

21/11/77
4000000
MUMBAI G.P.O.

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DEV	✓
TRA	✓		AC	✓
AGMI	✓		SHB	✓
ME	✓			✓

14th ANNUAL REPORT 1996-97



Sri P.Veeranarayana our Managing Director receiving certificate of Merit conferred by
E.P.C. for outstanding Export performance for the year 1994-95 from
Dr. M. Chenna Reddy, Hon'ble Governor of Tamilnadu

BOARD OF DIRECTORS

Sri S. Gopalan	Chairman
Sri P. Veerananarayana	Vice Chairman and Managing Director
Sri P. Harischandra Raju	Nominee Director (APIDC)
Sri G. Chidambar	Director
Sri A. Chennakrishnaiah	Director
Sri P. Madhu Prathap	Director

REGISTERED OFFICE

D4 & D5, Industrial Estate,
Renigunta Road,
TIRUPATI - 517 506.

FACTORY

D-4 & D-5, D-11 & No.3.
Industrial Estate, Renigunta Road
TIRUPATI - 517 506.

AUDITORS

Pinnamaneni & Co.,
Chartered Accountants,
27-19-55, Durgaiah Street,
Governorpet, VIJAYAWADA-520 002.

FINANCIAL INSTITUTIONS/BANKS

Industrial Development Bank of India, Madras
Industrial Investment Bank of India, Madras
State Bank of India, Settippalli Branch,
TIRUPATI -517 506.

LISTING

The Hyderabad Stock Exchange Ltd. Hyderabad
The Stock Exchange, Mumbai
The Stock Exchange, Ahmedabad
Madras Stock Exchange Ltd. Madras
Cochin Stock Exchange Ltd. Cochin

SHARE TRANSFER AGENTS

Sibar Financial Services (P) Ltd.,
D.NO.27-14-49, IInd Floor,
Rajagopalachari Street.
Governorpet,
VIJAYAWADA-520002 (A.P)

FOURTEENTH ANNUAL GENERAL MEETING

Date : Thursday, September 25, 1997
Time : 3.00 p.m.
Venue : Registered Office
D4 & D5, Industrial Estate
Renigunta Road
Tirupati-517 506

CONTENTS

Page No

Notice	2
Directors' Report	5
Auditors' Report	9
Balance Sheet	12
Profit and Loss Account	13
Schedules to the Accounts	14
Cash Flow Statement	25
Balance Sheet Abstract	26

NOTICE TO SHAREHOLDERS:

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Company will be held at its Registered office: D4 & D5, Industrial Estate, Renigunta Road, Tirupati-517506.(A.P.) on Thursday 25th September 1997 at 3 P.M. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet asat 31st March, 1997 and the Profit & Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri. G. Chidambar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration. The Retiring Auditors Pinnamaneni & Co., Chartered Accountants, Vijayawada are eligible for re-appointment. In this connection, to consider and if thought fit, to pass, with or without modification (s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT the retiring Auditors, Pinnamaneni & Co., Chartered Accountants be and are hereby re-appointed as Auditors of the Company to hold Office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs.35,000/- (Rupees Thirty Five

Thousands Only) and reimbursement of out-of-pocket expenses incurred in connection with Company's Audit."

SPECIAL BUSINESS :

4. 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 Sections 198, 269, 309 and 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Sri.A. Chennakrishnaiah be and is hereby appointed as an Executive Director of the Company for a period of five years with effect from 25.06.97 on such salary and other perquisites as set out in the Explanatory Statement attached to the notice convening this Annual General Meeting."

By order of the Board of Directors

(PVEERANARAYANA)

Vice Chairman and
Managing Director

Place : Tirupati
Date : 25.06.97

NOTES:

- 1) A Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member. A Form of proxy is enclosed.
- 2) The Register of Members and Transfer Books of the Company will remain closed from 16th September 1997 to 25th September 1997 (both days inclusive).
- 3) The Instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than fortyeight hours before the commencement of the Meeting.
- 4) Shareholders are requested to notify change in address if any, immediately to the Company's Regd. Office.
- 5) Shareholders are requested to bring their copies of Annual Report to the Meeting. Copies of the Annual Report will not be available for distribution to Share Holders at the Meeting Hall.
- 6) Shareholders attending the Meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the Meeting Hall.
- 7) Shareholders intending to require information about accounts to be explained in the meeting are requested to inform the company atleast 7 days in advance of the Annual General Meeting.
- 8) All communications relating to shares are to be addressed to the Company's Transfer Agent M/s. Sibar Financial Services Pvt. Ltd, 27-14-49, IInd Floor, R.G.C. Street, Governorpet, Vijayawada - 520002.

ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING

Explanatory Statement under section 173 (2) of the companies Act, 1956

ITEM NO.4 OF THE NOTICE :

The Board of Directors of the Company at their meeting held on 25.06.97 appointed Sri.A. Chennakrishnaiah as an Executive Director for a period of five years with effect from 25.06.97 subject to the approval of members in General Meeting and pursuant to the provisions of Sections 198, 269, 309,310 and Schedule XIII of the Companies Act, 1956 on a remuneration as to salary and other perquisites as detailed below:

1. Period of Appointment: Five years from 25.06.1997

2. Salary: Rs.12,000/- (Rupees twelve thousand only) Per Month.

3.i) In addition to the above the Executive Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings ; medical reimbursement; club fees and leave travel concession for himself and his family; personal accident insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors; such perquisites and allowances shall be restricted to an amount equal to the annual salary.

ii) For the purpose of calculating the above ceiling, perquisites shall be evaluated as

per Income-tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

iii) Company's contribution to Provident Fund and Superannuation or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

iv) Provision of car for use on company's business and telephone at residence will not be considered as perquisites. Personnel long distance calls on telephones and the use of car for private purpose shall be billed by the company.

Explanation: For the above purpose family means spouse dependent children and dependent parents.

By order of the Board

(P. VEERANARAYANA)
 Vice-Chairman
 and
 Managing Director

DIRECTORS' REPORT :

Your Directors have the pleasure to present the 14th Annual Report together with the Auditors' Report thereon for the year ended 31st March,97.

1. FINANCIAL RESULTS:

The brief financial results of the Company for the year ended 31st March'97 are given hereunder:

	(Rs.in Lakhs.)	
	1996-97	1995-96
Total Sales	843.71	500.02
Profit after depreciation and interest	48.98	44.46
Other Income	5.24	7.13
Profit before tax	54.22	51.59
Provision for tax	5.75	1.00
Profit after tax	48.47	50.59
Transfer to general reserve	—	1.26
Prior period adjustment	(2.92)	—
Proposed dividend	—	44.28
Leaving a balance to be carried forward	45.55	5.05

2. OPERATIONS:

Your Directors are happy to inform that your Company continues to maintain a high growth rate in sales registering an increase of 68.73% over the previous year. During the year under review your company has produced 1,82,683 cylinders as against production of 1,11,871 cylinders in the previous year.

Your company has registered export turnover of Rs.85.67 lakhs during the year

against previous export turnover Rs.272.04 lakhs. The fall in exports is because during the year under review your company has curtailed exports due to limitations in its manufacturing facilities so as to meet the O.E. demand in India and there by establish itself in the domestic market.

Your company has made a profit of 102.14 lakhs before depreciation and taxation against previous year profit of Rs.83.55 lakhs by achieving growth rate of 22.25%. The rate of gross profit during the year is 34% as against the 41% of the previous year. The factors contributing to decrease in gross profit are a shift in the sales pattern from exports to domestic market where the margins are relatively lower. However your company is negotiating with O.E. Buyers to increase sale prices of products of the company to increase profitability of the company for the current year.

During the year under review your company successfully completed its expansion of installed capacity which was increased to 4,20,000 nos cylinders per annum with financial assistance from IDBI and commissioned production for expanded capacity on 4-10-96.

Your company at present supplies around 60% of its production to Bajaj Auto Limited, the two wheeler giant. Your company has received enquiries from Bajaj Auto Limited for supply of 42,000 nos of cylinders

per month and Hero Motors (India) Ltd for 5000 cylinders per month for their two wheeler models. Your company was asked by Bajaj Auto Limited to develop models for Bajaj Chetak. The expected demand for Bajaj Chetak for O.E. buyers will be around 60,000 cylinders per month. Besides your company has received enquires from other two wheelers manufacturers like LML and TVS Suzuki. Your company is currently unable to cater to the demand in the domestic market due to limitations in its manufacturing facilities. Hence it has been decided to shelve the piston project for time being and concentrate on production of cylinders by setting up a new unit at Guravarajapalli, Renigunta, Tirupati for manufacture of 7,20,000 nos per annum. The project cost is estimated at 1340 lakhs. Industrial Development Bank of India (IDBI) and Industrial Investment Bank of India (IIBI) are extending a rupee term loan to the extent of Rs.500 lakhs and Rs.450 lakhs respectively. Rs.140 lakhs are being met from internal accruals. The rest Rs.250 lakhs are being met with issue of equity.

During the year under review your company has been conferred by Engineering Export Promotion Council Certificate of Merit award for the year 1994-95 in recognition of notable performance in the field of exports.

3. DIVIDENDS :

The Board has not recommended Dividend for the year 1996-97 to conserve resources for the proposed expansion programme.

4. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

A) CONSERVATION OF ENERGY

As in the past, the Company has been continuing its efforts to improve methods of energy conservation and utilisation.

B) TECHNOLOGY ABSORPTION

The Company developed in-house Technology for Aluminium Chrome Plating Cylinders. The Company has not made so far any payments towards Technology absorption and the company has personnel to develop new models.

C) FOREIGN EXCHANGE EARNINGS AND OUT GO

Foreign exchange outgo and earnings, in terms of the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 are set out in a separate statement attached hereto and forms part of the report.

5. PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 read with the rules thereunder, a statement giving requisite information is annexed hereto and forms part of this report.

6. OTHER INFORMATION

The funds raised from the Public Issue during 1994 have been utilized for the purposes for which these were raised. Further information interms of clause 43 of

the Listing Agreement is given in Annexure to the Directors' Report.

7. DIRECTORS

Sri.G. Chidambar. Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Sri.A.V.S. Sarma, Technical Director resigned from the Company's Board effective from 2.9.96. Your Directors wish to place on record the deep appreciation of the valuable services rendered by him during his tenure of office as Director of the Company.

Sri.P. Madhu Pratap was appointed as Director of the Company with effect from 2.9.96.

A.P.I.D.C has nominated Sri.P. Harischandra Raju as Director on the Board with effect from 2.9.96

The Board has redesignated the designation of Managing Director of the Company as Vice Chairman and Managing Director of the Company.

8. AUDITORS:

The Company's Auditors, Pinnamaneni & CO., Chartered Accountants, Vijayawada, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

9. ACKNOWLEDGEMENTS:

Your Directors wish to express their gratitude to Financial Institutions, Banks, Venture Capital Funds and Mutual Funds for the whole hearted co-operation and assistance extended to the Company.

Your Directors also wish to thank the employees of the company for their dedicated services and valuable contribution to the growth of the Company.

Your Directors sincerely thank the members for the confidence reposed by them in the company and look forward to their valuable support for the future plans of the company.

For and on behalf of the Board

P. VEERANARAYANA
Vice-Chairman
and
Managing Director

A. CHENNAKRISHNAIAH
Director

Place: Tirupati

Date : 25-06-97