented a major financial restructuring plan which has made the company financially strong and reduced the leverage. The long-term debt was pruned drastically and will be further reduced after the conversion of debentures into equity.

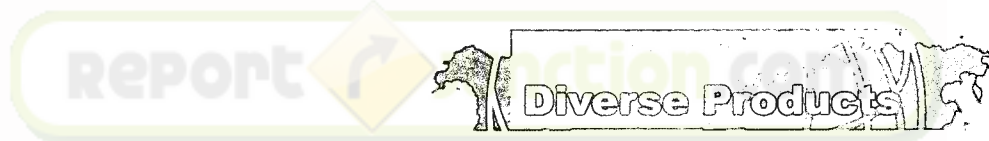


It is with pleasure that we share with you our vision:

"To become a globally reputed engineered metal products company and to build strong and enduring relationships with its customers based on the quality of products and the efficacy of service."

With the strategic association of foreign investors, Pennar plans to forge linkages with international companies to take the company beyond the Indian shores. Pennar has already been selected as a global source for F. L. Smidth of Denmark and Hammon Research & Cottrell of Belgium for the supply of steel electrodes used for electrostatic precipitators. Exports have been made on their behalf to various countries: China, Indonesia, Belgium, Thailand, Nigeria, France, Brazil and Saudi Arabia.

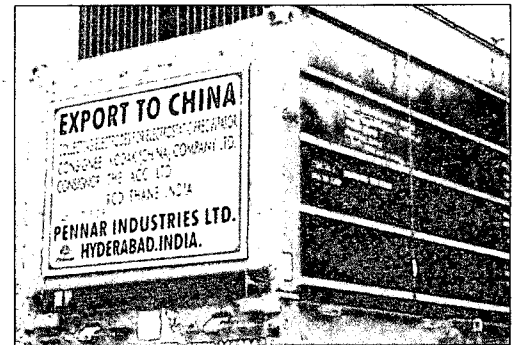
The company is exploring possibilities of exporting steel components to overseas markets, and is planning for inorganic growth through strategic acquisitions.



Pennar services a wide range of industries covering automobiles, building construction, transportation, electricals, pollution control, packaging and general engineering. Pennar's diverse product profile consists of:-

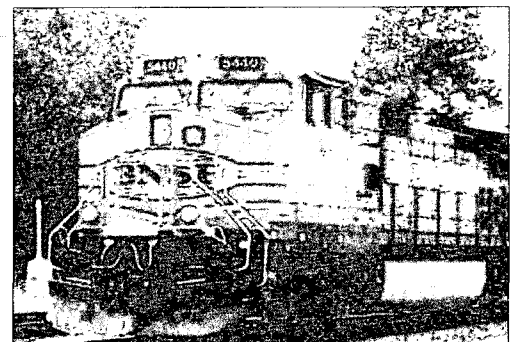
Electrostatic Precipitators

Pennar is a major supplier of collecting electrodes and discharge electrodes which form an important part of electrostatic precipitators used to control pollution in cement plants, power plants and other mineral processing plants. The company's excellent performance on the domestic front has led to exports.



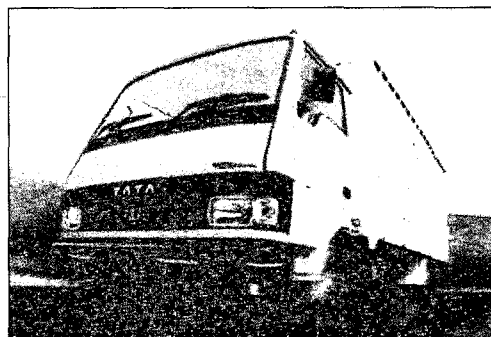
Rail Coach Sections

Special profiles have been developed for the rail coaches in stainless steel / corten steel qualities. The company is also planning to supply high strength chassis members which will reduce the tare weight of the wagon thus increasing its load carrying capacity.



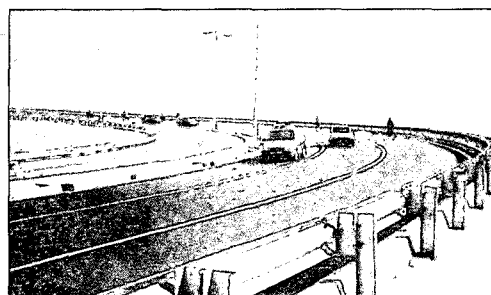
Profiles for Commercial Vehicles

Pennar is the leader in supplies of profiled steel sheets used as load bodies of light commercial vehicles. Bumpers for heavy commercial vehicles are made at the Tarapur plant. Long members for the chassis and the under carriage of commercial vehicles have also been developed.



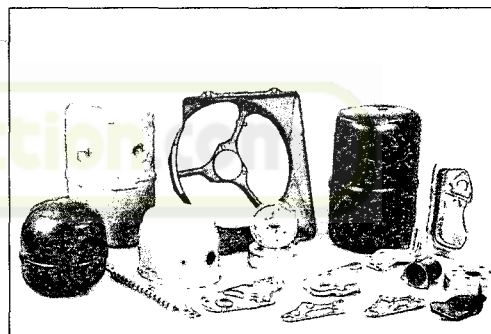
Road Safety Systems

Pennar's tested and proven crash barriers ensure safety to the vehicle and its occupants. The safety systems conforming to the Indian and American standards, have already been put up on the Mumbai-Pune highway, Delhi-Jaipur highway and the Coimbatore bypass.



Engineered Components

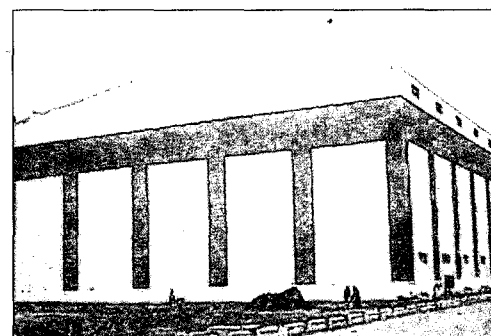
Pennar's state of the art press shop with tool maintenance facilities ensures high precision products. A number of auto components like magneto covers, brake components, seating systems and yokes are being supplied to reputed auto manufacturers. Compressor shells are being supplied for most of the refrigeration and air conditioning industries.



Pennar plans to develop two new verticals ▶ Pre-Engineered Steel Buildings
▶ Auto components

Pre-Engineered Buildings

Pre-Engineered Buildings (PEB) or Metal Building Systems are modular steel constructions consisting of an open span (or portal), built up sections, purlins, girts, roofing and wall panels. They are a versatile and cost efficient alternative to conventional buildings. The advantages of PEBs over traditional concrete constructions are: speed of erection, flexibility of expansion and single source construction.



Pennar already produces many building components such as purlins, decking sheets and roofing panels. Increased investments in infrastructure offer exciting growth opportunities for Pennar.

In order to offer a compelling PEB solution to customers in the infrastructure industry, Pennar plans to obtain the necessary design and technical know-how from an international PEB company with technical competence and long operational history.

Auto Components

Pennar Industries' Engineering Components Division (ECD) is already involved in the manufacture of a wide variety of pressed steel components for the automotive sector. The automotive components industry in India is set to experience significant growth over the next few years. The domestic market for auto components has grown at a CAGR of 23%, and the export market has grown at 34% CAGR for the past four years.

Pennar which possesses the manufacturing bandwidth, technical capability and engineering know-how required for auto component business, plans to focus on this segment in both the domestic and export markets.

Outlook for the Future

Pennar's new facility at Chennai and its continuous thrust in developing value added products will keep it on a continuous growth path. Pennar will invest heavily in technology, equipment, human resources and training in order to ensure that the growth continues unhindered and its target of achieving sales of Rs. 10,000 million in FY '10 is achieved. Pennar will keep on striving to improve its products and its relationship with customers, suppliers and employees and will endeavour to be a good corporate citizen and maximise the returns to all its stakeholders.





PENNAR INDUSTRIES LIMITED

BOARD OF DIRECTORS

Shri A. Krishna Rao
 Dr. G.Vivekanand
 Shri Ravi Chachra
 Shri Tarun Gandhi
 Shri C. Rangamani
 Shri P. Bhaskara Rao
 Shri Vijay Chandra Puljal
 Shri Nrupender Rao (Executive Vice Chairman)
 Shri Ch. Anantha Reddy (Executive Director)

CFO & COMPANY SECRETARY

Shri R. Ravi

AUDITORS

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

BANKERS

State Bank of India
 The Bank of Rajasthan Ltd.
 AXIS Bank Ltd.

REGISTERED OFFICE

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

REGISTRARS & SHARE TRANSFER AGENTS

Dakshin Consultants (P) Ltd.,
 # 6 - 3 - 655/2/4,
 Civil Supplies Bhavan Lane,
 Somajiguda,
 Hyderabad - 500 082.

PLANTS

Patancheru Unit,
 IDA, Patancheru,
 Medak (Dist), A.P.

Isnapur Unit,
 Isnapur Village,
 Medak (Dist.), A.P.

Tarapur Unit,
 MIDC, Tarapur, Maharashtra.

Chennai Unit,
 Kannigaipair Village, Uthukottai Tq
 Thiruvellore Dist, Tamilnadu 601 102



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DIRECTORS' REPORT

To

The Members,

Your Directors present the 31st Annual Report together with the Audited Accounts for the eight months period ended March 31, 2007. Members are aware that the previous accounting period was for sixteen months to give effect to major capital restructuring undertaken by your company. The current year has been closed with an eight-month period ending March 31, 2007.

FINANCIAL RESULTS

Particulars	(Rs. Millions)	
	8 months period ended March 31, 2007	16 months period ended July 31, 2006
Gross Sales	3846.0	6469.0
Net Sales	3355.3	5639.9
Earning before Interest, Depreciation and Tax (EBIDT)	353.6	500.4
Profit from operations	188.4	259.8
Profit due to non recurring item	-	233.6
Profit Before Tax (PBT)	188.4	493.4
Provision for deferred tax liability and FBT	39.7	76.7
Profit After Tax (PAT)	148.7	416.7
Basic Annualised EPS (Rs. 5/-)	Rupees 2.63	Rupees 2.39
Annualised EPS Diluted (Rs 5/-)	2.31	1.88

PERFORMANCE

During the period under review, your company's sales have risen to Rs.3846 millions (for eight months period from August 2006 to March 2007) as against Rs.6469 millions (for the earlier 16 months period) and made a gross profit (EBIDT) of Rs.353.6 millions as against the previous period gross profit of Rs.500.4 millions. The sales per month in the current period grew by 19 % to Rs. 481 millions from Rs. 404 millions during the earlier period of 16 months. Further, the company has registered a pre tax profit (PBT) of Rs.188.4 millions. The company aims to sustain the growth rate in sales and improve the profitability by focusing on increasing the revenue contribution of value added steel products and engineered auto components.

Production during the year was 93,849 MT and the product mix was improved by increasing the proportion of value added products like formed profiles and pressed components to total sales. A precision tube line has also been commissioned for making products for the auto, transportation and construction sectors.

A new fabrication shop has been commissioned for making structures for Electro Static Precipitators (ESPs), boilers and seed processing plants.

The strategic linkages forged with two major overseas companies - FL Smidth of Denmark and Hamon Research for ESP products helped the company to achieve a net export turnover of Rs 48.9 millions for the eight months period ending 31.03.07.

Satisfactory progress has been made in setting up the Company's fourth manufacturing facility at Chennai for the manufacture of profiles, auto components and building components. The plant will be completed in phases by December 2007.

Your company continues to maintain its quality rating through ISO 9001: 2000 for the rolling, forming and components divisions.

FINANCIAL RESTRUCTURING

During the last accounting period, 8,750,000 warrants were converted into 8,750,000 shares of Rs 5/- each with a premium of Rs 1.50 per share.

In view of the Company's net worth turning positive, the Board for Industrial and Financial Reconstruction vide its order dated 12th July, 2007 has discharged the company from its purview.

ENVIRONMENT

The company continues its commitment to environmental protection and maintains its plants in an eco-friendly manner. The Company has initiated measures to attain Zero Discharge of effluents at its plants.

DIVIDEND

Though the company has recorded a profit during the period under review, due to the presence of accumulated losses and in the absence of profits available for declaration of dividend as per the provisions of Section 205 of the companies Act, 1956, your directors are unable to recommend a dividend on the preference shares and equity shares for the period under review.

DIRECTORS

Dr. G. Vivekanand was inducted as an additional director on the Board of the Company with effect from 31st October, 2006.



Shri Ravi Chachra and Shri A. Krishna Rao retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment.

AUDITORS

The Auditors, M/s Rambabu & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if reappointed.

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 departure.
- ii. The directors have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 accounting period and of the profit or loss of the company for the accounting period under review.
- iii. The directors have taken proper and sufficient care to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956 in order to safeguard the assets of the Company and to detect and prevent fraudulent activities and other irregularities.
- iv. The directors have prepared the annual accounts of the company on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

The report on management discussion and analysis which forms a part of Director's Report is annexed.

CORPORATE GOVERNANCE

A separate section on Corporate Governance with a detailed compliance report thereon is annexed and forms part of the annual report. The Auditor's Certificate in respect of compliance with the provisions concerning Corporate Governance, as required by Clause 49 of the Listing Agreement, is also annexed.

PUBLIC DEPOSITS

The company has settled all the public deposits for which claims have been received from the deposit

holders. The amount of deposits as on 31st March 2007 was Rs. 5.59 millions. No fresh deposits were accepted during the period under review.

PERSONNEL

Your directors place on record their sincere appreciation of the company's employees at all levels whose dedication and commitment have been responsible for the continued growth of the company.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the Employees are set out in the Annexure-II to the Directors' Report.

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.

Auditors' Qualification

The qualification made by the auditors in their report regarding the accounts for the period ended March 31, 2007 has been dealt with in the Notes to Accounts (Schedule 20) and is self-explanatory.

The Board wishes to thank IFCI Limited, State Bank of India, Bank of Rajasthan, AXIS Bank Limited, Eight Capital and Spinnaker Capital, customers, suppliers and shareholders for their continued support.

For and on behalf of the Board

Place: Hyderabad

Date: July 31, 2007

Nrupender Rao
Executive Vice Chairman