



SRIKALAHASTHI PIPES LIMITED

**Annual Report
2014-2015**

Vision

We aim to be world class, committed to customer satisfaction and to encourage the spirit of leadership amongst our dedicated team by creating a healthy environment for continuous growth, profit and prosperity.

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CORPORATE INFORMATION

DIRECTORS

Shri G. Maruthi Rao, Chairman
DIN 00083950
Shri Gouri Shankar Rath
DIN 00083992
Shri S.Y. Rajagopalan
DIN 00067000
Shri R.K. Khanna
DIN 05180042
Smt S. Hemamalini
DIN 01947327
Shri J.S. Venkateswara Prasad (Nominee of APIDC)
DIN 00022780

MANAGING DIRECTOR

Shri Mayank Kejriwal
DIN 00065980

CHIEF OPERATING OFFICER

Shri V. Poyyamozhi

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Shri Atosh R Surana

AUDITORS

M/s. K.R. Bapuji & Co.,
Hyderabad

SOLICITORS

M/s. Khaitan & Co.

BANKERS

ICICI Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Standard Chartered Bank
Punjab National Bank
Bank of India
Andhra Bank
Yes Bank Limited
Indusind Bank Limited
Kotak Mahindra Bank Limited

REGISTERED OFFICE & WORKS

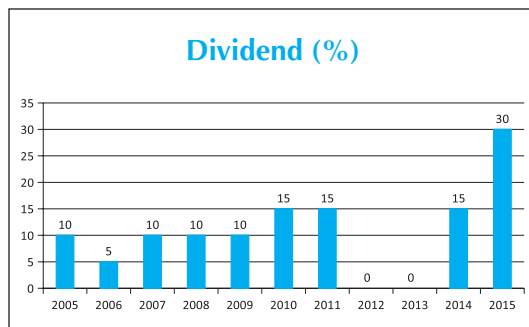
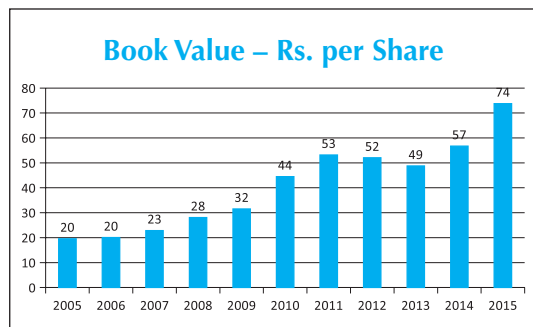
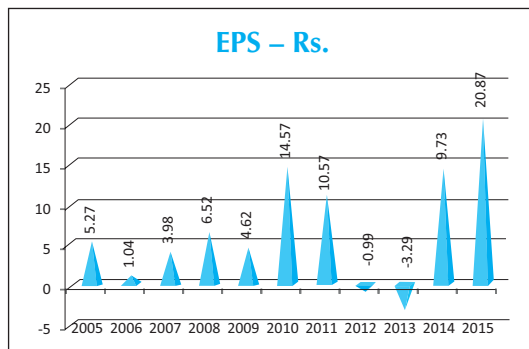
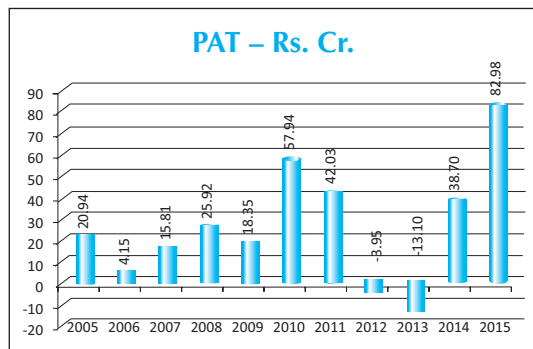
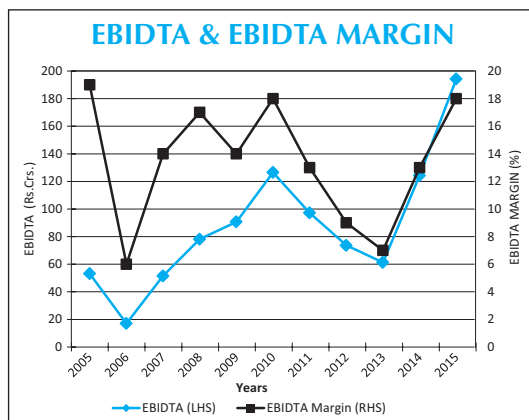
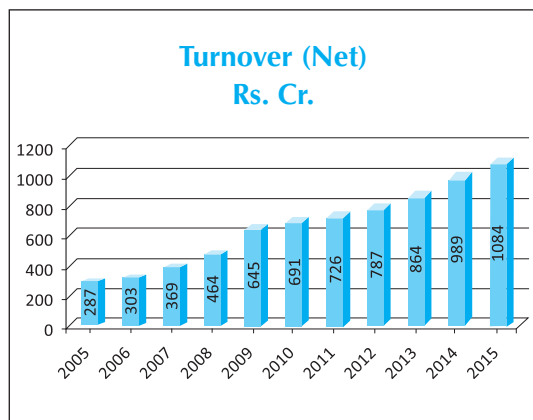
Rachagunneri-517 641
Srikalahasthi Mandal
Chittoor District
Andhra Pradesh
E-mail: investors@srikalahasthipipes.com

SHARE TRANSFER AGENTS

M/s. Karvy Computershare Private Limited (KCPL)
Karvy Selenium Tower B, Plot No. 31 & 32
Gachibowli, Financial District, Nanakramguda
Serilingampally, Hyderabad-500 032.

FINANCIAL HIGHLIGHTS

Parameters	Unit	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Turnover (Net)	Rs. Cr.	286.62	302.96	369.37	463.66	644.72	690.58	726.00	787.00	863.89	989.40	1083.60
EBIDTA	Rs. Cr.	53.15	17.08	51.53	78.14	90.71	126.54	97.24	73.70	61.27	124.26	194.28
EBIDTA Margin	%	19	6	14	17	14	18	13	9	7	13	18
PBT	Rs. Cr.	34.71	6.10	21.64	40.01	28.22	87.98	55.83	-4.17	-21.33	41.42	119.42
PAT	Rs. Cr.	20.94	4.15	15.81	25.92	18.35	57.94	42.03	-3.95	-13.10	38.70	82.98
EPS	Rs.	5.27	1.04	3.98	6.52	4.62	14.57	10.57	-0.99	-3.29	9.73	20.87
Dividend	%	10	5	10	10	10	15	15	—	—	15	30
Book Value	Rs.	19.57	20.04	22.85	28.06	31.50	44.49	53.17	52.02	48.73	56.71	73.76



DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 23rd Annual Report and Audited Accounts of your Company for the year ended 31st March, 2015.

FINANCIAL RESULTS:

	Rs. in Lakhs	Rs. in Lakhs
Particulars	<u>2014-15</u>	<u>2013-14</u>
Gross revenue from operations	1,12,304.37	1,03,715.95
Net revenue from operations	1,08,355.08	98,939.56
Other income	866.03	726.37
Total Revenue	1,09,221.11	99,665.93
Earning Before Interest, Depreciation, Taxation & Amortisation (EBITDA)	19,427.99	12,425.54
Finance Costs	4,369.37	5,489.61
Depreciation	3,116.90	2,794.28
Profit Before Taxation	11,941.72	4,141.65
Less: Tax including Deferred Tax	3,643.60	271.62
Profit After Taxation	8,298.12	3,870.03
Profit Brought Forward from Previous Year	1,016.08	(155.46)
Prior Period Adjustment – Taxation	(81.36)	(0.67)
Amount available for Appropriation	9,232.83	3,713.90
Appropriations are made as under:		
– General Reserve	5,000.00	2,000.00
– Proposed Dividend including tax thereon	1,435.74	697.82
Balance Carried Forward to Next Year	2,797.09	1,016.08

DIVIDEND

Your Directors are pleased to recommend a dividend @ Rs. 3.00 per share on the equity shares of the Company for the year ended 31st March, 2015 (Previous year Rs. 1.50 per Share). If approved, the dividend will absorb Rs. 1,435.74 lakhs (including Rs. 242.85 lakhs towards dividend tax).

REVIEW OF OPERATIONS

Your Directors are pleased to inform that the Company has achieved Gross operating revenue of Rs. 1,123.04 crores during the year under review as against Rs. 1,037.16 crores in the previous year, thus registering an increase of 8.29% in gross revenue.

The production of D.I. Pipes during the FY 2014-15 was higher at 1,69,500 MT as compared to 1,62,892 MT for the FY 2013-14.

The production of Mini Blast Furnace (MBF), producing liquid metal mainly for Ductile Iron Pipe Plant was higher during the FY 2014-15 by 10.18% at 2,18,206 MT compared to 1,98,036 MT for the FY 2013-14. The production of Low Ash Metallurgical Coke was higher in FY 2014-15 by 16.90% at 1,60,554 MT as against 1,37,339 MT in FY 2013-14. The power generation from 12 MW Waste Heat Recovery Based Captive Power Plant was also higher in FY 2014-15 by 4.20% at 919 lakh units as against 882 lakh units in the FY 2013-14. The production of Cement during the FY 2014-15

was higher by 27.26% at 85,770 MT compared to 67,396 MT in the previous year.

During the year under review, the company has successfully completed its capital expenditure programme of Rs. 100 Crs. to increase the production of Ductile Iron pipes by 50,000 TPA. The Company has also successfully commissioned and synchronized 132 KV sub-station, which has reduced power interruptions and substantially improved quality of power supplied from the grid, besides resulting in a marginal decrease in power tariff.

Company has undertaken cost reduction measures such as reduction of coke consumption, CRC scrap, HSD oil, effective utilization of sinter plant in terms of capacity and consumption ratio and reduction of power cost by increased captive power generation. Further, favourable trend in the prices of major raw materials viz. iron ore, coal helped the Company in sustaining overall reduction of the input cost during the year.

Besides the reduced cost of production and improved operational efficiency, the lower finance cost, the growth in the volume of the Ductile Iron Pipes coupled with improved sales realization increased the pre-tax profit of your Company to Rs. 119.42 Crs. in the FY 2014-15 as against Rs. 41.42 Crs reported in the FY 2013-14.

FUTURE PROSPECTS

With the successful completion of capital expenditure program of Rs. 100 Crs. the company would start reaping the benefits of increased production from the current year. The company is exploring additional measure of cost reduction and value addition to remain competitive in the industry.

In spite of growing competition in the domestic market, your Company is maintaining a satisfactory order position for the FY 2015-16.

To be fully self sufficient in its power requirements, the company during FY 2015-16

is planning to increase the capacity of its coke oven plant thereby increasing its captive power generation from 12 MW to 18 MW.

Being the low cost producer of quality Ductile Iron Pipes in India, having excellent logistics and integrated facility coupled with cost control measures, rising demand of D.I. Pipes, both in domestic and export market, your company is optimistic of its bright future.

NAME CHANGE

In order to reflect the core business of the Company i.e. manufacture and supply of D.I. Pipes in its name and the Company being situated at the Temple Town of Srikalahasthi, the Company has been renamed as Srikalahasthi Pipes Limited with effect from 29th September, 2014, as approved by the shareholders.

Consequent to change in name, the branding of company's products have been changed. Ductile Iron Pipes is branded as "Sripipes" and Cement is branded as "Srikalahasthi Gold Cement".

CREDIT RATING

Your Company has been rated as "CARE A (Single A)" for long term bank facilities. This indicates adequate degree of safety regarding timely servicing of financial obligations and carry low credit risk. The rating assigned for short term facilities is "CARE A1 (A One)" and indicates having very strong degree of safety regarding timely payment of financial obligations and carries lowest risk.

DIRECTORS

IDBI Bank Limited has withdrawn its nominee Shri A. Joseph Kumar from the Board of Directors of the Company with effect from 9th September, 2014.

Andhra Pradesh Industrial Development Corporation (APIDC), Hyderabad has withdrawn its nominee Smt Anita Rajendra, IAS with effect from 16th October, 2014 and

nominated Shri J.S. Venkateswara Prasad, IAS on the Board of Directors of your Company with effect from 30th January, 2015.

Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri A. Joseph Kumar and Smt. Anita Rajendra, IAS.

As recommended by the Nomination & Remuneration Committee, the Board of Directors has approved the appointment of Ms. S. Hemamalini as additional Director on the Board of Directors of the Company with effect from 17th March, 2015 and she will hold office up to the conclusion of ensuing Annual General Meeting.

Shri G.S. Rathi and Shri S.Y. Rajagopalan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Pursuant to Section 149 and other applicable provisions of the Companies Act, 2013, your Directors are seeking appointment of Ms. S. Hemamalini as Independent Director for a term of five consecutive years from the conclusion of this Annual General Meeting.

Details of the proposal for appointment of Ms. S. Hemamalini are mentioned in the explanatory statement under Section 102 of the Companies Act, 2013 of the Notice of the Annual General Meeting.

The Company has received declarations from the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance

and adhere to the Corporate Governance requirements set out by SEBI. A report on Corporate Governance Practices, as stipulated under Clause 49 of the Listing Agreement, the Auditors' Certificate on compliance of mandatory requirements thereof form part of the Annual Report.

INTERNAL FINANCIAL CONTROLS & ADEQUACY

The Company has developed a strong two tier internal control framework comprising entity level controls and process level controls. The entity level controls of the Company include elements such as code of conduct, whistle blower policy, management review & MIS and strong internal audit mechanism. The process level controls have been ensured by implementing appropriate checks and balances to ensure adherence to Company's policies and procedures, efficiency in operations and also reduce the risk of frauds.

Regular management oversight and rigorous periodic testing of internal controls makes the internal controls environment strong at the Company. The Audit Committee along with the Management oversees results of the internal audit and review implementation on a regular basis.

MANAGEMENT DISCUSSION AND ANALYSIS

Please refer to the Management Discussion and Analysis section appearing elsewhere in the Annual Report.

RISK MANAGEMENT POLICY

The Company has in place a well defined Risk Management Policy, which ensures sustainable business growth with stability and promotes a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management and guides decisions on risk related issues. The elements

of risk associated with the business, which may likely to have a bearing on the performance of the Company and the focused initiatives taken by the Company for mitigation of risks is covered elsewhere under Risk Management Section in the Annual Report.

NOMINATION & REMUNERATION POLICY

Company's Nomination and Remuneration Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement. The Committee shall guide the Board:

- a) In relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b) In evaluating the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c) In formulating the criteria for determining qualifications positive attributes and independence of a Director.
- d) In recommending to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

WHISTLE BLOWER MECHANISM (POLICY)

Section 177(9) of the Companies Act, 2013 read with its respective rules and Revised Clause 49 of the Listing Agreement provides for a mandatory requirement for all listed companies to establish a vigil mechanism called 'Whistle Blower Policy' for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

In view of the above, the Company has established a vigil mechanism for the directors and employees to report genuine concerns or grievances in such manner as may be prescribed and provide for adequate safeguards

against victimization of persons who use such mechanism and also make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

This Policy covers malpractices and events which have taken place / suspected to have taken place, misappropriation of monies, manipulations, negligence causing danger to public health and safety, misuse or abuse of authority, fraud or suspected fraud, violation of company rules, and other matters or activity by which the Company's interest is affected and formally reported by whistle blowers concerning its employees.

EVALUATION OF PERFORMANCE OF BOARD MEMBERS

The Nomination & Remuneration Committee has carried out performance evaluation of the Board, its Committees and its individual Directors on an annual basis. To assist in this process an independent advisor may be used.

The Nomination & Remuneration Committee conducts an annual review of the role of the Board, assess the performance of the Board over the previous 12 months and examine ways of assisting the Board in performing its duties more effectively.

The review includes:

- a) Comparing the performance of the Board with the requirements of its Charter;
- b) Examination of the Board's interaction with management;
- c) The nature of information provided to the Board by management; and
- d) Management's performance in assisting the Board to meet its objectives.

A similar review is conducted for each Committee by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

Based upon the results of these evaluations, it was observed that the board and its committees are operating effectively and that the individual directors' performance continues to be effective and demonstrates the level of commitment expected by the Company.

EMPLOYEES

Your Directors wish to place on record their appreciation for the committed services rendered by the employees of your Company at all levels during the year under review and for their co-operation in maintaining cordial relations.

The statement containing particulars of employees as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of this report. However, in terms of Section 136 of the Companies Act, 2013, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is forming part of this report.

STATUTORY INFORMATION

Information as per Companies (Accounts) Rules, 2014 related to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure-I attached hereto and forming part of this report.

OTHER INFORMATION

Particulars of information forming part of the Board's Report pursuant to Section 134 of

the Companies Act, 2013 and relevant Rules thereof, not covered elsewhere in the report are given hereunder:

- 1) There are no qualifications, reservations or adverse remarks or disclaimer made by the Statutory Auditors in their report or by the practicing Company Secretary in the Secretarial Audit Report.
- 2) The Company has not given any guarantees or made any investments during the years, which would be covered by Section 186 of the Companies Act, 2013.
- 3) Discussion on state of Company's affairs has been covered as part of the Management Discussion and Analysis.
- 4) Particulars of the amounts proposed to be carried to reserves have been covered as part of the financial performance of the Company at the beginning of the Report.
- 5) There are no material changes or commitments occurring after 31st March, 2015, which may affect the financial position of the Company or may require disclosure.
- 6) During the year under review, there has been no change in the nature of business of the Company.
- 7) The Company did not have any subsidiaries, joint ventures and associates companies, which have ceased during the year.
- 8) The Company has not accepted deposits under Chapter V of the Companies Act, 2013.
- 9) The Company has not received any such orders from Regulators, Courts or Tribunals during the year, which may impact the going concern status or the Company's operations in future.
- 10) During the year under review, there were no cases filed pursuant to Sexual Harassment of Women at Work place (Prevention, Prohibition and Redressal) Act, 2013.

AUDITORS

The Shareholders of the Company in the Annual General Meeting held on 27th September 2014 had approved appointment of M/s. K.R. Bapuji & Co., Chartered Accountants as Statutory Auditors of the Company for the FY 2014-15 and authorized the Board of Directors to fix their remuneration.

Pursuant to Sections 139, 141 and 142 of the Companies Act, 2013 and relevant rules prescribed there under, the Company has received certificate from the Statutory Auditors to the effect, inter alia, that they are not disqualified for ratification of appointment under the provisions of applicable laws, the appointment is as per the terms and the limits prescribed under the Companies Act, 2013 and no proceedings against them or any of their partners are pending with respect to matter of professional conduct.

The Auditors have also confirmed that they have subjected themselves to Peer Review, a process of Institute of Chartered Accountants of India (ICAI) for evaluating the quality of audit and attestation services and that they hold a valid certificate issued by the Peer Review Board of the ICAI.

The Auditors' Report addressed to the shareholders of the Company, does not contain any qualification.

The Auditors, M/s. K.R. Bapuji & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment to hold office from the conclusion of the forthcoming Annual General Meeting till the conclusion of Twenty Fifth Annual General Meeting to be held in the year 2017, subject to ratification by shareholders at the ensuing Annual General Meeting.

COST AUDITORS

The Company has appointed M/s. Narasimhamurthy & Co., Cost Accountants,

Hyderabad, as Cost Auditors and the Central Government has approved the appointment of M/s. Narasimhamurthy & Co., for conducting the audit of cost accounts maintained by the Company for the financial year 2014-15.

SECRETARIAL AUDIT

The Company has appointed Mr. S. Chidambaram, Company Secretary in Practice, Hyderabad as Secretarial Auditor for conducting the Secretarial Audit of the Company for the financial year 2014-15 and the Secretarial Audit Report issued by the Auditors is attached hereto and forming part of this Report as Annexure V.

GREEN INITIATIVE

The Ministry of Corporate Affairs has taken the Green Initiative in Corporate Governance by allowing paperless compliances by Companies through electronic mode.

Your Company supports the Green Initiative and has accordingly decided to send all communications to its shareholders to their respective e-mail IDs through electronic mode.

Your Company appeals to the shareholders, who are yet to register their E-mail addresses that you take necessary steps for registering the same so that you can also become a part of the initiative and contribute towards a Greener environment.

ANNEXURES TO THE BOARD'S REPORT

- i) Pursuant to Section 134 (3) (m) of the Companies Act, 2013, information relating to Conservation of Energy, Technology absorption and foreign exchange earnings and outgo is enclosed vide Annexure – I.
- ii) Pursuant to Section 134 (3) (a) of the Companies Act, 2013, the extract of the Annual Return as provided under sub section (3) of Section 92 of the Act in Form MGT-9 is enclosed vide Annexure – II.
- iii) Pursuant to Section 134 (3) (h) of the Companies Act, 2013 read with Rule 8