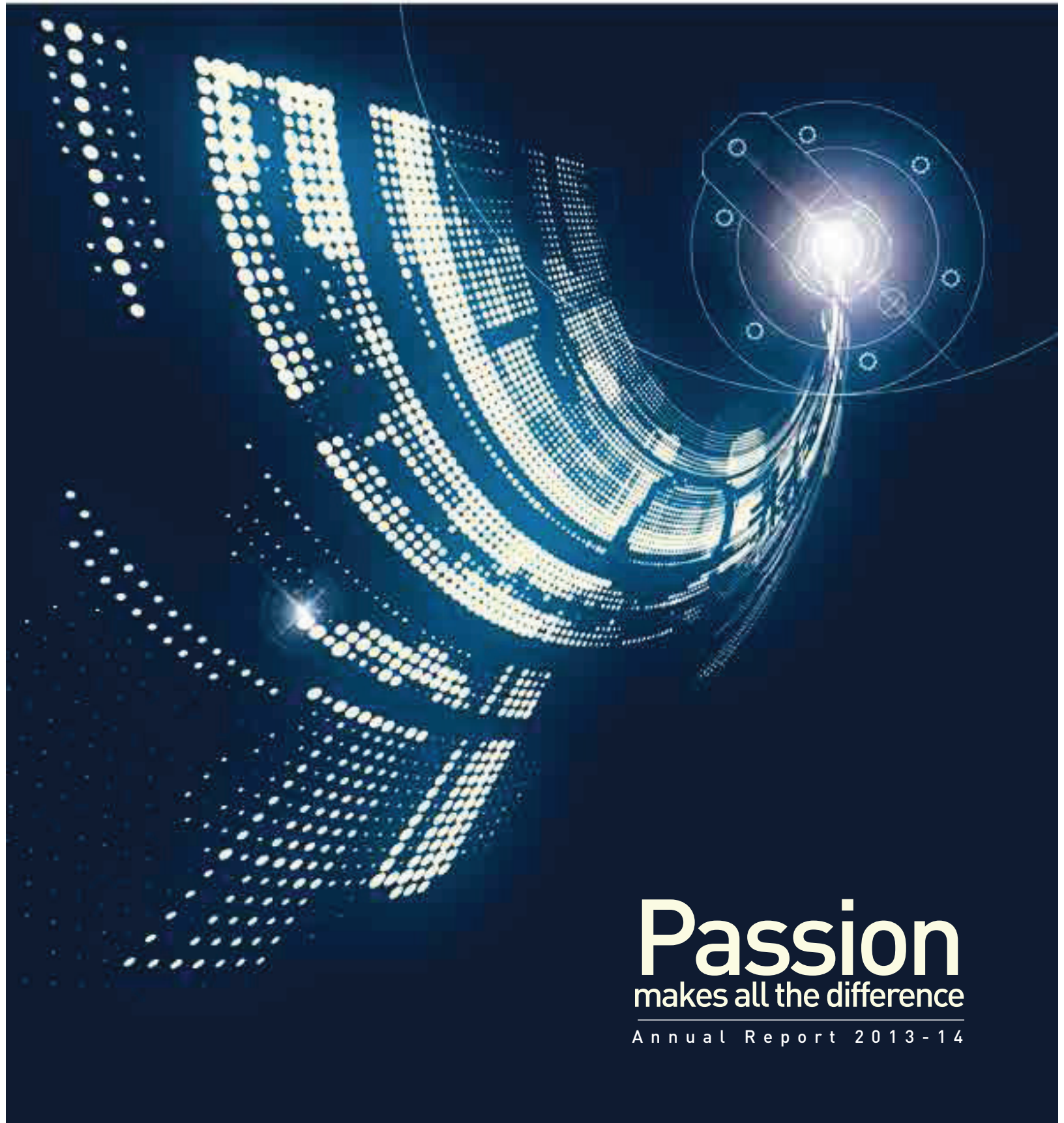


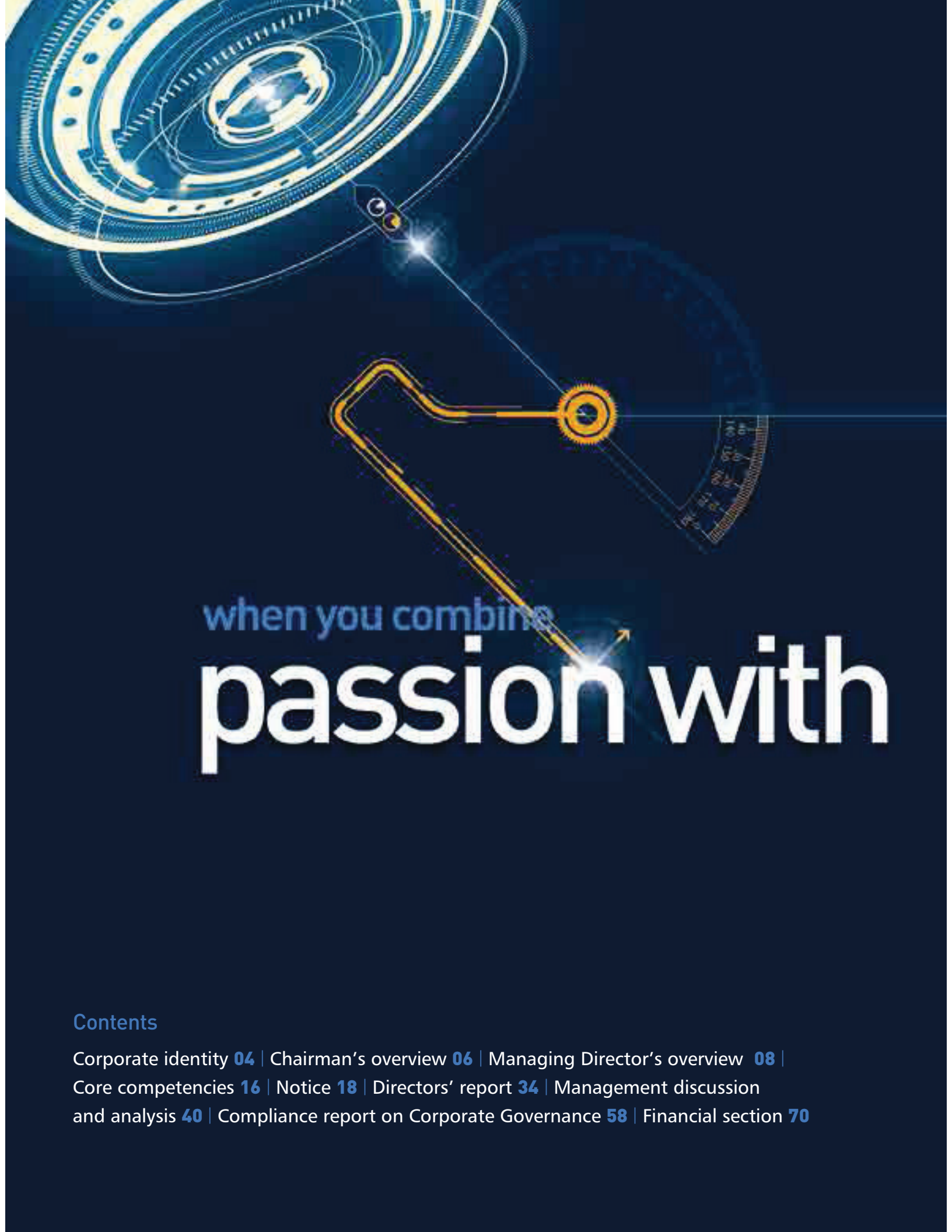


PENNAR INDUSTRIES LIMITED



Passion
makes all the difference

Annual Report 2013-14



when you combine
passion with

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engineering...

The business of Pennar Industries Limited rides the growth of prominent national sectors like railways, power, logistics and water treatment.

During a weak 2013-14, these sectors reported a slowdown, which inevitably translated into slower growth at Pennar Industries.

And yet, Pennar Industries reported an EBIDTA margin of 7.2 per cent, a cash profit of ₹27.86 crore and a receivables cycle of no more than 89 days of its turnover equivalent.

Passion made all the difference.



PASSION MAKES THE DIFFERENCE



passion is...

When you can
reconcile such disparate
corporate identities of
one manufacturing a
handful of products with
one that is opportunity-
seeking.

When you are
engaged in a thin-
margin sector and
yet graduate into
value-added niches.

When the broad
industry is focusing
on survival and you
prioritise continuous
transformation
instead.

When you could
play safe within
existing businesses
and yet ensure that
sunrise sectors
account for 50
per cent for your
revenues.

When you have
the option to focus
on steel products
and yet evolve into
an engineering
enterprise.

When peer companies
stay safely close to the
knitting and you grow
from one business to four
in four years.

Surplus: Our operations generated a cash profit of ₹27.86 crore at a time of general economic weakness in 2013-14

Indebtedness: Our business repaid ₹25 crore of debt even as peers consumed more cash to run their businesses

passion is...
...courage in crisis and
grace under pressure

Growth: Our Pennar Enviro business grew by 182 per cent, tubes business by 32 per cent and PEBS by 28 per cent in a challenging year

Liquidity: Our Balance Sheet remained largely protected with a gearing of 0.15 during a cash-stressed 2013-14



PASSION MAKES THE DIFFERENCE

Pennar Industries is three companies in one.
Competently positioned to address
increasing infrastructure investments with
a growth in revenues, profits and margins.
Leading to prospects of profitable
sustainable growth.

Parentage

Pennar Industries Limited is a prominent three decade old engineering enterprise respected for its expertise in best-in-class products and services. The Company commissioned its first manufacturing plant at Isnapur (near Hyderabad) in 1988 with an installed capacity to manufacture of 30,000 MTPA of cold-rolled steel strips. Headquartered in Hyderabad, Pennar Industries enjoys a pan-India manufacturing presence with six facilities across the country.

Products

Pennar is a multi-location, multi-product organisation (300,000 MTPA) manufacturing precision engineering products like cold-rolled steel strips, precision tubes, railway wagons/coaches, pre-engineered building systems, sheet metal components, road safety systems, hydraulics and warehousing solutions.

The Company's products service growing needs of downstream sectors like infrastructure, automobiles, power, general engineering and construction among others. The Company doesn't just offer products to customers but turnkey engineering solutions.

Subsidiaries

In addition to its core business, Pennar has created two subsidiaries.

Pennar Engineered Building Systems is engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and building components.

Pennar Enviro Limited operates in the field of fuel additives, water treatment chemicals and water treatment EPC services.

Pride

Pennar Industries is an ISO 9001:2008 and ISO/TS 16949:2008 certified company.

Plant locations

Patancheru,
Hyderabad

Chennai,
Tamil Nadu

Isnapur,
Hyderabad

Tarapur,
Maharashtra

Mallapur,
Hyderabad

Sadasivpet,
Telangana



Chairman's overview

Dear Shareholders,
THE FINANCIAL YEAR OF 2013-14 WAS ONE OF THE MOST CHALLENGING ENCOUNTERED BY YOUR COMPANY IN YEARS.

The country's manufacturing sector was constrained by expansion challenges, high resource costs, economic slowdown and inadequate infrastructure creation. The automotive and infrastructure sectors, core to the country's manufacturing demand, experienced a demand contraction, coupled with inadequate capacity expansion, economic stagnation, weak customer confidence, persistent inflation and currency volatility.

The fact that your Company demonstrated a relative resistance to the sectoral trough and a tendency to rebound faster during periods of recovery, is an index of its deep competitiveness. In doing so, Pennar Industries reported a gross turnover of ₹851.7 crore in FY 14, outperforming the country's manufacturing sector.

The core reason for Pennar's outperformance was its sustained emphasis in transitioning from a fabrication outfit into an engineering

organisation. During the slowdown, the Company was faced with the prospect of staggering investments, lying low and waiting for the storm to blow over. On the contrary, Pennar diversified its product range within each segment, increasing its addressable market. The Company introduced products like hydraulic cylinders and pressed components for export as well as CDW tubes and fabricated products. The widened product mix helped extend the Company's risk profile and cushion it against the full brunt of the slowdown.

And nowhere was the Company's counter-cyclical positioning better reflected than in the performance of its subsidiary Pennar Engineered Building Systems Limited, now one of the leading pre-engineering building solutions players in India. PEBSL built a strong order book including significant repeat orders from existing customers, showcasing deep customer trust. This trust translated into a superior

Pennar diversified its product range within each segment, increasing its addressable market.



performance: the subsidiary recorded sales worth ₹417.2 crore during the year under review, a 28% growth over the previous year; PEBSL recorded a PBIDT of ₹37.14 crore and a post-tax profit of ₹18.3 crore over the previous year, accounting for 5 per cent of the Company's bottomline. As on March 31, 2014, PEBSL enjoyed an order book of ₹325 crore, indicating attractive revenue visibility and prospects of robust growth ahead.

Pennar Industries widened its business mix through a growing presence in futuristic sunrise businesses. For instance, Pennar's new subsidiary Pennar Enviro Ltd. is engaged in water and waste water treatment projects, fuel additives and water treatment chemicals. The competitive positioning of the subsidiary is reflected in its robust order book from reputed customers (L&T, JSW, SLN Coffee, NSL Group and Kohinoor Group), which should translate into a significant sales improvement in FY15.

Even as the year under review was challenging, the outlook for the Indian economy appears encouraging. The 2014 elections brought about a breath of fresh air to the Indian mood, mindset and economy.

The new government has promised to make significant changes to rebuild the Indian economy, outlining a wider vision for various sectors which should translate into higher investments and quicker projects execution. The result is that India's forex reserves increased significantly following the elections, indicating enhanced confidence from foreign investors, while the IMF projected that India's GDP growth could rebound from 4.7% to 5.4% in FY 15.

The optimism is expected to translate into optimistic realities for various downstream sectors addressed by your Company's businesses. For instance, the Indian Government outlined significant investments in the country's railways sector, sanctioning a higher Plan outlay of ₹65,445 crore with a budgetary support of ₹30,100 crore.

With the feel good factor and renewed confidence of the manufacturing sector, the economy is expected to revert to its erstwhile growth rate. Your Company plans to strengthen its performance in the current year through fresh product development and wider application of existing products, the combination of both translating into higher profits.

I thank the shareholders for their commitment and promise that your Company shall remain committed to enhance excellence and fortify customer relationships, translating into enhanced value in the hands of all those who hold a stake in the Company.

With best wishes,

Nrupender Rao
Chairman



PASSION MAKES THE DIFFERENCE



Managing Director's overview

Dear stakeholders,
PENNAR INDUSTRIES LIMITED
IS ONE OF INDIA'S LARGEST
PROVIDERS OF VALUE-ADDED
ENGINEERED PRODUCTS AND
SERVICES.

OVER the past 35 years, the Company has evolved into a major engineering solutions provider to demanding customers from the infrastructure, automotive, railways and general engineering sectors.

This report gives me the opportunity to present our recent performance, revenue and profitability. More importantly, the report provides me with the opportunity to acquaint you with our strategy to emerge as a strong engineering company with a widening footprint (pan-India and global) and a billion dollars in revenues over the next few years.

2013-14 overview

Pennar Industries offers products and solutions through four strategic business units (SBUs) and two subsidiaries.

The four SBUs of the Company comprise:

Systems and Projects
Industrial Components
Precision Tubes
Steel Products

The two subsidiaries of the Company comprise:

Pennar Engineered Building Systems Limited
Pennar Enviro Limited