

SIXTH ANNUAL REPORT

1998-99



Certified Copy

FOR: SURAJ STAINLESS LIMITED

A handwritten signature in black ink, appearing to be 'A. S. M.', written over the printed name of the director.

DIRECTOR

SURAJ STAINLESS LIMITED

SURAJ STAINLESS LIMITED.

(Formerly Known as Suraj Finsec Limited)

SIXTH ANNUAL REPORT

BOARD OF DIRECTORS : MR. ASHOK T. SHAH (CHAIRMAN & MANAGING DIRECTOR)
MR. DINESH S. SHAH (DIRECTOR)
MR. GUNVANT T. SHAH (DIRECTOR)
MR. KUNAL T. SHAH (WHOLETIME DIRECTOR)

REGD. : 6TH FLOOR, KALPANA COMPLEX,
NR. MEMNAGAR FIRE STATION,
NAVRANGPURA, AHMEDABAD - 380 009.

AUDITORS : PIPARA & COMPANY
104, N. R. HOUSE,
ASHRAM ROAD,
AHMEDABAD - 380 009.

**CONSULTING
COMPANY SECRETARY** : PANKAJ K. SHAH ASSOCIATES
701, "NIRMAN",
B/H. NAVRANGPURA BUS STOP,
AHMEDABAD.

BANKERS : 1. PUNJAB NATIONAL BANK
2. THE MADHAVPURA MERCANTILE CO-OP. BANK LTD.

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NOTICE TO THE MEMBERS

NOTICE is hereby given that the **SIXTH ANNUAL GENERAL MEETING** of the Members of **SURAJ STAINLESS LIMITED** will be held on Thursday, the 30th September, 1999 at 3:00 p. m. at the Registered Office situated at 6th Floor, Kalpana Complex, Nr. Memnagar Fire Station, Ahmedabad - 380 009 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended on 31st March, 1999, Balance Sheet as on that date, Directors' Report and the Auditors' Report thereon,
2. To appoint Director in place of Mr. Gunvantbhai T. Shah who retires by rotation and being eligible, offers himself for reappointment,
3. To appoint Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as may be applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered as follows :

Following Article shall be inserted as Article 23A of the Articles of Association and shall read as follows :

BUY BACK OF SECURITIES :

"Notwithstanding anything contained in these Articles, the Company shall be entitled to purchase or buy back the equity shares and other securities issued by the Company (hereinafter referred to as the "Securities") from the holders thereof (including employees of the Company) from the open market or otherwise and in market lots or lots smaller than market lots, from the free reserves of the Company and/or from the proceeds of any issue made by the Company specially for the purpose, and/or from such other sources as may be permitted by law, on such terms, conditions and in such manner as may be permitted by law from time to time."

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

"RESOLVED THAT subject to the applicable provisions of the Companies Act, 1956, (including any statutory modification or reenactment thereof and any ordinance promulgated in this regard for the time being in force and as may be enacted / promulgated from time to time) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board") consent of the Company be and is hereby accorded to the Board to purchase or buy-back the equity shares and other securities issued by the Company (hereinafter referred to as the "Securities") from the holders thereof (including employees of the Company) from the open market or otherwise and in market lots or lots smaller than market lots, from the free reserves of the Company and/or from the proceeds of any issue made by the Company specifically for law, on such terms, conditions and in such manner as may be statutorily prescribed by law from time to time, provided that the aggregate of the Securities so purchased or bought back shall not exceed such limit, if any, that may be prescribed in this respect.

AND RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper."

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

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the company be and are hereby altered as under :

After Article 77, a new Article 77A be inserted as under :

"Nomination 77A Notwithstanding anything stated in Article 77 a holder of joint holders of shares or debentures, may nominate, in accordance with the provisions of Section 109A of the Companies Act, 1956 and/or any amendments and/or modification that may be made by the Central Government in that behalf from time to time and in the manner prescribed thereunder, a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of such holder/s. Any nominations so made shall be dealt with by the company in accordance with the provisions of Section 109B of the Companies Act, 1956 and/or any amendments and/or modification that may be made by the Central Government in that behalf from time to time."

BY ORDER OF THE BOARD

DATE : 31.8.99.

PLACE : Ahmedabad.

CHAIRMAN

NOTES :

- a) A Member is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself and a proxy need not be a Member. The instrument appointing a proxy shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the meeting.
- b) The Register of Members and the Share Transfer Books of the Company will remain closed from 30.9.99 to 11.10.99 (both days inclusive).
- c) The Members are requested to notify any change in their address to the Company quoting their folio number at earliest to avoid inconvenience at a later stage.
- d) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting, therefore, Members are requested to bring their copies of Annual Report to the Meeting.
- e) Shareholders seeking any information with regards to accounts are requested to write to the Company latest by 15th September, 1999 so as to enable the management to keep the information ready.
- f) Explanatory Statement pursuant to section 173 for Special Business is given as an annexure.

EXPLANATORY STATEMENT PURSUANT TO SECTION - 173 OF THE COMPANIES ACT, 1956.

ITEM NO. 4

The Government has promulgated an Ordinance permitting Companies to buy back their own shares. The provisions of the Act have also been amended to allow such buy back. It is proposed to introduce a new Article 23A in the Articles of Association as set out at Item No. 4 to enable the Company to purchase its own share or securities as proposed in Item No. 4.

ITEM NO. 5

The Ordinance permitting Corporates to buy back their own shares has already been promulgated by the Government. The provisions of the Companies Act, 1956 (the "Act") have also been amended to allow such buy back. It is therefore proposed that subject to the provisions of the Act, the Company may buy back such number of shares but not exceeding 25 % of the total shares issued by the Company which carry voting powers as may be permitted by law. The aforesaid buy back would be made from the then existing shareholders on a proportionate basis and/or from the open market and/or from the lots which may be smaller than market lots of the shares (i.e. odd lots) and/or through negotiation or other arrangement as may be permitted by law.

The proposed buy back of shares as aforesaid would involve investing funds of the Company which shall be met out of the free reserves and/or from such other sources as may be permitted by law. Further, the shares so bought back shall be dealt with as per the then prevailing law/regulations.

The Board of Directors of the Company is of the opinion that such buy back of shares will be in the interest of the Company.

The resolution is an enabling provision aimed at facilitating the Company to buy back its shares to the extent legally permissible.

The Directors recommend the resolution for approval of the Shareholders.

Except as shareholders of the Company, none of the Directors of the Company is in anyway, concerned or interested in this item of business.

ITEM NO. 6

The Companies (Amendment) Act, 1999 has, inserted Sections 109A & 109B with effect from 31.10.1998 whereby a holder of joint holders of shares can nominate a person to whom all the rights in the shares or debentures of a company shall vest in the event of the death of such holder/s.

Such a nominee can elect either to be registered himself as the holder of the shares or debentures or make such transfer of the shares or debentures as the deceased holder/s of shares or debentures could have made. It is, therefore, proposed to incorporate a new Article in the Articles of Association of the company providing for nomination facility and transmission of shares in accordance with the provisions of Section 109A and 109B of the Companies Act, 1956 and/or any amendments and/or modification that may be made by the Central Government in that behalf from time to time.

Members approval is required u/s. 31 of the Companies Act, 1956 for the proposed amendment of Articles of Association.

A copy of the Articles of Association of the company together with proposed amendment is available for inspection of the members at the Registered Office of the company between 10.00 a.m. to 1.00 p.m. on any working day of the company upto the date of the meeting.

Directors recommend this resolution for members approval.

None of the Directors of the company is intrested in the said resolution.

BY ORDER OF THE BOARD

DATE : 31.8.99.

PLACE : Ahmedabad.

CHAIRMAN



DIRECTORS' REPORT

To :

THE MEMBERS,
Suraj Stainless Limited
 (Formerly Suraj Finsec Limited)

The Board of Directors have pleasure in presenting the Sixth Annual Report together with Audited Accounts for the period ended 31st March, 1999.

FINANCIAL RESULTS :

The Financial Results of the Company for the year is as under :

	(Rs.in lacs)	
	1998-1999	1997-1998
Total Sales & Other Income	1576.15	37.92
Interest	107.80	2.19
Depreciation	64.50	6.34
Taxation	0.26	4.08
Profit after Taxation	2.17	4.16
Balance available for Appropriation	2.17	4.16
APPROPRIATION :		
Statutory reserve	—	0.83
General reserve	—	0.83
Profit & Loss A/C	2.17	2.50
	<u>2.17</u>	<u>4.16</u>
	=====	=====

The Statement showing projections v/s performance under clause 43 of the listing agreement is as under :

	(Rs.in lacs)	
	Projection	Performance
Total Income	604.54	1576.15
Profit before Depreciation	496.60	66.93
Depreciation	148.59	64.50
Profit before Taxation	348.01	2.43
Profit after Taxation	348.01	2.17

Since the actual performance is for the Amalgamated company, after considering the effect of amalgamation, the figures of projection and performance are not comparable.

REVIEW OF OPEARTION :

During the year under review, the company had carried out a very little activity of financial sector, as the process of Amalgamation of group company with the company was under progress.

Accordingly, the working result for the current year shown above are mostly for the manufacturing activities resulted from the Amalgamating Company and therefore the figures of corresponding period of previous year are not comparable.

Looking to the industrial sluggishness and other economical condition of the country, the working results of the company is considered satisfactory.

DIVIDEND :

In view of negligible profit and to conserve the resources for the long term working capital requirement, the Directors do not recommend any dividend for the year under review.

CHANGE OF NAME :

After Amalgamation of Suraj Stainless Ltd. with your company, your company has changed the name of the company from Suraj Finsec Limited to Suraj Stainless Limited after complying the necessary formalities of change of name with the office of Registrar of Company, Gujarat. A certificate to this effect has been issued by the Registrar of Companies, Gujarat on 24/08/99.

CAPITAL :

Pursuant to the Scheme of Amalgamation, the company has on 29th April, 1999 allotted 800 Equity Shares of Rs. 10/- each fully paid up to the erstwhile shareholders of Suraj Stainlees Ltd.. As a result, the paid up share capital of the company stands increased from the existing Rs. 515.39 Lacs to 515.47 Lacs.

AMALGAMATION OF SURAJ STAINLESS LTD., WITH THE COMPANY :

The shareholder of the company, at the court convened meeting held on 28th November, 1998 had subject to the approval of financial institutions passed the resolution approving the scheme of Amalgamation of Suraj Stainless Ltd. with the company effective from 1st April, 1998. The said scheme inter alia provided that 1 equity share of the company would be issued for every 1 equity share of Suraj Stainless Ltd.. After, obtaining necessary approvals from financial institutions, bank and other Government authorities, the honourable high court of Gujarat has approved the Scheme of Amalgamation vide its order dated 28/04/99.

Suraj Stainless Ltd. has been merged with the company with effect from 01/04/98 and the financial result of the company for the year ended 31/03/99 incorporates the working results of the transferor company for the corresponding period.

CONSERVATION OF ENERGY ETC :

The particulars regarding the Conservation of Energy & Technology Absorption & Foreign Exchange Earnings & Outgo are given in Annexure - I annexed to this report.

DIRECTORS :

Mr. Gunvant T. Shah retire by rotation and being eligible for reappointment, offer himself for reappointment.

PARTICULARS OF EMPLOYEES :

There are no employees drawing remuneration in excess of the ceiling prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS :

M/s. Pipara & Co., Chartered Accountants, Ahmedabad retires at the ensuing Annual General Meeting and being eligible, the Board request to reappoint them as Auditors from the conclusion of this Annual General Meeting to the next Annual General Meeting.

AUDITORS' REPORT :

The comments in the Auditors' Report read with Notes to the Accounts in Schedule are self explanatory and do not call for further explanation.

LISTING OF THE COMPANY'S EQUITY SHARES

The Equity Shares of your Company continue to be listed during the year under review at the Ahmedabad and Mumbai Stock Exchanges. The Company has paid the annual listing fees for the financial year 1999 - 2000 to these Stock Exchanges.

PERFORMANCE OF SUBSIDIARY :

The Audited Statement of Accounts of Company's subsidiary, together with the Directors' report and Auditors' Report for the year ended 31/03/99 as required u/s. 212 of the Companies Act, 1956 are attached.

Y2K COMPLIANCE :

Your company has taken effective steps to deal with the year 2000 (Y2K) related issues. Most of the information technology systems and other equipments in the company's offices and operating units are Y2K compliant. There is a contingency plan to take care of any break down or failure in the future. Hence the directors do not foresee any risk in this regards. The expenditure to ensure Y2K compliance is not significant.

ACKNOWLEDGEMENTS :

Your Directors wish to place on record their appreciation for whole hearted Co-operation received from Financial Institution, Bankers and Employees of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS

Date : 31.8.99.

Place : Ahmedabad.

CHAIRMAN

ANNEXURE I**A. Conservation of Energy :**

Energy conservation measures taken by the Company mainly include selection & installation of energy efficient equipments and energy saving devices. The impact of measures on the cost of production is not precisely ascertainable. (As per Form - "A" below.)

B. Technology Absorption :

- a) Research & Development : The Company has not so far formally established Research & Development wing.
- b) Technology absorption, adaptation & innovation : The Company has not imported any technology.
- c) Foreign Exchange earnings and outgo :

- 1. Foreign Exchange earnings (Goods Exported) : FOB Rs. 25,56,840/-.
- 2. Foreign Exchange Outgo (Materials Import) : CIF Rs. 274,68,825/-.

AUDITOR'S REPORT

To,
The Shareholders of,
SURAJ STAINLESS LIMITED
(Formerly Suraj Finsec Limited) Ahmedabad.

We have audited the attached Balance Sheet of SURAJ STAINLESS LIMITED (Formerly Suraj Finsec Limited) as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date annexed thereto and report that :-

- 1 As required by the manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said order.
- 2 Further to our comments in the annexure referred to in Paragraph 1 above, we report that:-
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts, as required by Law, have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet and the Profit & Loss Account dealt with by this Report are in agreement with the books of accounts of the Company.
 - d) In our opinion, Balance sheet and Profit & Loss Account of the company comply with the Accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
3. In our opinion and to the best of our information and explanations given to us, the said accounts read together with the notes given in Schedule give the information required by the Companies Act, 1956 in the manner required and give a true and fair view :-
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999, and;
 - ii) In the case of the Profit & Loss Account of the PROFIT of the Company for the year ended on 31st March, 1999.

For PIPARA & COMPANY,
CHARTERED ACCOUNTANTS.

PLACE: AHMEDABAD.

DATED: 31st AUGUST, 1999

(G.C. PIPARA)
PARTNER

ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 1 of our report of even date on the accounts of SURAJ STAINLESS LIMITED (Formerly Suraj Finsec Limited) for the year ended 31st March, 1999.

- 1) According to the information and explanation given to us by the management, the company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. However, we can not verify it as the same records were in the process of updation. The fixed assets have been physically verified by the management in accordance with a phased programme of verification adopted by the company and no material discrepancies have been noticed on verification. In our opinion the frequency of verification is reasonable.
- 2) The company has not revalued any of its fixed assets during the year.
- 3) According to the information & explanations given to us by the management, the physical verification has been conducted by the management at reasonable intervals in respect of finished goods, Stores, Spares and Raw Materials and no material discrepancies have been noticed on such physical verification of Stocks as compared to the book records. However, no evidences for such physical verification has been produced before us.
- 4) Subject to our observation at point 3 above, the procedures for physical verification of Stocks followed