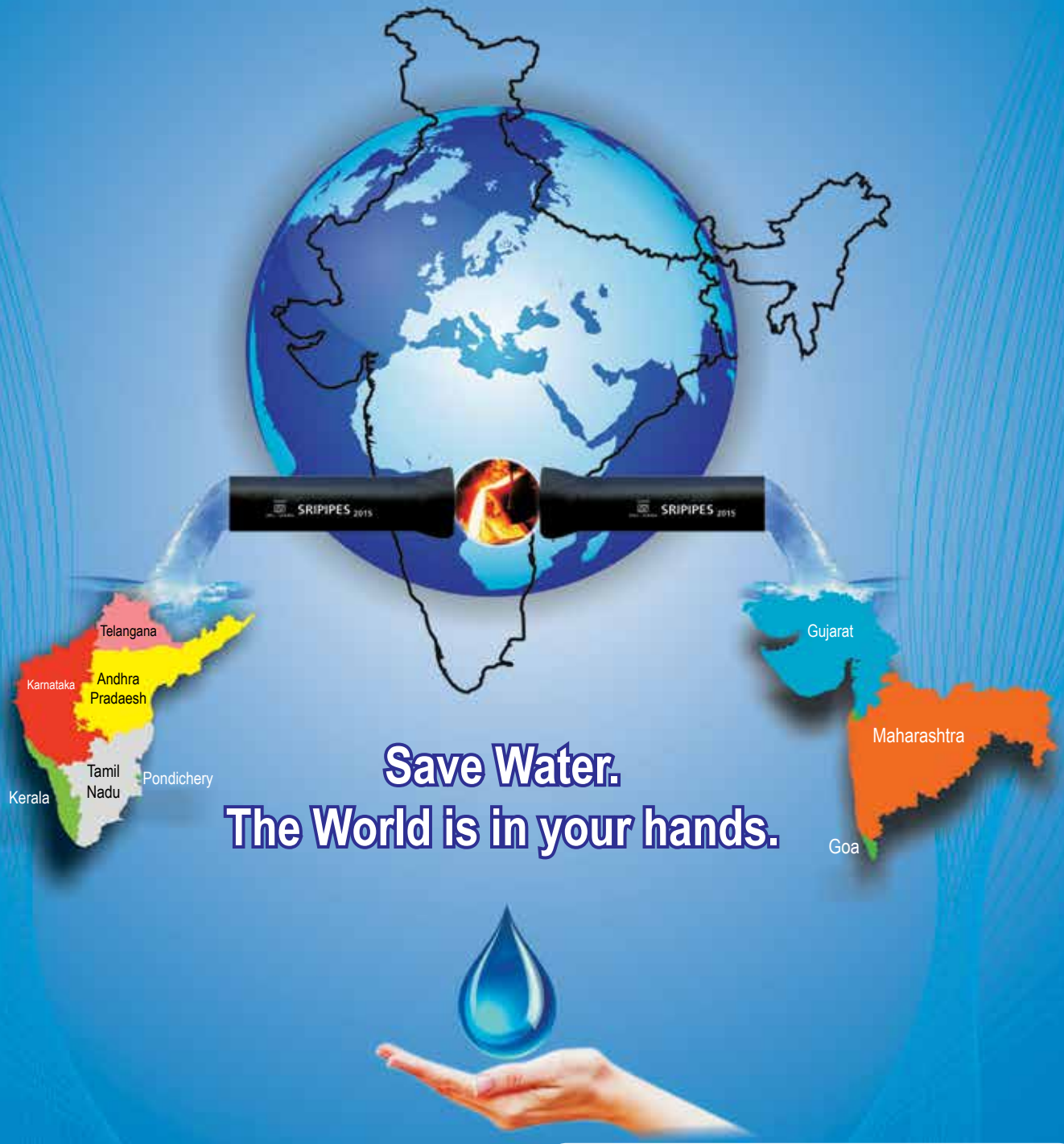
INSPIRING GROWTH



Srikalahasthi Pipes Limited

Annual Report 2015-16

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Vision

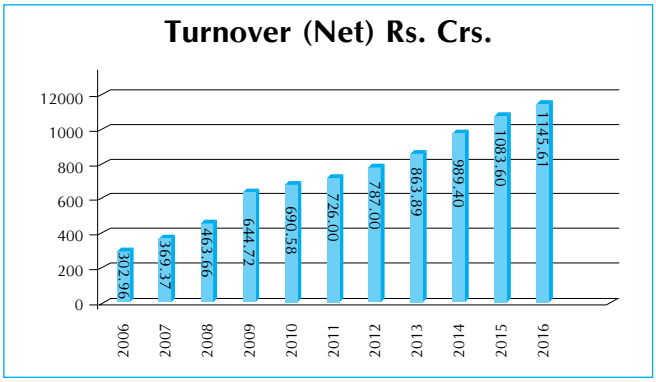
We aim to be world class, committed to customer satisfaction and to encourage the spirit of leadership amongst our dedicated team by creating a healthy environment for continuous growth, profit and prosperity

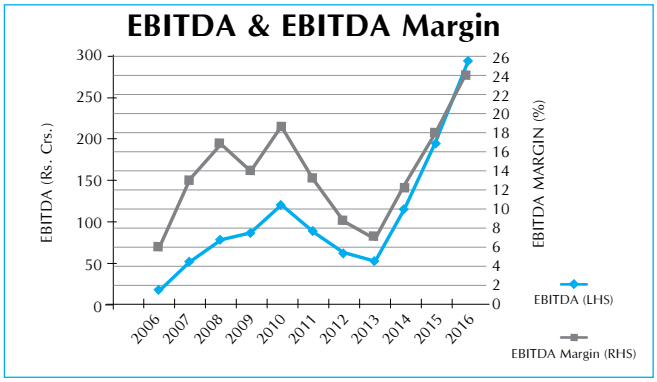
CORPORATE INFORMATION

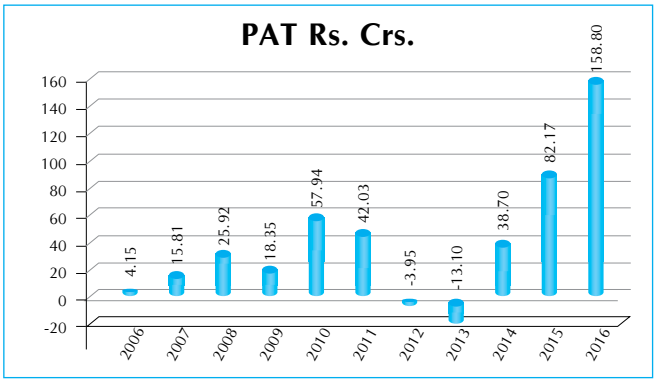
DIRECTORS	Shri G.Maruthi Rao, Chairman, DIN 00083950 Shri Gouri Shankar Rathi, Whole-time Director, DIN 00083992 Shri S.Y.Rajagopalan, DIN 00067000 Shri R.K.Khanna, DIN 05180042 Smt S.Hemamalini, DIN 01947327 Shri Shamsher Singh Rawat, IAS (Nominee of APIDC), DIN 06927486
MANAGING DIRECTOR	Shri Mayank Kejriwal, DIN 00065980
CHIEF OPERATING OFFICER	Shri V.Poyyamozhi
CHIEF FINANCIAL OFFICER	Shri Atosh R Surana
COMPANY SECRETARY	Shri K.Raghuram
AUDITORS	M/s. K.R.Bapuji & Co., Hyderabad
SOLICITORS	Khaitan & Co.
BANKERS	ICICI Bank Ltd. HDFC Bank Ltd. IDBI Bank Ltd. Standard Chartered Bank Punjab National Bank Bank of India Andhra Bank Yes Bank Limited Kotak Mahindra Bank Limited
REGISTERED OFFICE & WORKS	Rachagunneri-517 641 Srikalahasthi Mandal Chittoor District Andhra Pradesh Website : www.srikalahasthipipes.com E-mail : companysecretary@srikalahasthipipes.com CIN : L74999AP1991PLC013391
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.

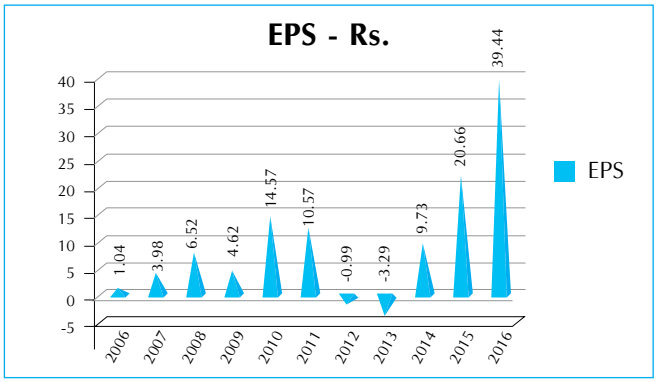
FINANCIAL HIGHLIGHTS

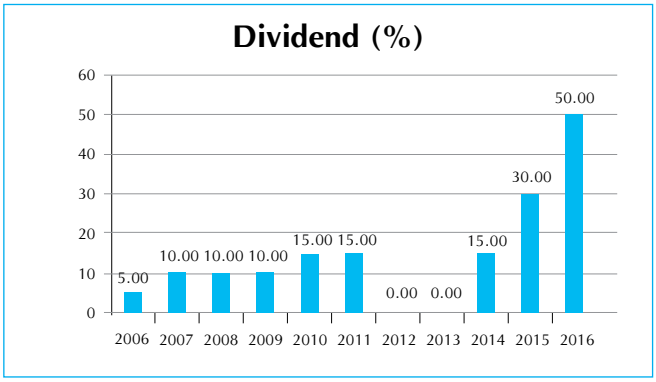
Particulars	Unit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Turnover (Net)	Rs.Crs.	302.96	369.37	463.66	644.72	690.58	726.00	787.00	863.89	989.40	1083.60	1145.61
EBITDA	Rs.Crs.	17.08	51.53	78.14	90.71	126.54	97.24	73.70	61.27	124.26	194.28	283.81
EBITDA Margin	%	5.64	13.95	16.85	14.07	18.32	13.39	9.36	7.09	12.56	17.92	24.77
PBT	Rs.Crs.	6.10	21.64	40.01	28.22	87.98	55.83	-4.17	-21.33	41.42	119.42	214.68
PAT	Rs.Crs.	4.15	15.81	25.92	18.35	57.94	42.03	-3.95	-13.10	38.70	82.17	158.80
EPS	Rs.	1.04	3.98	6.52	4.62	14.57	10.57	-0.99	-3.29	9.73	20.66	39.94
Dividend	%	5.00	10.00	10.00	10.00	15.00	15.00	0.00	0.00	15.00	30.00	50.00
Book Value	Rs.	20.04	22.85	28.06	31.50	44.49	53.17	52.02	48.73	56.71	73.76	107.68

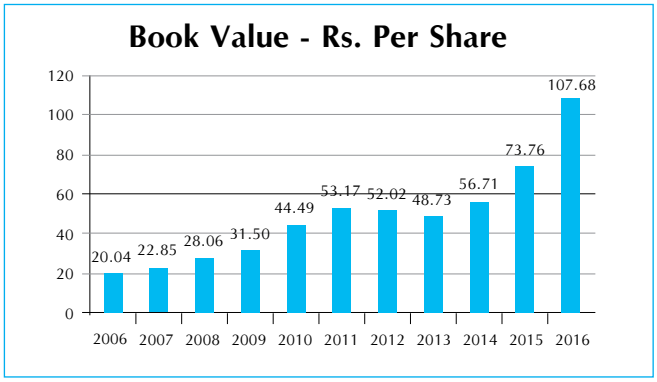














DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting the 24th Annual Report of the Company together with the Audited accounts for the Financial Year ended 31st March, 2016.

FINANCIAL RESULTS:	**Rs. in Lakhs**	
Particulars	**2015-16**	**2014-15**
Gross revenue from operations	**1,17,767.06**	1,12,304.37
Net revenue from operations	**1,14,561.25**	1,08,355.08
Other income	**1,733.03**	866.03
Total Revenue	**1,16,294.28**	1,09,221.11
Earnings Before Interest, Taxes, Depreciation & Amortisation (EBITDA)	**28,381.48**	19,427.99
Finance Costs	**4,204.59**	4,369.37
Depreciation	**2,708.84**	3,116.90
Profit/(Loss) Before Taxation	**21,468.05**	11,941.72
Less: Tax including Deferred Tax	**5,587.80**	3,724.96
Profit/(Loss) After Taxation	**15,880.25**	8,216.76
Profit Brought Forward from Previous Year	**2,797.09**	1,016.07
Amount available for Appropriation	**18,677.34**	9,232.83
Appropriations are made as under :		
-General Reserve	**5,000.00**	5,000.00
-Proposed Dividend including tax thereon	**2,392.90**	1,435.74
Balance Carried Forward to Next Year	**11,284.43**	2,797.09

DIVIDEND:

Your Directors have recommended a dividend of Rs.5.00 (50%) per equity share of Rs.10/- each for the financial year ended 31st March, 2016 (previous year Rs.3.00 per share) amounting to Rs.2392.90 lakhs (including Rs.404.75 lakhs towards dividend tax). The dividend payout is subject to approval of members at the ensuing Annual General Meeting.

REVIEW OF OPERATIONS:

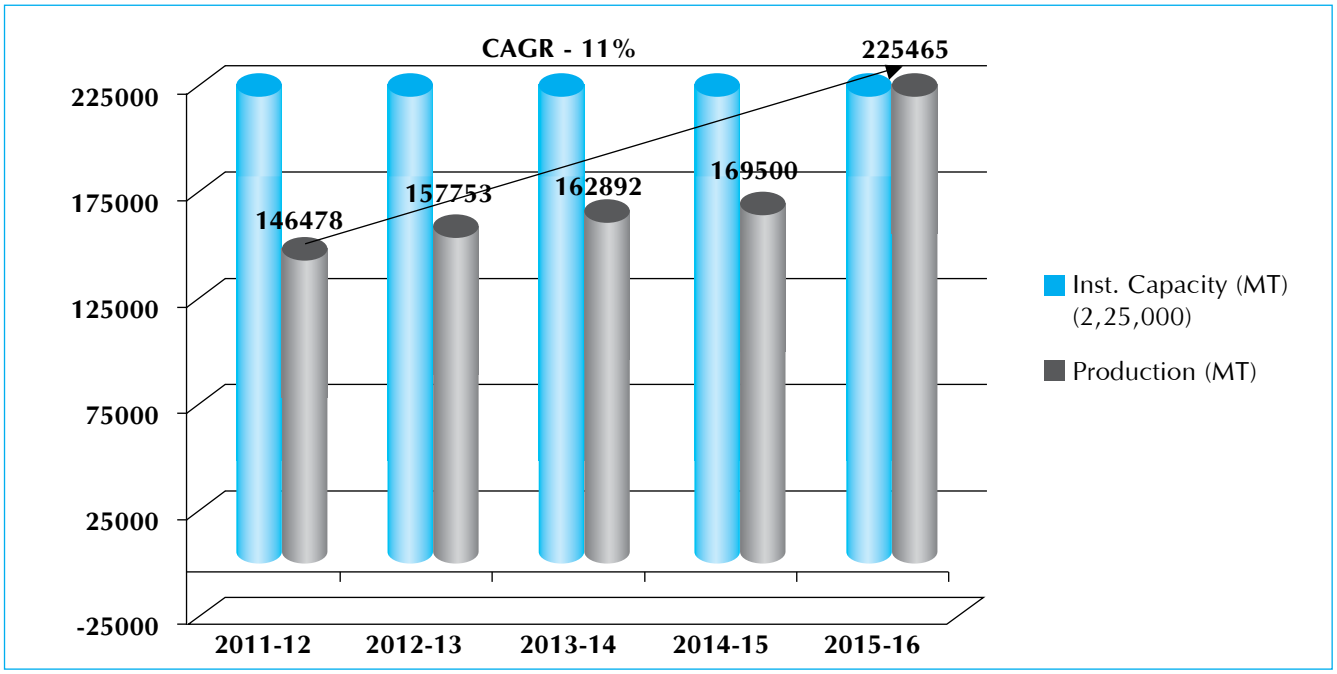
Your Company is associated in the nation building activity of water supply and infrastructure development. During the FY 2015-16, your company's Ductile Iron Pipes of about 5,500 KM have been used across the country for transportation of potable water and sewerage under its brand name "SRIPIPES". The Govt. of Andhra Pradesh has declared your company as "Public Utility Services Unit" as a special case.

Your Directors are pleased to inform that your company achieved robust performance during the year under review in terms of operational and financial performance.

Operational performance highlights at a glance:

Product	2015-16	2014-15	% of
	Production in MT		Increase
Ductile Iron Pipes	2,25,465	1,69,500	33
Liquid metal from MBF	2,59,120	2,18,206	19
Cement	87,359	85,770	2

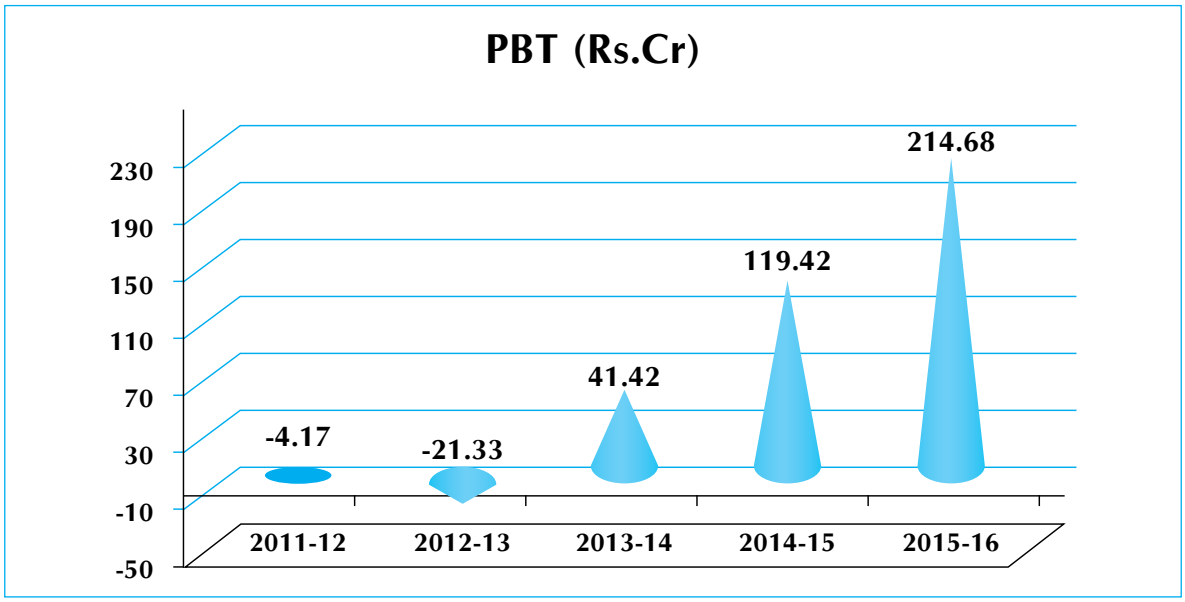
Capacity Utilization of Ductile Iron Pipe Plant(2012 - 2016):



During the year under review, the company has successfully achieved 100% of its rated capacity of Ductile Iron Pipe Plant established through capital expenditure programme undertaken in the FY 2014-15. This has resulted in increased production of Ductile Iron Pipes by about 55,965 MT registering an increase of about 33% over FY 2014-15. The Ductile Iron Pipes revenue grew by 19.48% to Rs.995.08 Crores from Rs.832.86 Crores in FY 2014-15, which has significantly improved the performance of the company.

Besides significant increase in the volumes of Ductile Iron Pipes, in its constant endeavour to remain low cost manufacturer, your Company has undertaken various cost reduction measures during the year under review such as reduction of coke consumption in MBF, HSD oil in Ductile Iron Pipe Plant. The continued favourable trend in the prices of major raw materials viz. iron ore, coal facilitated the Company in maintaining the lower cost of production.

The operational efficiencies and lower finance cost improved the overall performance thus achieving pre-tax profit of Rs.214.68 Crores in the FY 2015-16 as against Rs.119.42 Crores reported in the FY 2014-15.

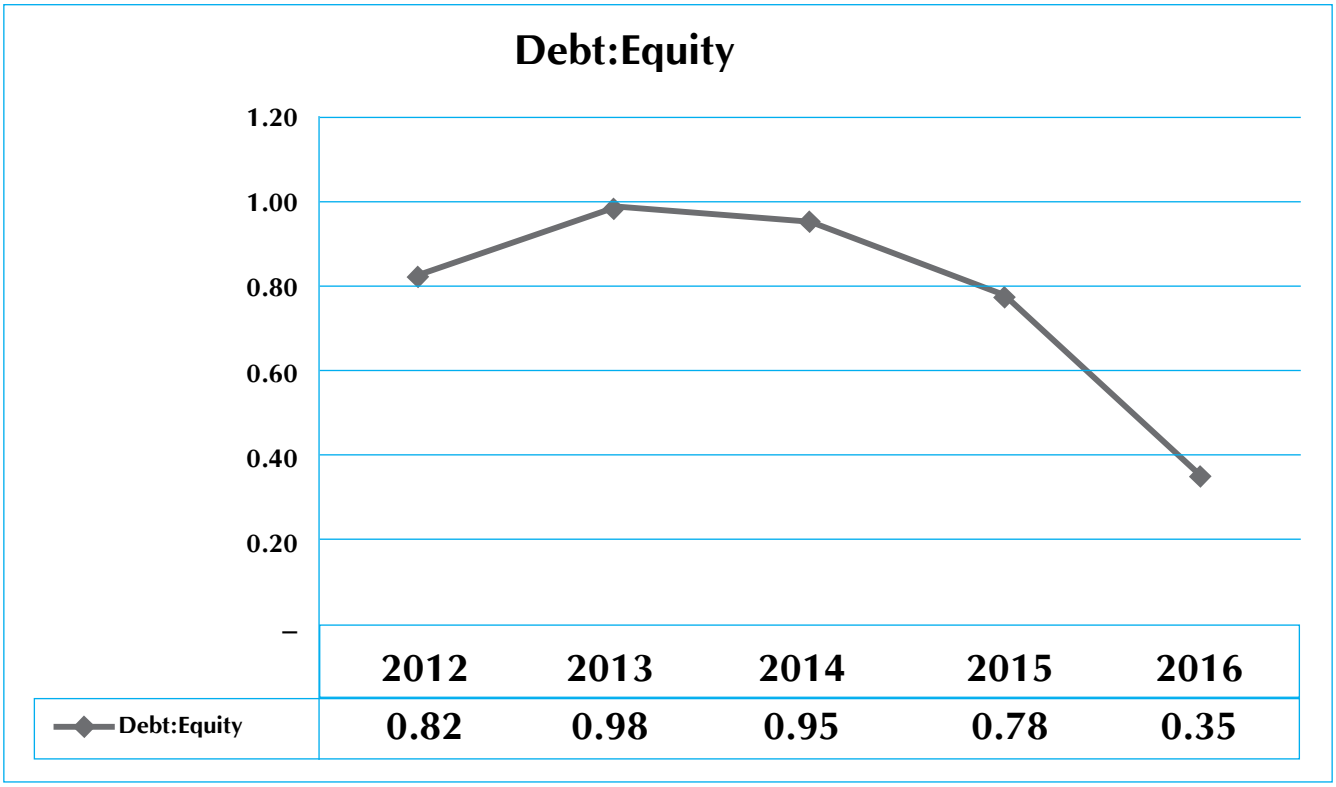


Pre-tax Profit (2012 -2016):

The improved internal cash accruals helped your Company to prepay the Term Loans borrowed from Indusind Bank Limited in March, 2016 and Kotak Mahindra Bank Limited in April, 2016 amounting to Rs.47 crores, and the company funded its CAPEX program during the year under review from internal accruals.

Debt Equity Ratio 2012 – 2016:

Your company is maintaining a healthy debt equity ratio of 0.35:1.



FUTURE PROSPECTS:

During the year under review, your Company has initiated yet another capital expenditure programme entailing an investment of Rs.100 Crores towards up-gradation /modification of Blast Furnace which includes installation of Pulverized Coal Injection (PCI) and Bell Less Top equipment facilities, capacity expansion of DI Pipe Plant which includes installation of new spinning machine and additional finishing line. These facilities are likely to be commissioned during 3rd quarter of the FY 2016-17.

Upon the successful completion of CAPEX Programme of Rs.100 cores under implementation, the production capacity of Ductile Iron Pipes shall increase from 2,25,000 TPA to 3,00,000 TPA. Besides measures to increase volumes, the cost saving measures like Pulverized Coal Injection facility in MBF and fuel saving measures in Ductile Iron Pipe Plant would help the Company to remain low cost manufacturer and thus have competitive edge in the industry.

Your Company is exploring the viability of putting up a double walled corrugated pipe plant to meet the growing demand of pipes required for sewerage and drainage.

As a further measure of cost reduction initiatives and as part of its constant attempt to achieve self-reliance in sourcing major and critical raw/essential materials, your Company has planned to set up a Ferro Alloys Plant with an outlay of Rs.55 Crores to meet the requirement of Ferro Silicon, Silico Manganese and Ferro Manganese in domestic and overseas markets, besides catering captive requirement of the Company. This additional facility would help the Company in achieving higher revenues, in addition to maintaining lower cost of production. This facility will be commissioned during second quarter of 2017-18. This project would be funded out of internal accruals.

The Company bagged orders worth Rs.1151 Cores for supply of pipes to various water supply projects of Telangana Government establishing a comfortable order book.

Further, upcoming ambitious water supply projects, Amaravathi Capital Development Projects and infrastructure projects in 100 Smart Cities and 500 other Cities under AMRUT (Atal Mission for Rejuvenation and Urban Transformation) of Central Govt and use of Ductile Iron Pipe in the non conventional sector like irrigation schemes etc., will ensure regular business and the company is hopeful of maintaining its growth.

CREDIT RATING:

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

DIRECTORS/KEY MANAGERIAL PERSONNEL:

Andhra Pradesh Industrial Development Corporation (APIDC), Hyderabad has withdrawn its nominee Shri J S Venkateswara Prasad, IAS, with effect from 10th December, 2015 and nominated Shri Shamsher Singh Rawat, IAS on the Board of Directors of your Company with effect from 4th February, 2016.

Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Mr.J. S. Venkateswara Prasad, IAS in his capacity as Director.

Shareholders at the last Annual General Meeting approved the appointment of Ms.S.Hemamalini as Independent Director (under non executive cadre) and Mr. Gouri Shankar Rathi as Whole Time Director on the Board of Directors of the Company with effect from 25th July, 2015 for a period of 5 years.

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

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 Listing Regulations, 2015.

During the year under review Mr. A R Surana, CFO & Company Secretary has resigned from the position of Company Secretary and continues to be the CFO of the company. Mr. Manoj K Shah has been appointed as Company Secretary of the Company and on his resignation, Mr. K Raghuram has been appointed as Company Secretary w.e.f. 4.2.2016.

The Board of Directors of your company confirms that plans are in place for orderly succession for appointment to the Board of Directors and senior Management and they are reviewed year on year.

CORPORATE GOVERNANCE:

Corporate governance is an ethically driven business process that is committed to values aimed at enhancing an organization's brand and reputation. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholders' expectations. It is imperative that your company's affairs are managed in a fair and transparent manner. This is vital to gain and retain the trust of the stakeholders.

Your Company complies with the Securities and Exchange Board of India (SEBI) guidelines on corporate governance. The Corporate governance report for the financial year 2015-16 and the auditors' Certificate on Corporate Governance as stipulated under regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are annexed vide Annexure I and forms part of this report.

INTERNAL FINANCIAL CONTROLS & ADEQUECY:

Your Company has an effective internal financial control and risk management system, which are constantly assessed and strengthened with new/ revised standard operating procedures. The Company's internal control system is commensurate with its size, scale and complexity of operations. The internal audit is carried out by M/s Chaturvedi & Co., a reputed firm of Chartered Accountants in Chennai. The main thrust of internal audit is to test and review controls, appraisal of risks and business processes, besides benchmarking controls with best practices in the industry.

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.

The Audit committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements to strengthen the same. The Company has a robust Management Information System, which is an integral part of the control mechanism.

The Audit committee of the Board of Directors, Statutory Auditors and the Business heads are periodically appraised of the internal audit findings and corrective actions taken. Audit plays a key role in providing assurance to the Board of Directors. Significant internal audit observations and the responses of the management are presented to the Audit committee of the Board for its suggestions followed by corrective actions.

MANAGEMENT DISCUSSION AND ANALYSIS:

Please refer to the Management Discussion and Analysis section appearing in Annexure II to this Report.

RISK MANAGEMENT POLICY :

The Company has a framework of identifying, prioritizing and mitigating risks which may impact attainment of short term and long-term business goals of the company. The risk management framework is interwoven with the strategic planning and deployment and capital project evaluation process of the Company. The process aims to analyse the external and internal environment and manage economic, financial, market, operational, compliance and sustainability risks and capitalizes opportunities for business success. The Company already identified the key risks which may affect the business goals and periodically revisits the relevance of the identified risks and progress of the mitigation plans undertaken. In order to strengthen the governance framework, the Company has in place a well defined Risk Management Policy which can be accessed at the website of the Company at www.srikalahasthipipes.com, which ensures sustainable business growth with stability and promotes a pro-active approach in reporting, evaluating and resolving risks associated with the business. 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:

The Board of Directors of your Company has put in place a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board Members. The Policy is available in the company's website at www.srikalahasthipipes.com.

Nomination and Remuneration Committee constituted by the Board is in line with the provisions of Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. 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.

CORPORATE SOCIAL RESPONSIBILITY POLICY:

The Board has adopted a Corporate Social Responsibility Policy (CSR Policy), in accordance with Schedule VII of the Companies Act, 2013 and a report on CSR activities/initiatives, which include the contents of the CSR Policy, composition of the Committee and other details as required to be provided in Annual Report on CSR in accordance with Section 135 of the Companies Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy), Rules, 2014 are disclosed in Annexure III to this Report.

During the year under review the amount spent by your Company for CSR activities remained lower than 2% of average net profits of last three years. As FY 2014-15 and 2015-16 being initial years of implementation of CSR Policy, the Company has been evaluating various focus areas for its CSR activities in the areas of village development, eduction, health, sanitation, poverty eradication and livelihood generation. As the ground work for effective implementation of CSR activities has already taken place, the Company would see improved action and corresponding spend on CSR in the coming years.

WHISTLE BLOWER MECHANISM (POLICY) :

Vigil Mechanism called 'Whistle Blower Policy' established by the Company for the Directors, Employees and all the Stakeholders of the Company to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy is in line with the provisions of Section 177(9) of the Companies Act, 2013 read with its respective rules and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. It provides for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairperson of the Audit Committee. The guidelines are meant for all members of the Organization from the day they join and are designed to ensure that they may raise any specific concern on integrity, value adherence without fear of being punished for raising that concern. The Whistle Blower Policy is available in the Company's website at www.srikalahasthipipes.com.

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. The Company has not received any complaint under this Policy during the FY 2015-16.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

Your Company has in place a Prevention of Sexual Harassment Policy in line with the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee (ICC) was set up to redress complaints received regarding sexual harassment. During the year 2015-16, there were no complaints received by the ICC.

EVALUATION OF PERFORMANCE OF BOARD MEMBERS:

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates that the Board shall monitor and review the Board evaluation framework. The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual directors. Schedule IV of the Companies Act, 2013, states that the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated. The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework as suggested by Nomination & Remuneration Committee adopted by the Board. The Board approved the evaluation results as collated by the nomination and remuneration committee.

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;