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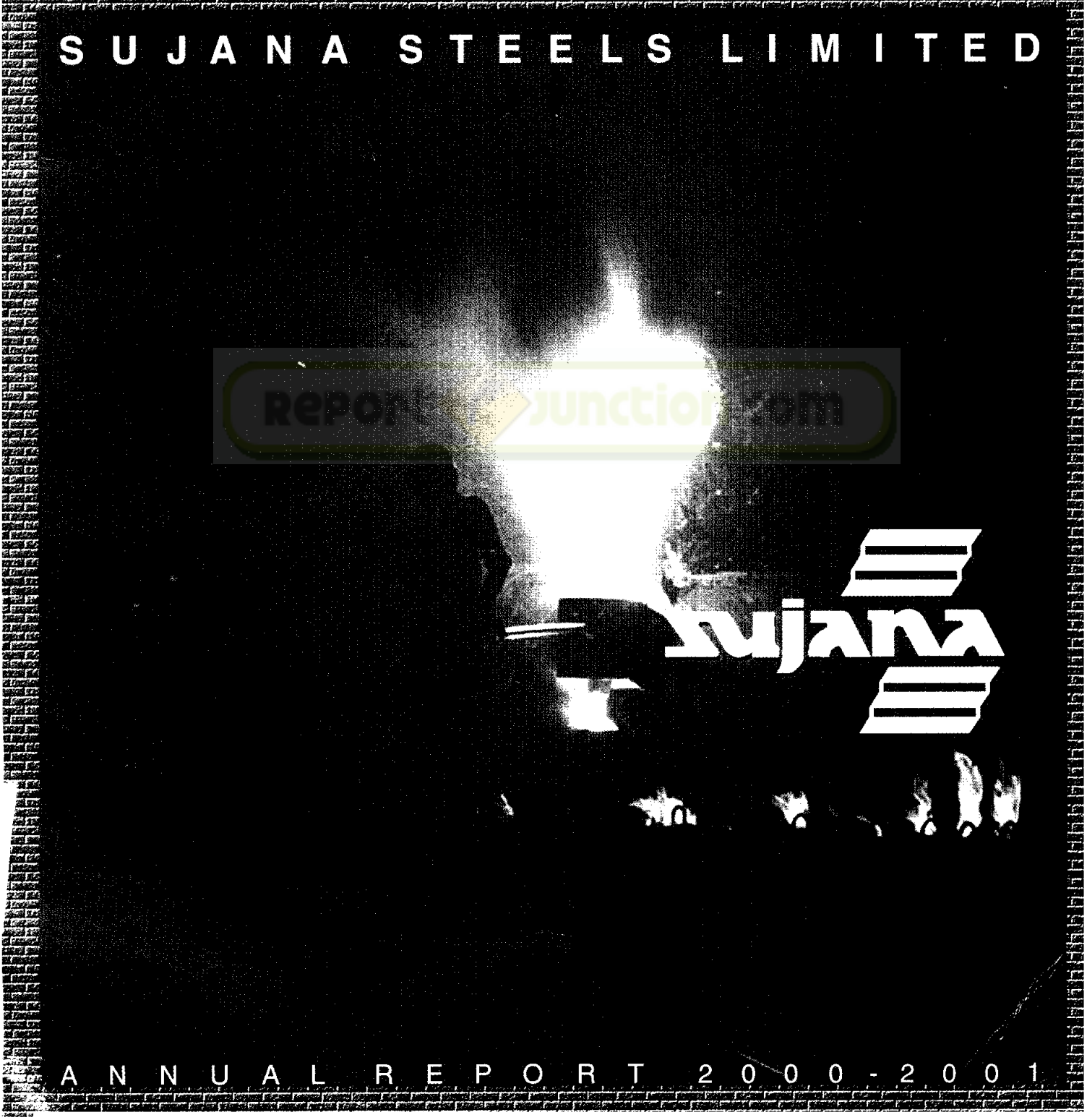
SUJANA STEELS LIMITED



ANNUAL REPORT 2000-2001

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SUJANA STEELS LIMITED

BOARD OF DIRECTORS	
CHAIRMAN AND MANAGING DIRECTOR	SHRI Y.S. CHOWDARY
DIRECTORS	SHRI J. RAMAKRISHNAN * Dr. V. MALAKONDA REDDY * SHRI R.K. BIRLA SHRI V.B. CHADHA * SHRI S.HANUMANTHA RAO * SHRI G.SRINIVASA RAJU SHRI K.P.RAMAKRISHNAN (IDBI Nominee) SHRI K.SRINIVASA RAO (IREDA Nominee) * Independent, Non-Executive Directors
MANAGEMENT COMMITTEE	SHRI Y.S.CHOWDARY SHRI G.SRINIVASA RAJU SHRI R.K.BIRLA SHRI S.HANUMANTHA RAO SHRI K.P.RAMAKRISHNAN (IDBI Nominee)
DY. COMPANY SECRETARY	SHRI Y.RAVI PRASADA REDDY
AUDITOR	SHRI G.V. SURYANARAYANA MURTHI CHARTERED ACCOUNTANT
BANKERS	BANK OF BARODA BANK OF RAJASTHAN LTD. THE SOUTH INDIAN BANK LIMITED INDUSIND BANK LIMITED
REGISTERED OFFICE	18, NAGARJUNA HILLS, PANJAGUTTA, HYDERABAD-500 082.
WORKS	(i) SURVEY NO.296/7/9, (ii) PLOT NO.159B & C (iii) 128/A, IDA, BOLLARAM, MEDAK DISTRICT, ANDHRA PRADESH.
LISTING	THE HYDERABAD STOCK EXCHANGE LTD., D.NO.3-6-275, HIMAYAT NAGAR, HYDERABAD - 500 029. THE STOCK EXCHANGE, MUMBAI, PHIROZE JEEJEEBHOY TOWERS, DALAL STREET, MUMBAI-400 001. THE MADRAS STOCK EXCHANGE LIMITED, EXCHANGE BUILDING, P.BOX 183, 11, 2ND LINE BEACH, CHENNAI-600 001.

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DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the Twelfth Report together with the Audited Accounts for the financial year ended 31st March, 2001, comprising of twelve months from 01.04.2000 to 31.03.2001.

1. COMPANY'S PERFORMANCE:

Your Directors are happy to report that the Company has achieved a turnover of Rs.31757.06 lakhs upto 31.03.2001, consisting of 12 months, as against the turnover of Rs.33850.95 lakhs for the year ended 31.03.2000 consisting of 18 months.

The highlights of the financial results are as follows:-

(Rs. in lacs)

	2000-2001	1998-2000
Profit before Depreciation & Interest	2722.46	3320.86
Interest	1378.26	1548.01
Depreciation	519.78	493.13
Profit before tax	824.42	1279.72
Provision for tax	81.37	174.84
Profit after tax	743.05	1104.88
Prior year adjustments	--	--
Amount brought forward	2800.59	1930.87
Amount available for appropriation	3543.64	3035.75
APPROPRIATIONS:		
Proposed Dividend		
:Equity	66.23	110.42
:Preference	42.00	24.74
General Reserve	100.00	100.00
Balance carried forward	3335.41	2800.59

2. DIVIDEND:

Your Directors recommend the payment of Dividend of Rs.0.75 Ps per share on the paid-up equity share capital, subject to the approval of financial institutions and the shareholders at the Annual General Meeting of the Company, which absorbs an amount of Rs.66,22,893/- from the profits of the Company for the financial year ended 31.3.2001. Your Directors have also recommended a dividend of 14% on the cumulative redeemable preference shares pursuant to the subscription agreement entered into with the Industrial Development Bank of India, which absorbs an amount of Rs.42,00,000/-

3. OPERATIONS:

- IRON AND STEEL OPERATIONS

The re-rolling mills have achieved higher capacity utilisation during the year 2000-2001.There has not been much change in the market conditions during the previous period. The margins though under strain marginally improved on account of cost reduction measures.

The Company has taken up capital expenditure programme in order to improve the production quality and product range resulting in improvement of profits in the year 2001-2002.

- TOWERS DIVISION

The Division has achieved higher than the targetted performance during the year 2000-2001. The order Book position and the future prospects are encouraging. The Company has taken up the capital expenditure programme for balancing and De-Bottlenecking of some operations/activities in the year 2001-2002.

- WIND FARM PROJECT

While the Company had taken all necessary timely steps for completion of the project as per the schedule, the difficult terrain of the project site and extended local area problems delayed the project implementation inordinately leading to blocking up of funds invested in the project without yielding any return.

The adverse factors developed during the past two years which are beyond our control made the Wind Power Project unviable and after careful consideration of all issues of the project implementation it has been decided to shelve the project. Necessary action will be initiated to settle IREDA's outstandings in consultation with IREDA.

4. SUBSIDIARY COMPANY :

- PADMINI CORPORATION LIMITED

The project was reviewed by the Financial Institutions with regard to the changed product mix in line with the changed market conditions and marginal increase in the proposed production capacity. The project cost has been reviewed to Rs.1280 Lakhs. The project implementation has been progressing satisfactorily and expected to be completed by September, 2001.

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The annual report of Padmini Corporation Limited alongwith the audited accounts for the year ended 31st March, 2001 is annexed hereto in terms of Section 212 of the Companies Act, 1956.

Padmini Corporation Ltd, allotted 1,37,04,355 Equity Shares of Rs.10/- each for cash at a preimum of Rs.10/- per share on 6th June, 2001, to various applicants through private placement basis as preferential allotment. Out of this allotment, shares allotted to Sujana Steels Limited is 49,98,900 Equity Shares. Hence, present holding of Sujana Steels Limited in the equity of M/s Padmini Corporation Limited is 1,07,23,900 shares out of total equity shares of 2,51,04,425.

5. INDUSTRIAL RELATIONS:

Your Directors are happy to report that the industrial relations have been extremely cordial at all levels throughout the year.

6. PERSONNEL:

Information in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. NA

7. DIRECTORS:

Shri G.Srinivasa Raju and Shri S.Hanumantha Rao, Directors, are retiring by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

Shri K.P.Ramakrishnan, was appointed as nominee of IDBI w.e.f 30/10/2000.

8. LISTING OF COMPANY'S SECURITIES:

Your Company's shares are currently listed on Hyderabad, Mumbai and Madras Stock Exchanges. The annual listing fees for the year 2000-2001 has been paid.

9. AUDITOR:

The Company's Auditor, Shri G.V. Suryanarayana Murthi, Chartered Accountant, will retire at the ensuing Annual General Meeting of the Company and eligible for re-appointment.

10. CONSERVATION OF ENERGY ETC.:

The details regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo as required by section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the particulars in the report of Board of Directors) Rules, 1988 are given in the Annexure 1 and form part of this report.

11. RESPONSIBILITY STATEMENT:

The Directors confirm :

a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that they have prepared the annual accounts on a going concern basis.

12. CORPORATE GOVERNANCE:

-Clause 49 of the Listing Agreement

Your Company is committed to achieving the best standards of corporate standards of corporate governance. To achieve this, your Company is striving to adopt best practices in corporate governance. Your Company is taking necessary steps to implement and comply with the recommendations of the code of Corporate Governance. Clause 49 of the listing agreement is effective for the Company within the financial year 2001-2002. Hence, the present Annual Report for 2000-2001 does not contain a detailed section on the code of Corporate Governance.

However, your Company is in the process of implementing Corporate Governance.

Composition of Board of Directors

The existing board has a mix of wholetime and non-wholetime independent Directors who bring a wide range of skills and experience to the Board.

Responsibilities

The Board has a formal schedule of matters reserved for

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its consideration and decision which includes reviewing corporate performance, ensuring adequate availability of financial resources and reporting to shareholders. During the year under review, the Board met 5 times. The five board meetings during the year were held on 18th May, 2000, 29th June, 2000, 27th July, 2000, 30th October, 2000 and 27th January, 2001.

Board Committees

To enable better and more focussed attention on the affairs of the Company, the board delegates particular matters to committees of the Board set up for the purpose. The three core committees constituted by the Company are (i) Management Committee, (ii) Audit Committee, and (iii)Share Transfer Committee.

Management Committee

The Management Committee comprises of Shri Y.S.Chowdary, Shri G.Srinivasa Raju, Shri S. Hanumantha Rao, Shri R.K.Birla and Shri K.P.Ramakrishnan (IDBI Nominee). The role, terms of reference and the authority and powers of the Management Committee are in confirmity with the provisions of the Companies Act, 1956.

Audit Committee

The Audit Committee comprises of Shri S. Hanumantha Rao, Shri K.Srinivasa Rao, Shri V.B. Chadha, Dr V.Malakonda Reddy and Shri K.P. Ramakrishnan (IDBI Nominee), all non-wholetime independent directors of the Company with Shri S. Hanumantha Rao, as Chairman. The role, terms of reference and the authority and powers of the Audit Committee are in confirmity with the requirements of Companies Act, 1956 and the listing agreement.

Share Transfer Committee

The Share Transfer Committee comprises of Shri Y.S.Chowdary, Shri G.Srinivasa Raju and Shri R.K.Birla. The role, terms of reference and the authority and powers of the Share Transfer Committee are in confirmity with the provisions of the Companies Act, 1956.

COMPLIANCE OFFICER

The name and designation of the Compliance Officer of the Company is Shri Y.Ravi Prasada Reddy, Deputy Company Secretary of the Company.

GENERAL MEETINGS

During the last three years, the General Meetings have been held as per the details given below;

1) 11th AGM on 29th June, 2000 at Sri Satyasai Nigamagamam, Srinagar Colony, Panjagutta Hyderabad - 500 082, at 3.00 P.M.

2) 10th AGM on 30th December, 1998 at H.No. 8-2-120/77/4B, Near L.V. Prasad Eye Institute, Road No.2, Banjara Hills, Hyderabad - 500 034, at 3.00 P.M.

GENERAL SHAREHOLDERS INFORMATION

We give below certain other useful information:

a. As indicated in the Notice to our share-holders, the Annual General Meeting of the Company will be held on 28th September, 2001. The time and venue of the meeting is as indicated in the Notice.

b.	Financial Calendar	:	April 1st to March 31st
c.	Date of book Closure	:	From 26th September, 2001 to 28th September, 2001 (both days inclusive).
d.	Dividend Payment date	:	Within 30 days from 28th September, 2001.
e.	Listing on Stock Exchanges	:	The shares of the Company are listed on three stock exchanges in India i.e., Hyderabad Stock Exchange Ltd, The Stock Exchange, Mumbai, and The Madras Stock Exchange Ltd.
f.	The address of the Secretarial Department of the Company	:	Plot No.247, 2ndFloor, Dwarakapuri Colony, Punjagutta, Hyderabad-500 082. Ph. No. : 3351037

ACKNOWLEDGEMENT:

The Board of Directors of the Company extend their sincere appreciation to the Government, Bankers, Financial Institutions, and others for their kind support. On behalf of the Company, the Board of Directors thank the Employees for their valuable efforts and the Shareholders for their undaunted faith in the Company.

BY THE ORDER OF THE BOARD

PLACE : HYDERABAD
DATE : 28-07-2001

Y.S.CHOWDARY
CHAIRMAN

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ANNEXURE - 1

Information as per section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report is given below.

A. CONSERVATION OF ENERGY:

a)	Energy conservation	:	To achieve the savings in energy consumption the company has taken steps to minimise the heat loss
b)	Additional investment and proposals, if any, being implemented for reduction of consumption of energy	:	Replacing the Coal Fired Furnace by Oil Fired Furnace for reduction of energy consumption and reduction of costs.
c)	Impact of the measures at (a) and (b) above for reduction of energy and consequent impact on cost of production.	:	N.A
d)	Total energy consumption and energy consumption per unit of production.	:	As per Form- A

B. TECHNOLOGY ABSORPTION:

e)	Efforts made in technology absorption as per Form B.	:	NIL

C. FOREIGN EXCHANGE EARNINGS & OUTGO

f)	Activities relating to exports initiatives taken to increase exports, development of new export markets for products and services and export plans.	:	During the year under review, the Company made exports better than earlier years. The Company is making constant efforts to explore new areas for export.
g)	Total foreign exchange used and earned.		Earned : Rs. 26,73,387/- Used : Rs. 22,33,456/-

FORM A
(See Rule 2)

A. PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

1. Electricity- purchased for manufacture of ingots and re-rolled products:

	2000-2001	1998-2000
Units(KWH)	30,25,797	44,59,529
Total amount (Rs.)	1,41,30,472	1,93,54,359
Rate/units (Rs.)	4.67	4.34

2. Coal

Quantity(Tonnes)	3,343.830	3,541.930
Total Cost (Rs.)	54,63,831	49,83,495
Average Rate (Rs.)	1,634	1,407

B. CONSUMPTION PER TONNE OF PRODUCTION OF RE-ROLLED PRODUCTS:

TOR STEEL

Electricity (KWH)	81.16	89.47
Coal (Tonnes)	0.24	0.23

BY THE ORDER OF THE BOARD

Y.S.CHOWDARY
CHAIRMAN

PLACE : HYDERABAD
DATE : 28-07-2001

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AUDITOR'S REPORT

TO
THE MEMBERS OF SUJANA STEELS LIMITED.

I have audited the attached Balance Sheet of Sujana Steels Ltd. as at 31st March, 2001 and the Profit and Loss Account attached thereto for the period ended 31st March 2001.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 and on the basis of such checks as I consider appropriate, I report that, in my opinion, and to the best of my knowledge and belief and as per the information and explanations furnished to me, and the books and records examined by me in the normal course of audit:

I. 1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies have been noticed on such verification.

2. None of the Fixed Assets have been revalued during the period.

3. Physical Verification has been conducted by the Management at reasonable intervals in respect of finished goods, stores, spare parts and raw materials.

4. The procedures followed by the Management for the physical verification of stocks are in my opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.

5. No material discrepancies were noticed on physical verification of stocks as compared to book balances in so far as appears from my examination of the books.

6. In my opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier year.

7. The Company has not taken loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or from Companies under the same Management within the meaning of Section 370(1-B) of the Companies Act,1956.

8. The Company has not granted any loans, secured or unsecured, to the Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 or to the Companies under the same Management within the meaning of Section 370 (1-B) of the Companies Act, 1956.

9. In respect of loans and advances in the nature of loans given by the Company which are interest free where stipulations have been made, the parties are generally repaying the principal amounts as stipulated.

10. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant & machinery equipment and other assets and for the sale of goods.

11. In my opinion and according to the information and explanations given to me, the prices paid for purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in respect of each party are reasonable, having regard to the prevailing market prices for such goods, materials or services or the prices at which transaction for similar goods or services have been made with other parties or as available with the Company.

12. As explained to me, the Company has a reasonable system for the determination of serviceable or damaged stores, raw materials and finished goods. Reasonable provision has been made for the loss arising on the items so determined.

13. During the period the Company has not accepted any deposits from public. Hence, the provisions of Section 58A will not be applicable.

14. In my opinion, reasonable records have been maintained for the sale and disposal of scrap. No by-products, I am informed are generated.

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15. The company has an internal audit system commensurate with the size of the company and the nature of its business.
16. As explained to me, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
17. According to the records of the Company Provident Fund and Employees State Insurance dues have generally been regularly deposited with the appropriate authorities.
18. According to the information and explanations given to me and the books and records examined by me, there are no undisputed amounts, payable in respect of Income Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March 2001 for a period exceeding six months from the date they become payable.
19. According to the information and explanations given to me and the records examined by me and so far as I could ascertain, no personal expenses have been charged to revenue account.
20. The company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of the company's trading activity, I am informed that there are no damaged stocks.
22. In view of the nature of the activities carried out and services rendered, the Company does not consider it necessary to allocate the material consumed and man hours utilised to the relative jobs.
23. In my opinion, there is a reasonable system of authorization at proper levels and an adequate system of internal controls commensurate with the size of the Company and the nature of its business for issue of stores.

II. In terms of and further to the above, I also report as follows :

a) I have obtained all the information and explanations which is to the best of my knowledge and belief, were necessary for the purpose of audit.

b) Proper Books of Accounts as required by Law, have been kept by the company so far as appears from my examination of these books of the Company.

c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of accounts of the Company.

d) In my opinion, the Balance Sheet and Profit and Loss Account complies with the mandatory Accounting Standards referred in Section 211(3C) of the Companies Act, 1956.

e) In my opinion and based on information and explanations given to me, none of the Directors are disqualified as on 31st March, 2001 from being appointed as Directors in terms of clause(g) of sub-section (1) of Sec 274 of the Companies Act, 1956.

f) In my opinion and to the best of my information and according to the explanations given to me, the said accounts read together with the significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

(i) In the case of Balance Sheet of the state of affairs of the Company as at 31st March, 2001 and

(ii) In the case of Profit & Loss Account, of the PROFIT of the Company for the year ended on that date.

PLACE: HYDERABAD
DATE : 29.05.2001

G.V.SURYANARAYANA MURTHI
CHARTERED ACCOUNTANT

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BALANCE SHEET AS AT 31st MARCH, 2001

(AMOUNT IN RUPEES)

PARTICULARS	SCH REF	31.03.2001 (12 MONTHS)	31.03.2000 (18 MONTHS)
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
i) SHARE CAPITAL	1	**124,725,000**	103,615,000
SHARE APPLICATION MONEY		**310,369,625**	366,450,000
ii) RESERVES AND SURPLUS	2	**678,657,855**	425,185,915
2. LOAN FUNDS			
i) SECURED LOANS	3	**832,360,162**	773,954,893
ii) UNSECURED LOANS	4	**120,285,525**	117,663,915
TOTAL FUNDS EMPLOYED		**2,066,398,167**	1,786,869,723
APPLICATION OF FUNDS			
1. FIXED ASSETS	5		
GROSS BLOCK		**1,098,316,627**	971,661,330
LESS: DEPRECIATION		**168,815,578**	117,482,634
NET BLOCK		**929,501,049**	854,178,696
CAPITAL WORK IN PROGRESS		**87,686,103**	136,458,680
		1,017,187,152	990,637,376
2. INVESTMENTS	6	**214,478,000**	114,500,000
3. CURRENT ASSETS, LOANS AND ADVANCES			
i) INVENTORIES	7	**478,011,808**	377,890,018
ii) SUNDRY DEBTORS	8	**592,336,474**	615,110,448
iii) CASH AND BANK BALANCES	9	**60,596,863**	67,133,605
iv) LOANS AND ADVANCES	10	**136,676,475**	122,143,100
		1,267,621,620	1,182,277,171
LESS: CURRENT LIABILITIES AND PROVISIONS	11	**433,467,450**	501,413,091
NET CURRENT ASSETS		**834,154,170**	680,864,080
4. MISCELLANEOUS EXPENDITURE	12	**578,845**	868,267
TOTAL		**2,066,398,167**	1,786,869,723
NOTES ON ACCOUNTS	18		

IN TERMS OF MY REPORT OF EVEN DATE

G.V. SURYANARAYANA MURTHI
CHARTERED ACCOUNTANT

FOR AND ON BEHALF OF THE BOARD

Y.S. CHOWDARY
CHAIRMAN & MANAGING DIRECTOR

Y. RAVI PRASADA REDDY
DY. COMPANY SECRETARY

G. SRINIVASA RAJU
DIRECTOR

PLACE : HYDERABAD
DATE : 29.05.2001

PLACE : HYDERABAD
DATE : 29.05.2001

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2001

(AMOUNT IN RUPEES)

PARTICULARS	SCH REF	31.03.2001 (12 MONTHS)	31.03.2000 (18 MONTHS)
INCOME			
SALES		**3,175,705,869**	3,385,094,624
OTHER INCOME	13	**13,977,313**	37,794,759
TOTAL(A)		**3,189,683,182**	3,422,889,383
EXPENDITURE			
RAW MATERIALS CONSUMED AND BOUGHT OUT GOODS	14	**2,840,366,010**	3,042,217,955
MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES	15	**79,585,786**	119,660,959
FINANCIAL CHARGES	16	**137,825,759**	154,800,679
DEPRECIATION		**51,978,003**	49,312,763
(ACCRETION)/DECRETION TO STOCKS	17	**(2,514,514)**	(61,785,607)
TOTAL (B)		**3,107,241,044**	3,304,206,749
PROFIT BEFORE TAXATION		**82,442,138**	127,971,884
PROVISION FOR INCOME TAX		**6,925,140**	14,780,753
PROVISION FOR DIVIDEND TAX		**1,212,164**	2,703,245
PROFIT AFTER TAXATION		**74,304,834**	110,487,887
BALANCE B/F FROM PREVIOUS PERIOD		**280,059,115**	193,087,451
BALANCE OF PROFIT AVAILABLE FOR APPROPRIATIONS		**354,363,949**	303,575,338
APPROPRIATIONS:			
i) GENERAL RESERVE		**10,000,000**	10,000,000
ii) PROPOSED DIVIDEND			
EQUITY SHARES		**6,622,893**	11,042,250
PREFERENCE SHARES		**4,200,000**	2,473,973
BALANCE CARRIED FORWARD		**333,541,055**	280,059,115

IN TERMS OF MY REPORT OF EVEN DATE FOR AND ON BEHALF OF THE BOARD

G.V. SURYANARAYANA MURTHI
CHARTERED ACCOUNTANT

Y.S. CHOWDARY
CHAIRMAN & MANAGING DIRECTOR

Y. RAVI PRASADA REDDY
DY. COMPANY SECRETARY

G. SRINIVASA RAJU
DIRECTOR

PLACE : HYDERABAD
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