



INSPIRING GROWTH



**Save Water.**  
**The World is in your hands.**

**Srikalahasthi Pipes Limited**  
25th Annual Report 2016-17

# 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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Shri G. Maruthi Rao,  
Chairman,  
DIN 0083950

Chairman



Shri Mayank Kejriwal,  
DIN 00065980

Managing Director



Shri S.Y. Rajagopalan,  
DIN 00067000



Shri R.K. Khanna,  
DIN 05180042



Smt S. Hemamalini,  
DIN 01947327



Shri Kartikeya Misra, IAS  
(Nominee of APIDC),  
DIN 06927486

Directors



Shri Gouri Shankar Rathi,  
DIN 00083992

Wholetime Director

# CORPORATE INFORMATION

## DIRECTORS

Shri G. Maruthi Rao, Chairman, DIN 0083950  
 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 Kartikeya Misra, IAS (Nominee of APIDC), DIN 06927486

## MANAGING DIRECTOR

Shri Mayank Kejriwal, DIN 00065980

## CHIEF OPERATING OFFICER

Shri V. Poyyamozhi

## CHIEF FINANCIAL OFFICER

Shri N. Sivalai Senthilnathan

## COMPANY SECRETARY

Shri K. Raghuram

## AUDITORS

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

## SOLICITORS

Khaitan & Co.

## BANKERS

Andhra Bank  
 Bank Of India  
 HDFC Bank Ltd  
 ICICI Bank Ltd.  
 Punjab National Bank  
 Standard Chartered Bank  
 Yes Bank Limited

## REGISTERED OFFICE & WORKS

Rachagunneri-517 641  
 Srikalahasthi Mandal  
 Chittoor District  
 Andhra Pradesh  
 Website : [www.srikalahasthipipes.com](http://www.srikalahasthipipes.com)  
 E-mail : [companysecretary@srikalahasthipipes.com](mailto:companysecretary@srikalahasthipipes.com)  
 CIN : L74999AP1991PLC013391

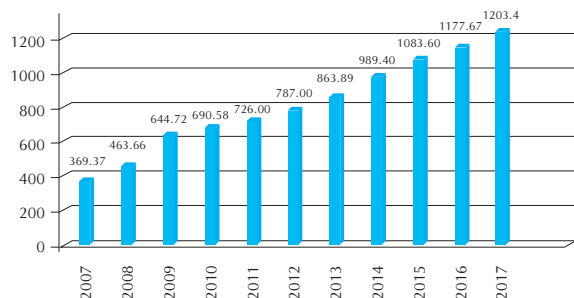
## SHARE TRANSFER AGENTS

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

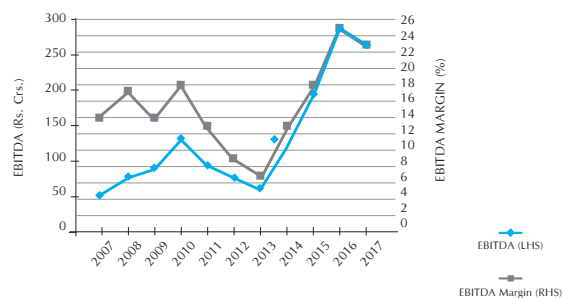
## PERFORMANCE INDICATORS

Particulars	Unit	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Turnover (Net)	Rs.Cr	369.37	463.66	644.72	690.58	726.00	787.00	863.89	989.40	1083.60	1145.61	1177.87
EBITDA	Rs.Cr	51.53	78.14	90.71	126.54	97.24	73.70	61.27	124.26	194.28	286.67	267.40
EBITDA Margin	%	13.95	16.85	14.07	18.32	13.39	9.36	7.09	12.56	17.92	25.02	22.70
PBT	Rs.Cr	21.64	40.01	28.22	87.98	55.83	-4.17	-21.33	41.42	119.42	209.51	191.22
PAT	Rs.Cr	15.81	25.92	18.35	57.94	42.03	-3.95	-13.10	38.70	82.98	155.32	140.22
EPS	Rs.	3.98	6.52	4.62	14.57	10.57	-0.99	-3.29	9.73	20.87	39.01	35.25
Dividend	%	10.00	10.00	10.00	15.00	15.00	0.00	0.00	15.00	30.00	50.00	60.00
Book Value	Rs.	22.85	28.06	31.50	44.49	53.17	52.02	48.73	56.71	139.96	175.36	204.59

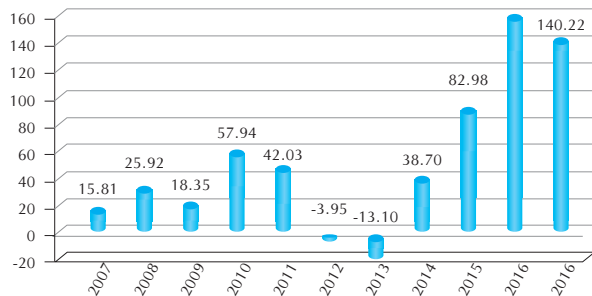
Turnover (Net) Rs. Crs.



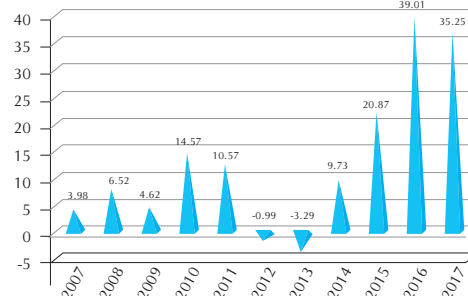
EBITDA &amp; EBITDA Margin



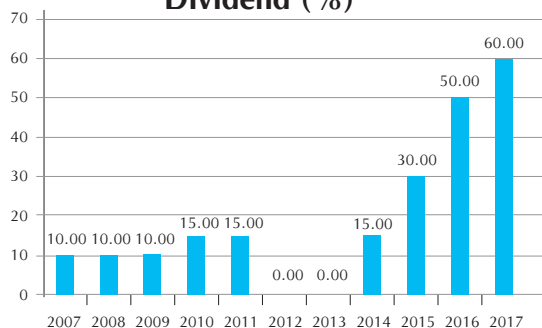
PAT Rs. Crs.



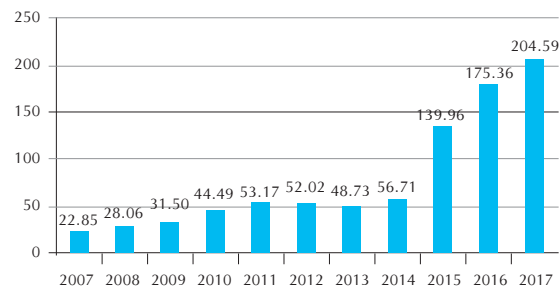
EPS - Rs.



Dividend (%)



Book Value - Rs. Per Share







## DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 25th Annual Report of the Company together with the audited financial statements for the Financial Year ended 31st March, 2017.

FINANCIAL RESULTS:	Rs. in Lakhs	
	2016-17	2015-16
Particulars		
Gross revenue from operations	1,20,340.14	1,17,767.07
Net revenue from operations	1,17,786.66	1,14,561.26
Other income	3,046.91	1,993.17
Total revenue	1,23,387.05	1,19,760.24
Earning Before Interest, Depreciation, Taxation & Amortisation (EBITDA)	26,739.99	28,667.12
Finance costs	3,929.16	4,249.61
Depreciation	3,688.50	3,466.77
Profit/(Loss) Before Taxation	19,122.33	20,950.74
Less: Tax including deferred tax	5,099.12	5,418.69
Profit/(Loss) After Taxation	14,023.21	15,532.06
Profit brought forward from previous year	10,950.38	2,797.09
Prior period adjustment – Taxation	---	---
Amount available for appropriation	24,973.59	18,343.28
Appropriations are made as under :		
-General reserve	5,000.00	5,000.00
-Proposed dividend including tax thereon	2,874.33	2,392.90
Balance carried forward to next year	17,099.26	10,950.38

### DIVIDEND:

Your Directors have recommended a dividend of Rs.6/- (60%) per equity share of Rs.10/- each for the financial year ended 31st March, 2017 (previous year Rs.5/- per share) amounting to Rs.2874.33 lakhs (including Rs.488.49 lakhs towards dividend tax). The dividend payout is subject to approval of members at the ensuing Annual General Meeting.

**REVIEW OF OPERATIONS:**

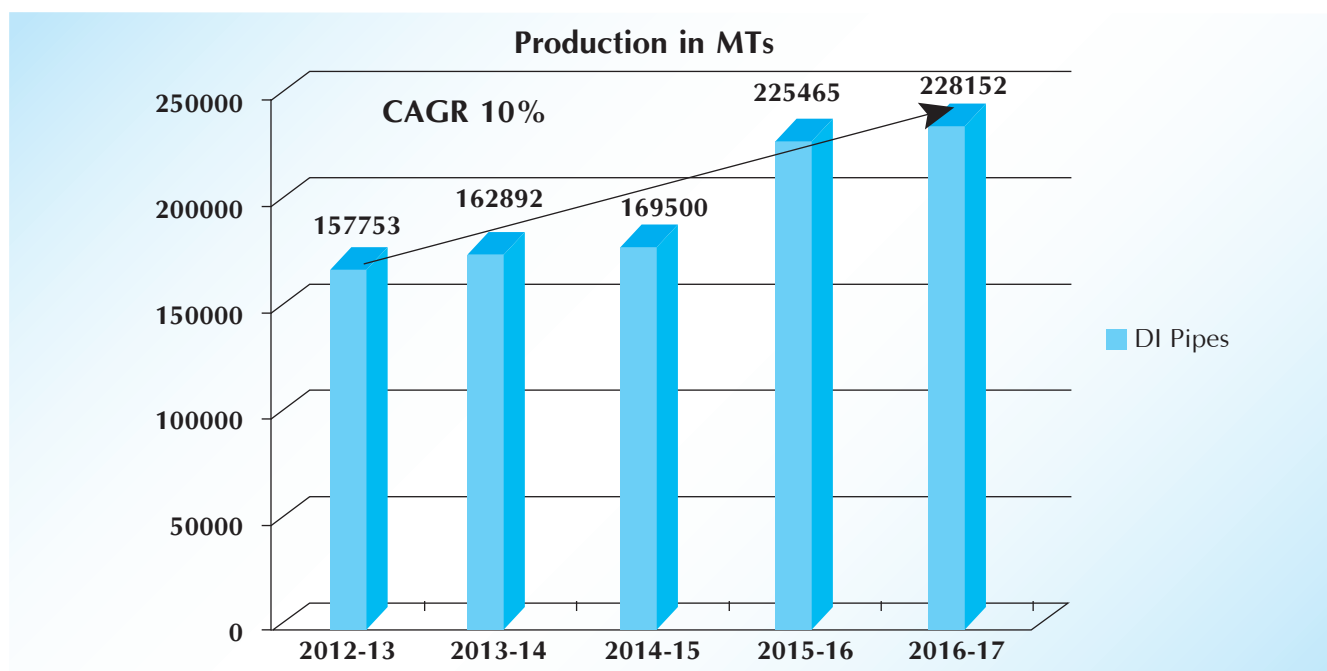
Your Directors are pleased to inform that the financial year 2016-17 has been better year than previous years in terms of completion of cost reduction and production enhancement facilities in Mini Blast Furnace (MBF) and Ductile Iron Pipe Plant (DIP). The installed capacity of the Ductile Iron Pipe Plant has been enhanced from 2,25,000 TPA to 3,00,000 TPA.

Your Directors have great pleasure in informing you that your Company has been responsible and instrumental in contributing towards water supply and infrastructure development in the country, which is the foremost priority of the Government. During the FY 2016-17, 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 Company has almost completed execution of orders worth about Rs.1050 Crores of the prestigious Telangana Water Supply Project, which was bagged by the Company in December, 2015.

**Production at a glance:**

Product	2016-17	2015-16	% of Change
Ductile Iron Pipes (MT)	2,28,152	2,25,465	1.2
Liquid metal from MBF (MT)	2,38,806	2,59,120	-8.5*
LAM Coke (MT)	1,65,410	1,55,504	6.0
Cement (MT)	96,800	87,359	9.8

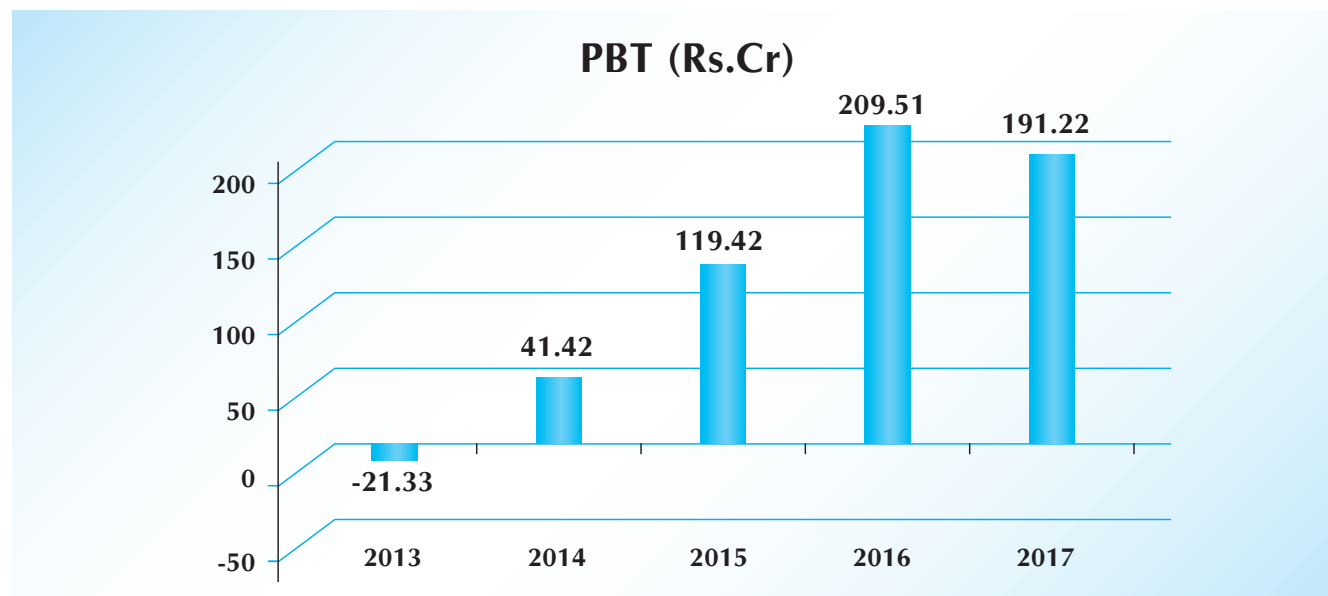
\* Planned shutdown of MBF for more than one month

**Growth rate of Ductile Iron Pipes production (2013 - 2017):**

During the year under review, your Company has taken a planned shutdown of Mini Blast Furnace (MBF) for a period of more than 30 days in August – September, 2016 to carry out complete relining along with installation of Stave Cooling System and Bell Less Top arrangement in the MBF. During this period, the Company has installed additional manufacturing facilities in Ductile Iron Pipe Plant (DIP) to augment the production and the DI Pipe Plant was operated through Induction Furnace. Post shutdown, the production of MBF and DIP got stabilized during 3rd quarter of the current financial year and in spite of loss of production on account of shutdown, the Company was able to achieve marginally higher production compared to the FY 2015-16.

Your Company delivered steady performance, in a rather challenging year, which has seen multifold increase in the prices of coking coal during the 4th quarter of the FY 2016-17 and partial rise in the prices of iron ore culminated together resulted in higher cost of production, whereby leading to slight dip in the pre-tax profit of your Company at Rs.191.22 Crores compared to Rs.209.51 Crores registered in the FY 2015-16.

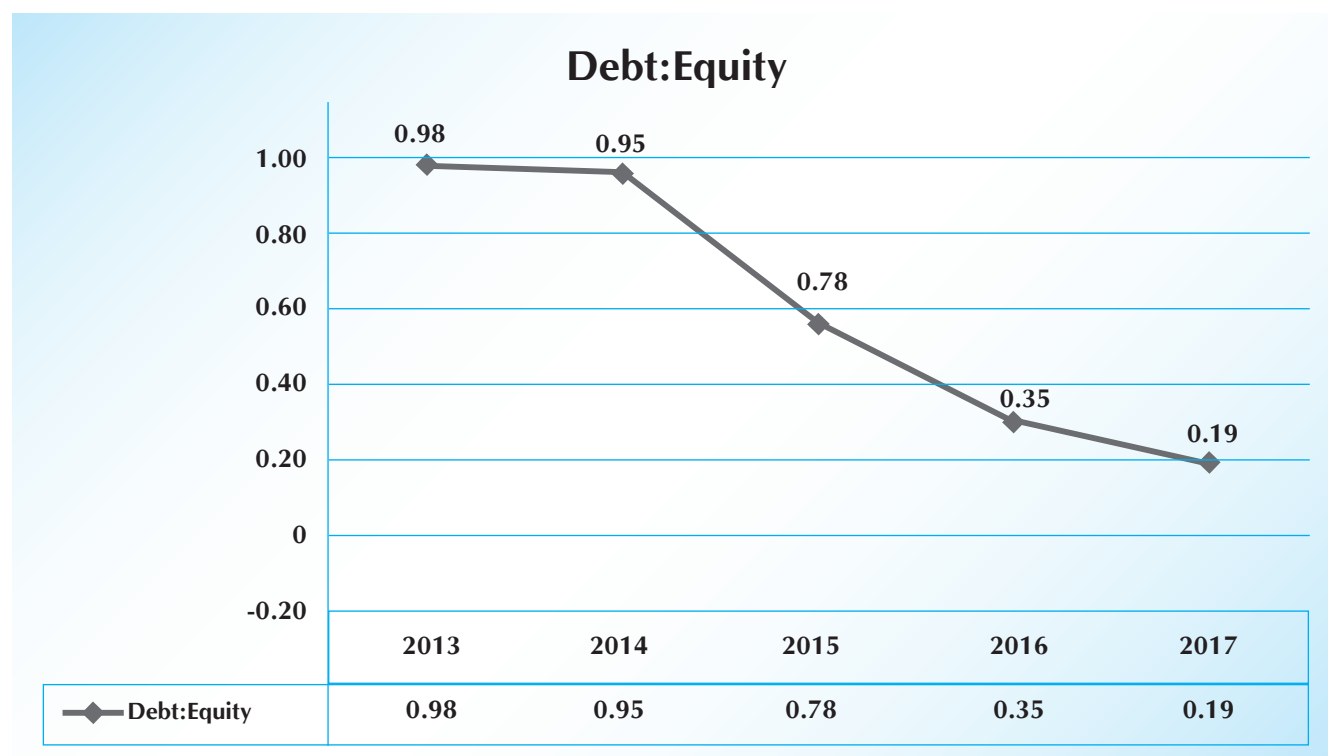
#### Pre-tax Profit (2013 -2017):



#### Debt Equity Ratio 2013 – 2017:

The sustained internal cash accruals improved the funds position of the Company resulting in lower utilization of working capital facilities, leading to reduced finance cost. The company is well positioned to fund its CAPEX for diversification and expansion programs.

Your company continues to maintain a healthy debt equity ratio of 0.19:1.





**FUTURE PROSPECTS:**

During the year under review, your Company has successfully completed capital expenditure programme, which was initiated in the FY 2015-16 entailing an investment of Rs.100 Crores towards installation of Pulverized Coal Injection (PCI) and Bell Less Top equipment facilities in MBF, capacity expansion of DI Pipe Plant, which includes installation of new spinning machine and additional finishing line. These facilities are commissioned during 3rd / 4th quarter of the FY 2016-17, and the Company will be reaping the full benefits from the facilities in terms of increased production of liquid metal and DI Pipes coupled with reduction in coke consumption from the Financial Year 2017-18 onwards.

Further, to be self-sufficient in meeting the coke and power requirements, the Company has taken up the project of installation of additional Coke Oven battery along with additional boiler in the Captive Power Plant at an investment of Rs.65 crores, which is expected to be in place in this financial year. This investment will yield perennial benefit to the Company in terms of uninterrupted availability of Coke and power. This apart, post commissioning of dedicated Captive Oxygen Plant, the cost of production will come down further.

During the year under review there is a steep increase in the prices of Metallurgical Coal due to global demand and supply mismatch and other external factors. However, at present, the prices started declining, which will reduce the pressure on cost of production.

As regards setting up of Ferro Alloys Unit, as the Govt. of Andhra Pradesh has not extended power subsidy of Rs.1.50 per unit, the Company has deferred setting up of Ferro Alloys unit, as it is not viable to take up the Project in the absence of power subsidy. However, the Company is seriously pursuing with the Andhra Pradesh Government to reconsider extension of power subsidy to enable the Company to take up the Project.

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 Government 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:**

CARE Limited maintained its rating for the Company's borrowing programmes with the rating as "CARE A+

(Single A Plus)" for long term bank facilities and A1+ (A One Plus)"for the short term facilities. These ratings indicate adequate degree of safety regarding timely servicing of financial obligations carrying very low credit risk and very strong degree of safety regarding timely payment of financial obligations and carries lowest credit risk. Further, Infomerics Valuation and Rating Pvt. Ltd. has rated "IVR AA/Stable Outlook (Pronounced IVR Double A with Stable Outlook)" for the long term borrowing programmes of the Company upto Rs.200 Crores.

**DIRECTORS/KEY MANAGERIAL PERSONNEL:**

Andhra Pradesh Industrial Development Corporation (APIDC), Hyderabad has withdrawn its nominee Shri Shamsher Singh Rawat, IAS with effect from 4th June, 2016 and nominated Shri B. Sreedhar, IAS on the Board of Directors of your Company with effect from 29th August, 2016 and on his resignation appointed Mr. Kartikeya Misra, IAS with effect from 1st December, 2016.

During the year under review Mr. A. R. Surana, Chief Financial Officer has resigned with effect from 19th September, 2016 and in his place Mr. N. Sivalai Senthilnathan has been appointed as Chief Financial Officer of the Company with effect from 1st December, 2016.

Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri Shamsher Singh Rawat, IAS and Shri B.Sreedhar, IAS and Shri A. R. Surana in their respective capacities.

On expiry of the present term of Shri Mayank Kejriwal, Managing Director of the Company, upon the recommendation of Nomination and Remuneration Committee, the Board has approved his re-appointment for a period of five years commencing from 1st May, 2017, subject to approval of shareholders in the ensuing Annual General Meeting of the Company.

Shri G.S. Rathi retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself 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.

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 every year.

### **CORPORATE GOVERNANCE:**

Your Company strongly believes that Corporate Governance is creation and enhancing long-term sustainable value for the stakeholders through ethically driven business process. In your Company, Corporate governance is a value-based framework to manage the affairs of the Company in a fair and transparent manner. We consider it as our core responsibility to disclose timely and accurate information regarding our financials and performance.

Your Company complies with the Securities and Exchange Board of India (SEBI)'s guidelines on corporate governance. The Corporate governance report for the financial year 2016-17 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 & ADEQUACY:**

The Company has proper and adequate internal control systems in place to safeguard assets and protect against loss from any unauthorised use or disposition. The system authorises, records and reports transactions and ensures recorded data are reliable to prepare financial information and to maintain accountability of assets. The Company's internal controls are supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures.

The Company has developed a robust Internal Financial Controls framework by revisiting and refining process notes, flowcharts and control matrices across finance and other operating functions. The internal financial controls were also reviewed by an independent auditor and found to be adequate and operating effectively for ensuring accuracy and completeness of the accounting records. No reportable material weaknesses were observed.

The Audit committee of the Board of Directors, Statutory Auditors and the Business heads are periodically apprised of the internal audit findings and corrective actions taken. Internal Audit plays a key role in providing assurance on internal financial controls 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.

The Audit committee of the Board of Directors actively reviews the adequacy and effectiveness of internal

control systems and suggests improvements wherever needed to strengthen the same. The Company has a robust Management Information System, which is an integral part of the control mechanism.

### **MANAGEMENT DISCUSSION AND ANALYSIS:**

Discussion on state of Company's affairs has been covered as part of the Management Discussion and Analysis (MDA). MDA for the year under review, as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is presented in a separate section vide Annexure II to this Report.

### **RISK MANAGEMENT POLICY :**

The Company's robust risk management framework identifies and evaluates business risks and opportunities. The Company recognises that these risks need to be managed and mitigated to protect its stakeholders' interest, to achieve its business objectives and enable sustainable growth. The risk framework is aimed at effectively mitigating the operational risks in Company's various businesses through effective control measures. Risk management is implanted in our critical business activities, functions and processes. The risks are reviewed for the change in the nature and extent since the last assessment. It also provides easing measures for risks and future action plans. The elements of risk associated with the business that may likely to have a bearing on the performance of the Company and the focused initiatives taken by the Company for mitigation of risks are covered under Risks & Concern Section of Management Discussion & Analysis.

### **NOMINATION & REMUNERATION POLICY:**

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for selection and appointment of Directors, Key Managerial Personnel and Senior Management Personnel and their remuneration. The Policy is available in the company's website at [www.srikalahasthipipes.com](http://www.srikalahasthipipes.com).

Company's Nomination and Remuneration Policy is in compliance 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.