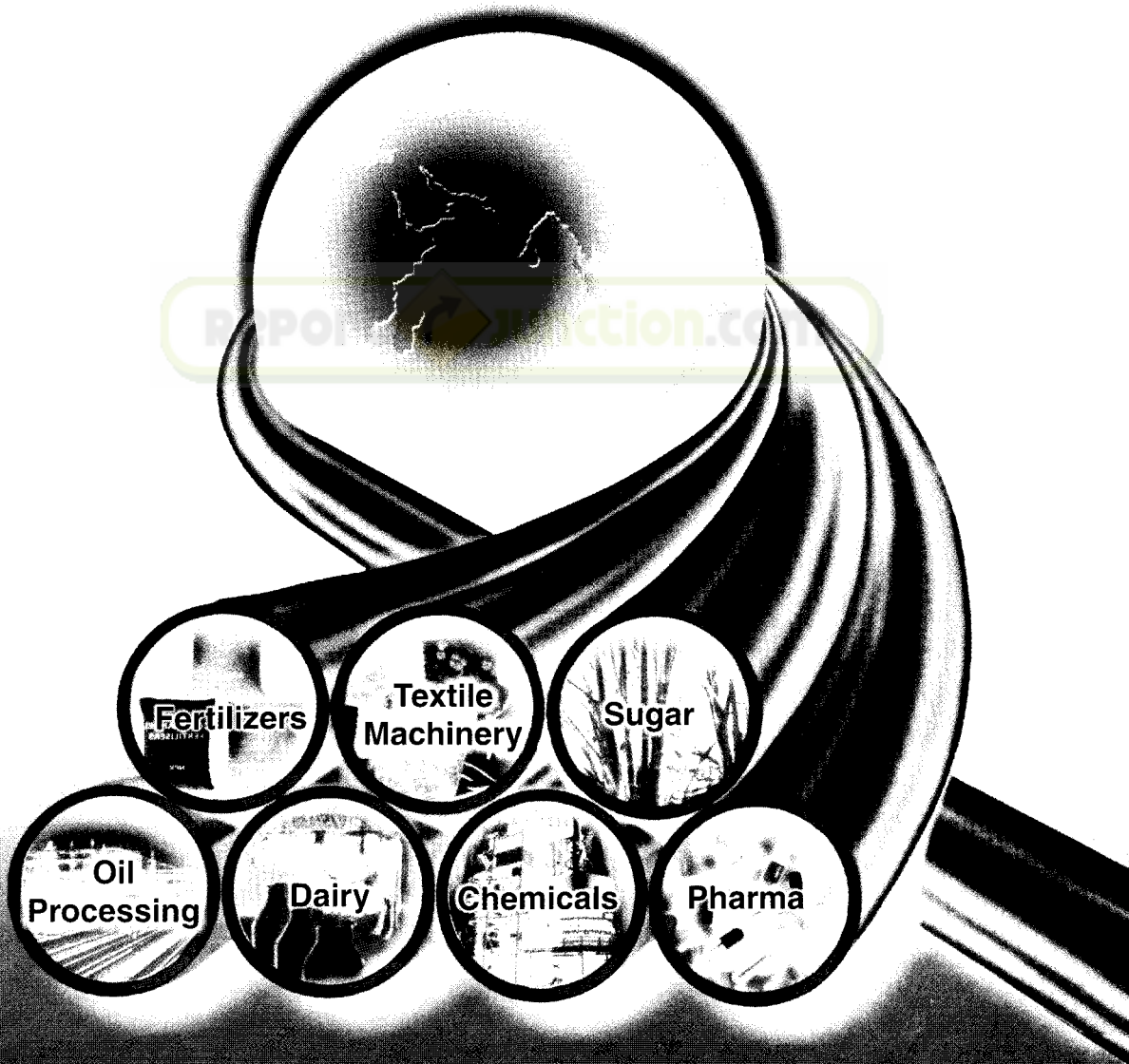


SURAJ STAINLESS LTD.

AN ISO 9001-2000, PED APPROVED & GOVT. RECOGNIZED EXPORT HOUSE



Progress Through Co-operation

www.reportsfunction.com



***We pay our respectful Homage to our Founder Chairman
-Late Shri Tarachand Bhalaji Shah***

- ✧ A noble and selfless social worker
- ✧ A helpful hand to common people
- ✧ A good man with "Let go nature" for everybody
- ✧ A valuable guider to his followers, how to behave and serve with others and live in the changed circumstances.
- ✧ A great creator of Suraj Stainless, a rising and golden company of International reput and one of the leading producers and exporters of stainless steel tubes and pipes with Internationally approved quality.
- ✧ A gentleman who created employment and feed more than 1000 families

Because of our founder's initiative and establishing a small trading house long ago, we have had an occasion to start a golden company and make our future very comfortable.

We, at Suraj Stainless will definitely follow his path, vision, mission, spirit and ideals.

CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders

I have the pleasure in conveying you the further improvement in working results of your Company during the financial year 2005-2006. The detailed working results and other improvements, which your company achieved during the financial year is highlighted in Directors' Report and also in this Annual Report. I am sure, you will be proud with The Company's achievement within a short span.

The Company's efforts to increase their export performance received good results. At the end of the financial year, the company have Overseas customers from more than 60 countries in all five continents.

Your Company has posted a very good¹ performance by achieving a gross sales of Rs 116. 93 crores with an increase of 16% achieved in last financial year. This is a remarkable achievement of your Company because the Company has secured many prestigious overseas orders against our competitors from other countries.

I take this opportunity to inform you that we have enhanced our production capacity by starting a second manufacturing unit exclusively for the production of seamless tubes and pipes. The commercial production in our second plant is already started and this enhancement of our production capacity is one of the main reasons for achieving our good performance during the financial year ended 31st March 2006. Our ability to deliver the world class quality material as per the customers quality requirement is another reason for the improved working results.

Your Company have an ambitious plan to install a Mother pipe plant by this year end, to produce the raw material in-house itself for the production of seamless pipes and tubes. With commissioning of this additional facility, we are sure there will be further boost to our present production capacity, thereby yearly turnover and profit. All these will be possible only with your co-operation and assistance. Let us hope our efforts will meet with good result the periods to come.

I wish to take this occasion to place on record, my personal appreciation for the faith accorded to The Company by the Shareholders.

Ashok Shah
Chairman & CEO



*Great minds discuss ideas;
Average minds discuss events;
Small minds discuss people.*

Guntant Shah
Vice-Chairman

reportjunction.com

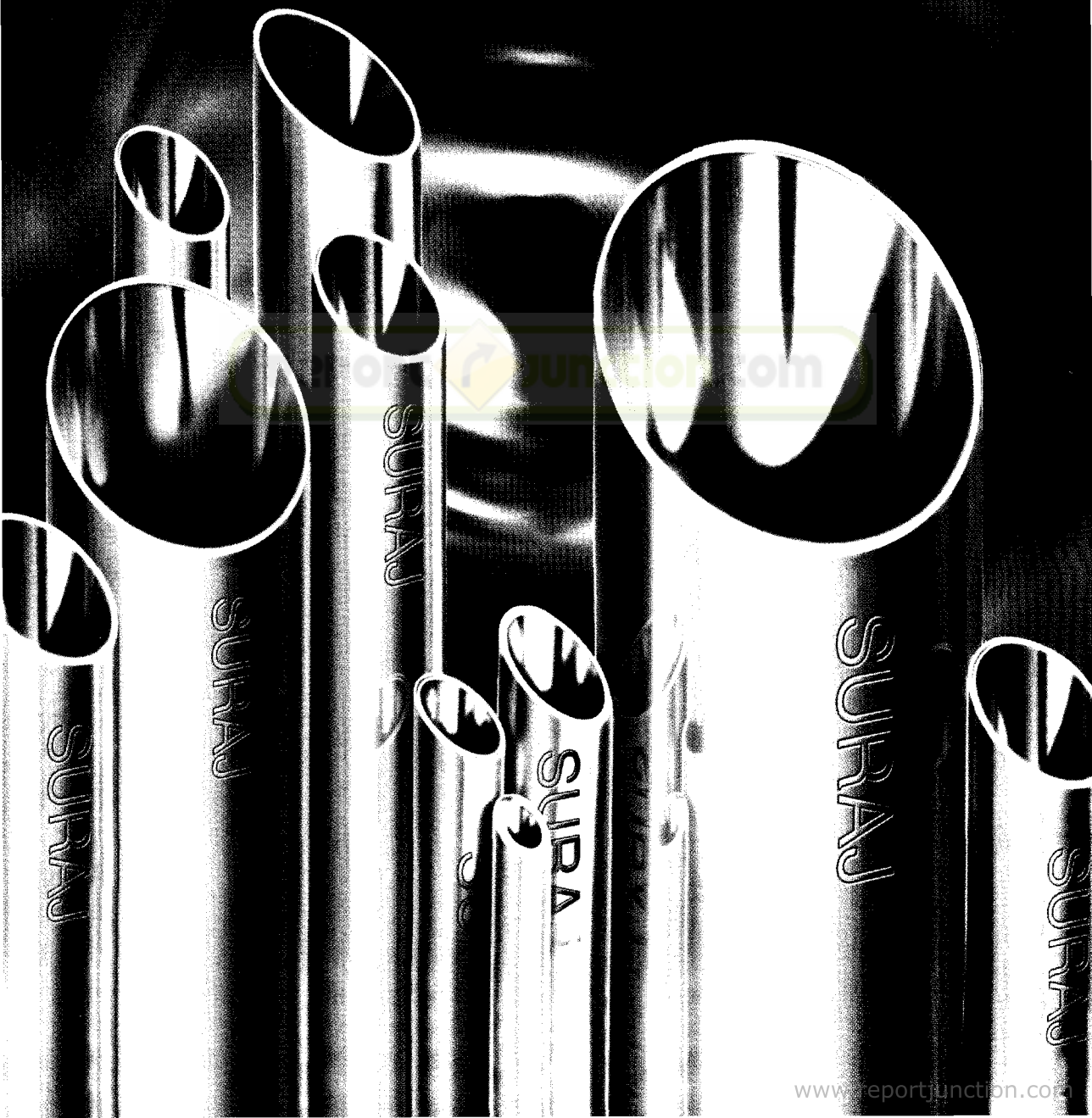


*"Dream anything that you want to dream,
that is the beauty of the human mind"
Do anything that you want to do,
that is the strength to the human will"
Trust yourself, test your limits,
that is the courage to succeed."*

Kunal Shah
Managing Director

Expanding by new establishment of “SURAJ HOUSE”





SURAJ

STAINLESS LIMITED

(AN ISO - 9001 & A Govt. Recognised Export House)

Manufacturer, Exporter of Stainless Steel Seamless & Welded Pipes, Tubes and 'U' Tubes

Our product is manufactured and tested to international standards, under the supervision of qualified and experienced technocrats and quality is certified, Approved ISO 9001-2000, AD 2000 MERKBLATT W0, and PRESSURE EQUIPMENT DIRECTIVE 97/23/EC our product is certified as per 3.1.A, 3.1.B, 3.1.C, and also available with the inspection of Sixteen internationally renowned inspection agency.

13th Annual Report 2005-2006

BOARD OF DIRECTORS : SHRI ASHOK T. SHAH (Chairman & C.E.O.)
SHRI GUNVANT T. SHAH (Vice Chairman & Wholetime Director)
SHRI KUNAL T. SHAH (Managing Director)
SHRI DIPAK H. SHAH (Non-Executive Director)
SHRI KETAN R. SHAH (Non-Executive Director)
SHRI MAHESH V. PARIKH (Non-Executive Director)

REGISTERED OFFICE : SURAJ HOUSE, OPP. USMANPURA GARDEN,
USMANPURA, AHMEDABAD - 380 014.

WORKS : SURVEY NO. 779/A, THOL, KADI - SANAND HIGHWAY,
TAL. - KADI, DIST. MEHSANA.

AUDITORS : PANKAJ K. SHAH ASSOCIATES
CHARTERED ACCOUNTANTS
701-A, "NIRMAN", B/H. NAVRANGPURA BUS STOP,
AHMEDABAD.

BANK : PUNJAB NATIONAL BANK
SEVEN YEARS AT AGLANCE

CONTENTS : NOTICE
DIRECTOR'S REPORT
CORPORATE GOVERNANCE
AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE
AUDITOR'S REPORT
BALANCE SHEET
PROFIT & LOSS ACCOUNTS
SCHEDULES TO BALANCE SHEET
NOTES TO ACCOUNTS
BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS
CASH FLOW STATEMENT

8 YEARS' FINANCIAL PERFORMANCE

(Rs. In Lacs)

Operating Results	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Sales & Other Income	11693.12	10034.56	7073.87	4844.95	2839.47	2357.93	2343.34	1373.73
Interest cost	195.56	127.50	112.89	112.02	138.55	167.06	137.05	113.33
Cash Earnings	599.67	441.08	282.91	212.31	152.47	136.91	104.15	66.93
Depreciation	138.68	127.64	115.82	96.52	90.17	81.26	71.60	59.37
Profit before taxes	460.99	313.44	167.10	115.79	62.30	55.65	32.55	7.56
Net Profit after taxes	295.89	192.31	105.95	68.12	40.54	53.96	28.55	7.30
Financial Position								
Share Capital	515.47	515.47	515.47	515.47	515.47	515.47	515.47	515.47
Reserves	942.45	726.49	592.96	487.01	418.89	315.34	261.37	232.82
Net Worth	1457.92	1241.96	1108.43	1002.48	934.36	830.81	776.84	748.29
Borrowings	3865.09	1595.90	681.87	701.85	826.93	921.84	721.87	643.76
Deferred Tax Liabilities	135.95	1.35	5.45	0.00	0.00	0.00	0.00	0.00
Total Funds	5458.96	2839.23	1795.75	1704.33	1761.29	1752.65	1498.71	1392.05
Assets								
Fixed Assets : Gross	4031.95	1673.53	1395.48	1121.52	1045.84	988.12	862.62	775.29
: Net	3186.49	966.47	814.21	656.07	672.94	703.64	659.40	643.67
Deferred Tax Assets	0.00	0.00	0.00	1.63	45.43	0.00	0.00	0.00
Total Assets	5458.96	2839.23	1795.75	1704.33	1761.29	1752.65	1498.71	1392.05
Ratios :								
Earning per								
Equity Share (In Rs.)	5.56	3.73	2.06	1.32	0.79	1.05	0.55	0.14
Net Worth per Share								
as at year end	28.28	24.09	21.50	19.45	18.13	16.12	15.07	14.52

Progress Through Co-operation

NOTICE TO THE MEMBERS

Notice is hereby given that the 13th Annual General Meeting of Suraj Stainless Limited will be held at the Registered Office situated at Suraj House, Opp. Usmanpura garden, Usmanpura, Ahmedabad - 380 014 on the 9th September, 2006 at 11 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the Audited Profit and loss Account for the year ended March 31, 2006 the Balance sheet as on that date and to receive, consider and adopt the Director's and Auditor's Reports thereon.
2. To declare a dividend on Equity Shares.
3. To elect Director in place of **Mr. Mahesh V. Parikh**, who retires by rotation and being eligible, offers himself for reappointment.
4. To elect Director in place of **Mr. Kunal T. Shah**, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the next Annual General Meeting and to authorize the board of directors to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary Resolution:

"RESOLVED THAT Shri Ketan R. Shah, who was appointed as an additional director of the Company by the Board of directors and who holds office as per section 260 of the Companies Act 1956 up to the date of forthcoming Annual General Meeting and in respect of whom the Company has, pursuant to section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a director of the company, liable to retire by rotation".

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT subject to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, approval be and is hereby granted for increase in the remuneration of Shri Ashok T. Shah, C.E.O. & Chairman of the company from 1st October, 2005 to 31st March, 2006 as set out in the draft of the Supplemental Agreement between the Company and Mr. Ashok T. Shah placed before this meeting and initialed by the Chairman of the Company for the purpose of identification.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Ashok T. Shah, will be treated as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such years but shall not in any such year exceed the ceiling laid down in this behalf in schedule XIII to the Companies Act from time to time."

"LASTLY RESOLVED THAT the Board of Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Ashok T. Shah in terms of the aforesaid draft."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT subject to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, approval be and is hereby granted for increase in the remuneration of Shri Gunvant T. Shah, Whole Time

Director of the company from 1st October, 2005 to 27st March, 2006 as set out in the draft of the Supplemental Agreement between the Company and Mr. Gunvant T. Shah placed before this meeting and initialed by the Chairman of the Company for the purpose of identification.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Gunvant T. Shah, will be treated as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such years but shall not in any such year exceed the ceiling laid down in this behalf in schedule XIII to the Companies Act from time to time."

"LASTLY RESOLVED THAT the Board of Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Gunvant T. Shah in terms of the aforesaid draft."

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT subject to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, approval be and is hereby granted for increase in the remuneration of Shri Kunal T. Shah, Managing Director of the company from 1st October, 2005 to 31st March, 2006 as set out in the draft of the Supplemental Agreement between the Company and Mr. Kunal T. Shah placed before this meeting and initialed by the Chairman of the Company for the purpose of identification.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Kunal T. Shah, will be treated as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such years but shall not in any such year exceed the ceiling laid down in this behalf in schedule XIII to the Companies Act from time to time."

"LASTLY RESOLVED THAT the Board of Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Kunal T. Shah in terms of the aforesaid draft."

10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT subject to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, approval be and is hereby granted for increase in the remuneration of Shri Ashok T. Shah, C.E.O. & Chairman of the company from 1st April, 2006 to 31st July, 2010 as set out in the draft of the Supplemental Agreement between the Company and Mr. Ashok T. Shah placed before this meeting and initialed by the Chairman of the Company for the purpose of identification.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Ashok T. Shah, will be treated as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such years but shall not in any such year exceed the ceiling laid down in this behalf in schedule XIII to the Companies Act from time to time."

"LASTLY RESOLVED THAT the Board of Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Ashok T. Shah in terms of the aforesaid draft."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the reappointment of and the remuneration payable to Shri Gunvant T. Shah