

Pennar Industries Limited
Annual Report 2009-10



Pennar makes it possible.

Corporate information

Board of Directors

Shri Nrupender Rao (*Executive Chairman*)

Shri Ravi Chachra

Shri Dr. G. Vivekanand

Shri C. Parthasarathy

Shri B. Kamalaker Rao

Shri A. Krishna Rao

Shri C. Rangamani

Shri P. Bhaskara Rao

Shri Ch. Anantha Reddy (*Managing Director*)

Shri Aditya Rao (*Director - Projects*)

V.P. Finance and 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

Axis Bank Limited

State Bank of Patiala

Registered office

1-10-75/1/1-6, 3rd Floor

Saptagiri Towers

S. P. Road, Begumpet

Hyderabad - 500016, India

Registrars and Share Transfer Agents

Karvy Computershare Pvt. Ltd.

Plot no.17-24, Vithalrao Nagar,

Madhapur, Hyderabad - 500081

Plants

Patancheru Unit

IDA, Patancheru - 502319, Medak (Dist.), A.P.

Isnapur Unit

Isnapur Village - 502307

Medak (Dist), A.P.

Chennai Unit

Kannigaipair Village, Uthukottai Tq

Thiruvellore Dist, Tamilnadu – 601 102

Tarapur Unit

J-72, MIDC, Tarapur, Maharashtra-401506.

Hosur Unit

43, SIDCO Industrial Estate

II Phase, Hosur Tamil Nadu

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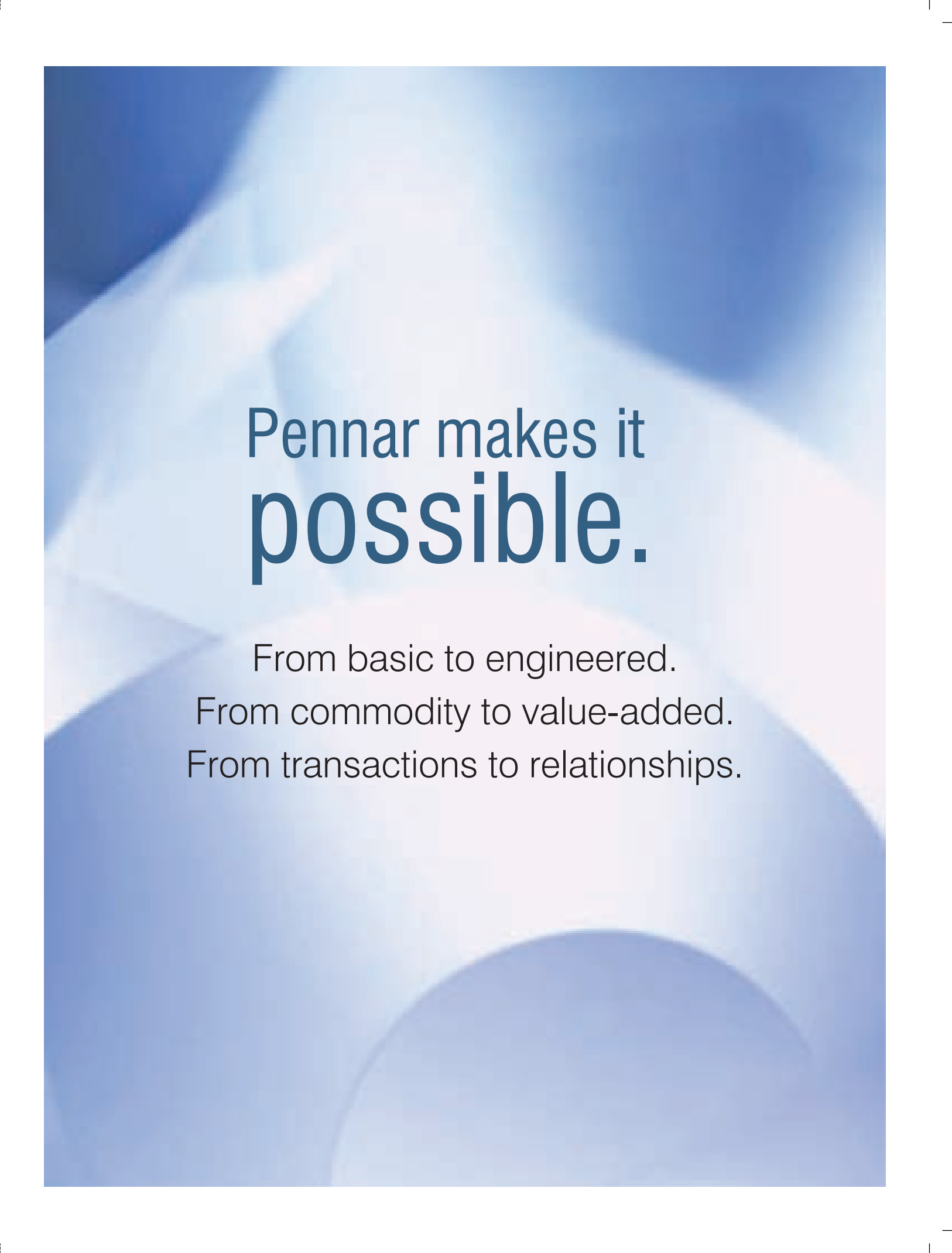
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Pennar makes it **possible.**

From basic to engineered.
From commodity to value-added.
From transactions to relationships.

The Pennar Support System

Vision

To emerge as a globally reputed engineering company with strong and enduring customer relationships, based on quality and service

Credentials

One of India's leading industrial companies engaged in the production and marketing of specialised and engineered steel solutions

Presence

Headquartered in Hyderabad with a pan-India manufacturing and marketing presence

Intellectual strength

1,300+ people team driving our corporate brand

Listing

Equity shares are listed on the Bombay Stock Exchange.



Clientele

Market segments	Customers
Railway products	Integral Coach Factory (ICF), BEML, Texmaco, Railway Divisions
Automobile products	Tata Motors, Ashok Leyland and Eicher Motors
Building products	L&T, Shapoorji Pallonji and Nagarjuna Construction
Pollution control	ABB, Thermax and Bharat Heavy Electricals
Pressed steel components	Emerson Electric, Tecumseh, TVS and IFB
Road safety systems	National Highways Authority of India (NHAI) and other road construction companies
Fabricated products	Thermax, ABB and Prasad Seeds
Precision tubes	Bus body builders, Antenna
Cold-rolled steel strips	Automobile, white goods, electrical and engineering companies

Key financial highlights, 2009-10

798

Net turnover
(Rs. crores)

109

EBITDA
(Rs. crores)

50

Profit after tax
(Rs. crores)

13.76

Operating profit
(%)

24.99

Return on capital
employed (%)

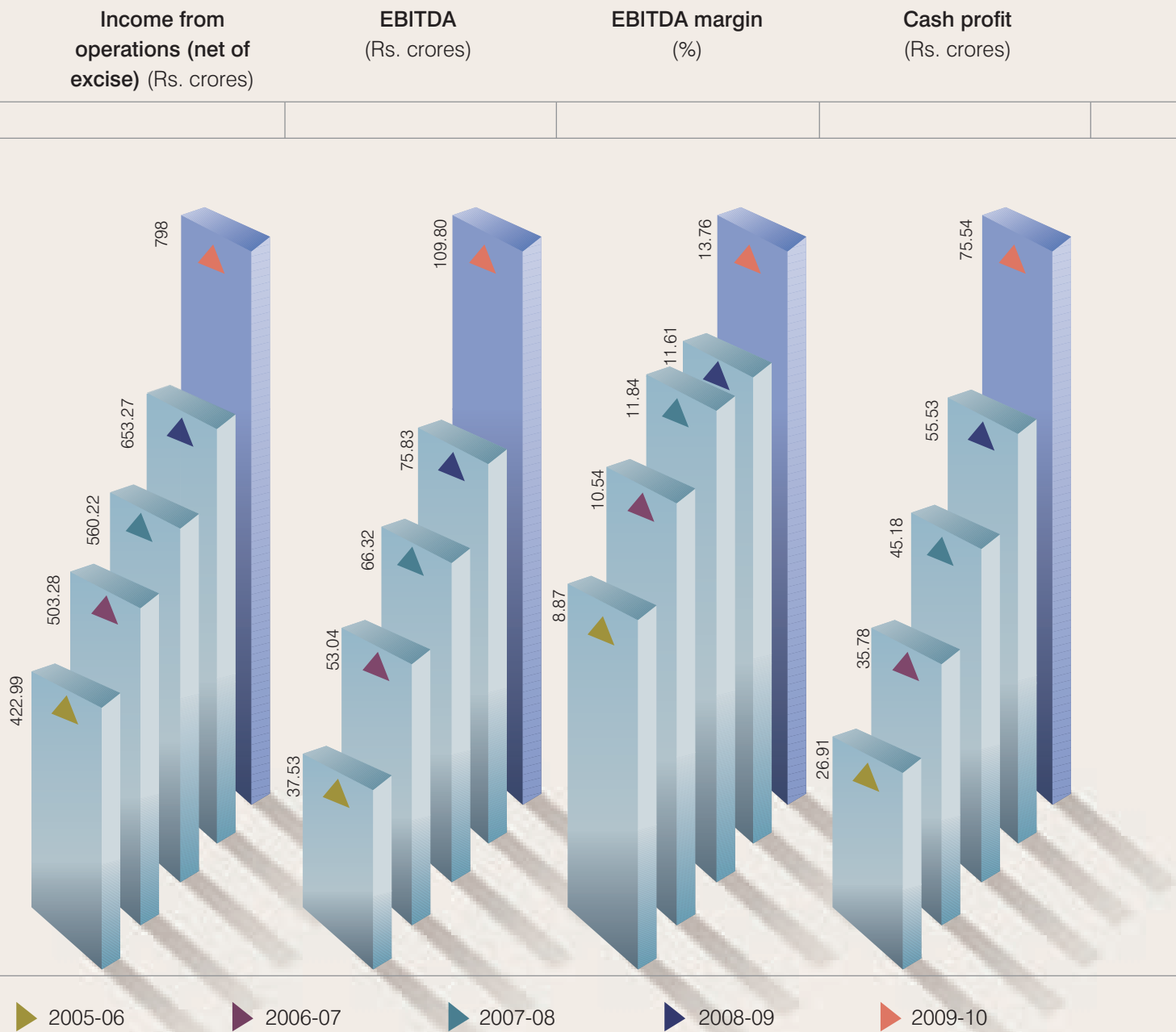
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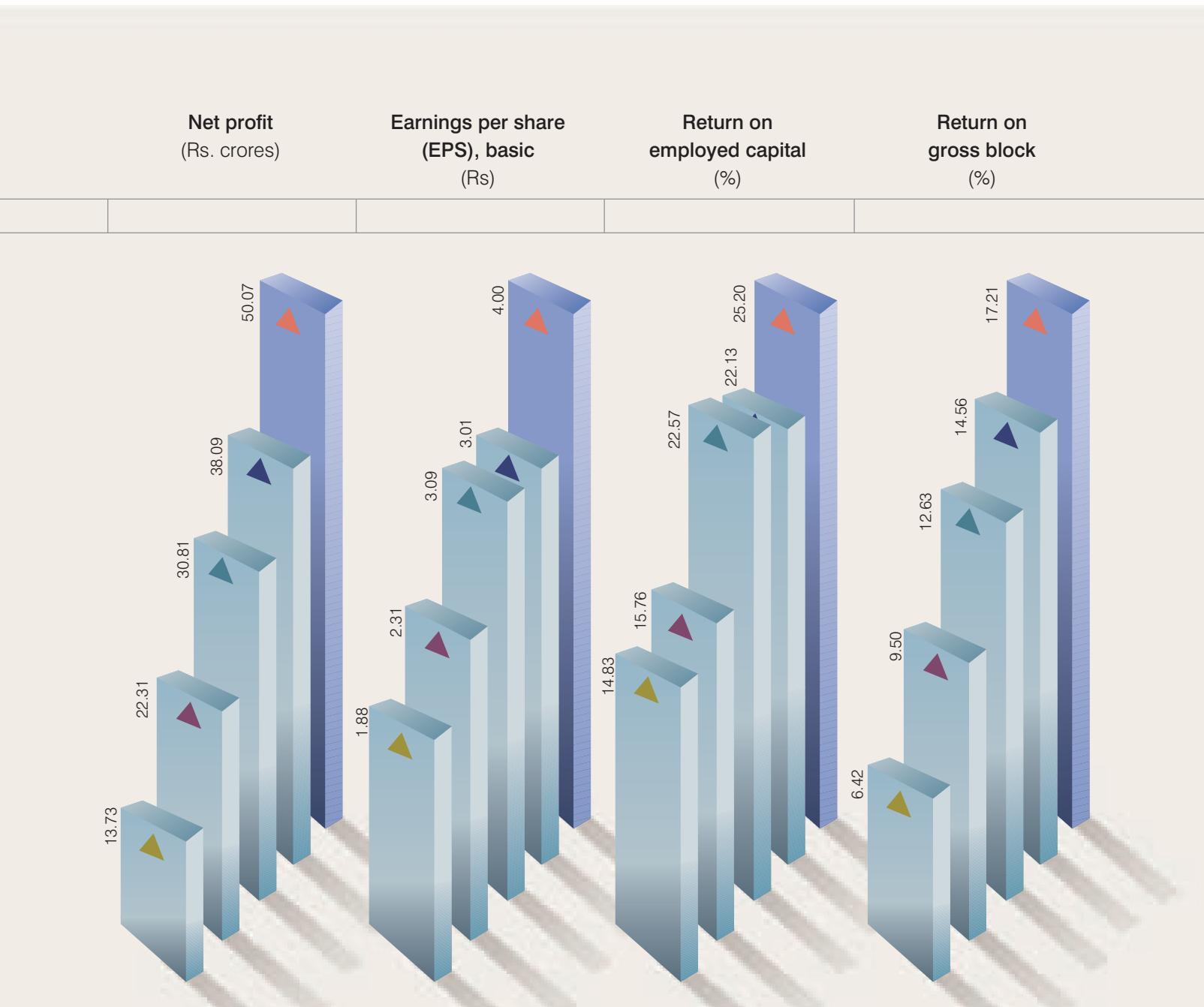
Earnings for
Rs. 5/- share

1.25

Dividend per
share (Rs.)

How Pennar made it possible.





Notes :

- 1) Figures for 2005-06, being for 16 months, have been annualised. Also non-recurring income of Rs. 23.36 crores has not been considered.
- 2) Figures for 2006-07, being for 8 months have been annualised.

“How Pennar will continue to make it possible: We expect to achieve Rs. 1,000-crores sales in FY'11. What we achieved in 32 years we now expect to replicate in just five.”

Dear Shareholders,

In my overview in last year's annual report, I indicated sweeping transformational initiatives at Pennar Industries.

I am happy to report that despite a challenging economy, Pennar Industries graduated to the next level and is poised to emerge as a leading engineering company.

The performance of 2009-10 is evidence.

- Consolidated turnover for the year was Rs. 890 crores
- Consolidated EBIDTA for the year was Rs. 112 crores
- Consolidated post-tax profit for the year was Rs. 50 crores
- Consolidated earnings per share for the year was Rs. 3.98
- Consolidated cash profit for the year was Rs. 76 crores
- Dividend payout was 25%, amounting to Rs. 1.25 per equity share (face value Rs. 5 per share)

Solid performance

During the year under review, Pennar stepped up its production volume by a significant 39%. However, as steel prices (our raw materials) dropped during the year, sales value increased by 18%. The increase in volume was achieved by capacity expansion at our Chennai and Patancheru plants.

Some of the salient features during the year were:

The pre-engineered building systems project, setup by it's subsidiary, Pennar Engineered Building Systems Limited (PEBS) was successfully completed. PEBS started commercial production in January 2010 and now provides turnkey engineered building solutions encompassing

design, component manufacture, procurement and site erection. A modern, state-of-the-art facility for the manufacture of building components was commissioned with equipment from the US, Europe, Korea and China. A technical collaboration with NCI Group Inc. helped the Company offer world-class, weather-proof buildings. Customers include L&T, Ultratech Cement, Dr. Reddy's Labs, Core Green, My Home Cements and a customer in Tanzania, Africa.

I am happy to inform you that in the very first three months of our production, the Company reported a net profit. The orders procured so far crossed Rs. 130 crores and the plant is running at good capacity. The Company intends to double capacity to 50,000 MT by January 2011.

The Company established a heavy-duty forming mill, one of the only two mills in the country to make profiles of 12 mm thickness and 1.5 m width. These profiles will be used as load bearing chassis members in the under carriage of railway wagons and will also enable productivity improvements in wagon assembly.

We commissioned India's first rotary compressor housing manufacturing line at our Isnapur plant.

Growing financial and operational metrics

We made a number of strategic and in-plant innovations to optimise costs.

- Increased our capacity utilisation
- Increased the proportion of value-added and margin accretive products in our product basket from 72% to 74%
- Reduced our term debt through

judicious cash management from Rs. 26.62 crores in FY'09 to Rs. 19.9 crores in FY'10 and cost of funds from 13.58% to 9.78%

- Maintained our debtors' cycle at 45 days even through challenging times
- Witnessed our return on capital employed, a critical profitability metric, jump 400 basis points to 26.13% in FY'10.
- Strengthened our market capitalisation from Rs. 275 crores on 1st April, 2009 to Rs. 454 crores on 31st March, 2010
- Received upgradation from CARE, the rating agency for long-term funds to A- (single A Minus) from BBB + (Triple B plus) and short-term funds to PR2+ (PR Two Plus) from PR 2 (PR Two)

Dividend

We stepped up our commitment to shareholders by proposing a total dividend of 25% and also by buying back some of the shares, thereby increasing shareholder value.

Corporate social responsibility

Your Company believes that it is important to be recognised in society as a good and impressive corporate citizen. I am glad to inform you that we made a beginning in this regard, supporting underprivileged villages in the areas of sanitation, drinking water and education.

Way ahead

Going forward, we expect to widen our pre-engineered buildings market by increasing our installed capacity and putting up a second beam line. We expect revenues from the subsidiary to be about Rs. 170 crores, during FY'11. We will offer Turnkey Green Building

Solutions to our customers.

Production at Chennai and Isnapur plants, where expansion is underway, will be stepped up for enhanced supply to railways, building and pollution control sectors.

We will leverage our engineering strengths and customer relationship to penetrate deeper into the precision engineering space (defence, aero space and nuclear power).

We expect over 20% growth during the current financial year resulting in the Company achieving a sales of Rs. 1,000 crores on a standalone basis and over Rs. 1,200 crores on a consolidated basis.

Closing thoughts

At Pennar, we are conscious of our objective to strengthen our financial performance. We will do this by increasing sales, adopting new technologies, developing new products, enriching the product mix, optimising production cost, upgrading our human resources and providing complete customer satisfaction.

At Pennar, we find ourselves at an interesting inflexion point: Go with the usual flow of growth or attempt the daring. We are opting for the latter. The result is that we expect to add Rs. 1,000 crores to our topline by 2016. This implies that we are planning to replicate what we achieved in 32 years in only five years. In doing so, we expect to enhance value in the hands of those who own shares in our Company.

Sincerely,

Nrupender Rao
Chairman

Suresh Joshi is proud to inaugurate his 40,000 sq. ft. factory in Wada Industrial Area on schedule.

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Pennar makes it possible.

Our clients demand highly cost-effective buildings that are completed in the fastest possible time frame.

Pennar makes it possible.

Pennar Engineered Building Systems Limited (PEBS), a subsidiary of Pennar Industries, manufactures and constructs pre-engineered buildings that are cost-effective and can be erected in a quarter of the time compared with conventional construction time frames.

PEBS goes beyond this to deliver outstanding customer and consumer value:

- Makes construction hassle-free. Provides turnkey solutions from design and manufacture to erection and commissioning
- Enhances structural quality. Collaborates with the world's largest pre-engineered buildings player (NCI Group, USA) to offer a state-of-the-art Double-Lok standing seam roofing system
- Customises building structures as per consumer needs. Works closely with reputed customers like Dr. Reddy's Laboratories, P&G, JSW Steel, Ultratech Cement, MyHome Cement and Nuziveedu Seeds, among several others
- Provides Green Building solutions and LEED® points under the globally accepted LEED® 2.0 rating system. PEBS Pennar is a member of the Indian Green Building Council

This is how the Company's credibility translated into value:

- The subsidiary turned profitable at the net level in its first three months of operation in FY'10.
- The subsidiary emerged as one of the largest Indian pre-engineered building players (capacity 30,000 MTPA, and implementing expansion to 50,000 MTPA).

This is what the subsidiary now expects going ahead: projected Rs. 170 crores in 2010-11.

Did you know?

The pre-engineered building sector represents a Rs. 5,000 crores opportunity in India with the sector growing at 20%.

