

SUJANA METAL PRODUCTS LIMITED

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**ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED
30th JUNE, 2004**



SUJANA METAL PRODUCTS LIMITED

BOARD OF DIRECTORS

CHAIRMAN	: SHRI Y.S. CHOWDARY
MANAGING DIRECTOR	: SHRI R.K.BIRLA
DIRECTORS	: SHRI G.SRINIVASA RAJU * SHRI Y.V.RAMESH NAIDU (IFCI Nominee) SHRI M.M. YESAW (IDBI Nominee) SHRI S.HANUMANTHA RAO* SHRI J. RAMAKRISHNAN* SHRI V.B.CHADHA* Dr. K.SRINIVASA RAO (IREDA Nominee) Dr. V.MALAKONDA REDDY* * Independent, Non-Executive Directors

MANAGEMENT COMMITTEE	: SHRI Y.S.CHOWDARY SHRI G.SRINIVASA RAJU SHRI R.K.BIRLA SHRI S.HANUMANTHA RAO SHRI M.M.YESAW (IDBI NOMINEE)
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AUDIT COMMITTEE	: SHRI S.HANUMANTHA RAO DR.K.SRINIVASA RAO SHRI Y.V.RAMESH NAIDU (IFCI NOMINEE) SHRI M.M.YESAW (IDBI NOMINEE) DR.V.MALAKONDA REDDY SHRI V.B.CHADHA
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SHARE TRANSFER COMMITTEE	: SHRI Y.S.CHOWDARY SHRI G.SRINIVASA RAJU SHRI R.K.BIRLA
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SHAREHOLDERS GRIEVANCES COMMITTEE	: SHRI S.HANUMANTHA RAO SHRI Y.S.CHOWDARY SHRI G.SRINIVASA RAJU
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REMUNERATION COMMITTEE	: DR.K.SRINIVASA RAO SHRI J.RAMAKRISHNAN SHRI S.HANUMANTHA RAO
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COMPANY SECRETARY	: SHRI S.NAVEEN KUMAR
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AUDITOR	: G.V.SURYANARAYANA MURTHI CHARTERED ACCOUNTANT B-166, SANJEEVA REDDY NAGAR, HYDERABAD.
BANKERS	: BANK OF BARODA BANK OF RAJASTHAN LTD INDUSIND BANK LIMITED
FINANCIAL INSTITUTIONS	: IFCI LIMITED, INDUSTRIAL DEVELOPMENT BANK OF INDIA,
REGISTERED OFFICE	: SURVEY Nos.296/7/9, IDA BOLLARAM, JINNARAM MANDAL, MEDAK DIST, A.P.
WORKS	(i) SURVEY Nos.296/7/9, (ii) PLOT NO.159B & C (iii) PLOT NO.128/A, I.D.A.BOLLARAM JINNARAM MANDAL, MEDAK DIST, A.P.
LISTING	: HYDERABAD STOCK EXCHANGE LTD 6-3-654, ADJACENT TO ERRAMANZIL BUS STOP, SOMAJIGUDA, HYDERABAD - 500 082. THE STOCK EXCHANGE, MUMBAI PHIROZE JEEJEEBHOY TOWERS, DALAL STREET, MUMBAI - 400 001 THE MADRAS STOCK EXCHANGE LTD EXCHANGE BUILDING, P.BOX 183 11, 2 ND LINE BEACH, CHENNAI - 600 001.
REGISTRAR & SHARE TRANSFER AGENTS	: M/S BIGSHARE SERVICES PVT. LTD. G-10, LEFT WING, AMRUTHA VILLE, OPP: YASHODA HOSPITAL, RAJ BHAVAN ROAD, SOMAJIGUDA, HYDERABAD - 500 082.

SUJANA METAL PRODUCTS LIMITED

NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on Thursday, 30th December, 2004 at Plot Nos.10,11 & 12, Survey No.172, Bollaram Village, Jinnaram Mandal, Medak District, Andhra Pradesh at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet of the Company as at 30th June, 2004 and the profit and loss account for the period ended 30th June, 2004 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri G.Srinivasa Raju, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S.Hanumantha Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix his remuneration. The retiring Auditor Shri G.V.Suryanarayana Murthi, Hyderabad is eligible for re-appointment.

SPECIAL BUSINESS

- 5. To consider and if thought fit, to pass with or without modifications, the following resolution as Special Resolution:**

“RESOLVED that pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the

approval of the members of the Company and Central Government, if necessary, Shri R.K.Birla, Managing Director's remuneration be fixed on the following terms and conditions, with effect from 01.12.2004 for the balance period of tenure of his office:

1. Salary	Rs.1,50,000/- per month
2. H.R.A.	Rs. 25,000/- per month.
TOTAL	<u>Rs.1,75,000/- per month</u>

BY ORDER OF THE BOARD

PLACE ;HYDERABAD **Y.S. CHOWDARY**
DATE ;26.11.2004 *CHAIRMAN*

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES DULY STAMPED AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.
2. Members/proxies are requested to bring alongwith them Annual Reports being sent to them.
3. The Share transfer books and Register of Members of the Company will remain closed during the period from 29.12.2004 to 30.12.2004 (both days inclusive).
4. The Register of Directors' Shareholding maintained under Section 307 of the

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Companies Act, 1956, will be available for inspection at the venue of the Annual General Meeting of the Company during the Annual General Meeting. The Register of Directors' Shareholding is also available for inspection of the Members at the Registered office of the Company, fourteen days before and three days after, the date of the Annual General Meeting of the Company.

5. The registration of share transfers and other related correspondence will be dealt with by the Company at M/s Bigshare Services Private Limited of Mumbai, having its branch office at G-10, Left Wing, Amruta Ville, Opp: Yashoda Hospital, Raj Bhavan Road, Somajiguda, Hyderabad - 500 082.
6. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is enclosed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

5. Shri R.K.Birla, was appointed as Managing Director of the Company with effect from 27.01.2003. Shri R.K.Birla is an able and efficient person to shoulder the responsibilities and duties of the Managing Director.

In accordance with the provisions of Sections 198, 269 and 309 and Schedule XIII of the Companies Act, 1956, approval of shareholders is required for fixation of remuneration.

Your Directors recommended the resolution for your approval.

None of the Directors except Shri R.K.Birla is interested or concerned in the aforesaid resolution.

BY ORDER OF THE BOARD

PLACE : HYDERABAD Y.S. CHOWDARY
DATE : 26.11.2004. CHAIRMAN

Additional Information

- **Brief profile of Shri G.Srinivasa Raju, Director, who retires by rotation and is eligible for re-election.**

Shri G. Srinivasa Raju has been on the Board since 18th August, 1999.

Shri G. Srinivasa Raju is a Post Graduate in Mechanical Engineering.

Shri G. Srinivasa Raju, presently holding the position of Managing Director in Sujana Universal Industries Limited and Padmini Corporation Limited and Director in Foster Infin and Trading Private Limited.

- **Brief profile of Shri S.Hanumantha Rao, Director, who retires by rotation and is eligible for re-election.**

Shri S.Hanumantha Rao has been on the Board since 19th July, 1999.

Shri S.Hanumantha Rao has done B.Tech and he has worked for more than 20 years in State Bank of India and 3 years as Financial and Management Consultant.

Shri S.Hanumantha Rao, presently holding the position of Directorship in 4 (four) companies.

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DIRECTORS' REPORT

Your Directors hereby present Fifteenth Annual Report together with the Audited Accounts for the financial year 2003-2004 comprising of Fifteen (15) months from 01.04.2003 to 30.06.2004.

1. Company's Performance :

Your Directors hereby report that the Company has achieved a turnover of Rs.75393.44 lakhs upto 30.06.2004, consisting of Fifteen (15) months, as against the turnover of Rs. 41067.29 lakhs for the previous year ended 31.03.2003 consisting of twelve (12) months.

The highlights of the financial results are as follows :

	(Rupees in Lakhs)	
	2003-2004 (15 Months)	2002-2003 (12 Months)
Profit before Depreciation & Interest	4445.13	1991.74
Interest	3155.84	1624.64
Depreciation	800.73	209.06
Profit before tax	488.56	158.04
Provision for tax		
- Current tax	37.56	12.45
- Deferred tax	291.04	188.77
Profit after tax	159.96	(43.18)
Prior year adjustments	(8.13)	(25.29)
Amount brought forward	1081.75	1192.22
Amount available for appropriation	1233.58	1123.75
Appropriations :		
Proposed Dividend :		
- Equity	—	—
- Preference	—	42.00
General Reserve	—	—
Balance carried forward	1233.58	1081.75

2. Operations :

Your Company has achieved a turnover of Rs.75393.44 lakhs earning profit before tax of Rs. 488.56 lakhs. Keeping in view the volume of new product development activity undertaken during the year by the Company, the Company has transferred Rs.849.06 lakhs to New Product Development Activity which was subsequently capitalised upon the new products being technically and commercially feasible.

The Gross Block as on 30.06.2004 stands at Rs. 20336.70 lakhs. During the year, the Company has faced shortage of need based working capital and optimally utilised the limited working capital facilities available in meeting the competitive requirements of customers. The Net Block as on 30.06.2004 stood at Rs. 16411.03 lakhs.

3. Deffered Revenue Expenditure:

The amount transferred to deferred revenue expenditure during the current year is Rs.849.06 lakhs which includes expenditure on raw materials Rs.281.98 lakhs, interest Rs.114.50 lakhs, depreciation of Rs.163.64 lakhs and other expenditure of Rs.288.94 lakhs.

During the year, based on the expert opinion obtained, an amount of Rs.4910.94 lakhs (including the current year amount of Rs.849.06 lakhs) incurred by the company on account of Deferred Revenue Expenditure and in accordance with the provisions of AS 8 of ICAI has been treated as the Research and Development Expenditure and later the same has been capitalised.

As you are aware your company launched a new product development programme in the year 2001-2002 and the developmental expenditure on this programme has been transferred to deferred revenue expenditure. This programme has now

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been successfully concluded with commercialization of five (5) new products. Expenditure on product development activity for these products has been capitalized along with the Machinery, Equipment, Jigs, Fixtures and other Fixed Assets purchased during the year for commercial production of these products.

4. *Status on Corporate Debt Restructuring (CDR):*

The Industrial Development Bank of India has sanctioned adhoc Debt Restructuring facility deferring the repayment of principle and interest upto 31.03.2005. The Company had submitted its Restructuring scheme to The Industrial Development Bank of India on 31.07.2004 and the proposal is under their consideration.

5. *Industrial Relations :*

Your directors are happy to report that the Industrial Relations have been extremely cordial at all levels throughout the year.

6. *Directors :*

Shri G. Srinivasa Raju and Shri S.Hanumantha Rao, Directors of the Company, are liable to retire by rotation in the forthcoming Annual General Meeting of the Members of the Company and being eligible offers themselves for reappointment.

The IFCI Ltd has been withdrawn the nomination of Shri Sunil Kapoor as IFCI Nominee vide it's Letter No.IFCI/NDC-1/2003-11591, dated 5th December, 2003 and the same was considered by the Board in its Meeting held on 27.01.2004 while placing on record appreciation for the services rendered by him during his tenure.

Shri Y.V.Ramesh Naidu has been nominated by IFCI Ltd as Director of your Company vide it's Letter No.IFCI/NDC

1/2004-5258, dated 08.06.2004 and considered by the Board in its Meeting held on 29.09.2004.

7. *Directors' 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.

8. *Auditor :*

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

9. *Personnel :*

Information in accordance with Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is **not applicable**.

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10. Human Resource Management :

The key resource for your Company is its employees. Your Company has been able to create a favourable work environment that encourages innovation and meritocracy. Your Company has put in place a scalable recruitment and human resource management. The efforts of your Company in the area of employee management and HR practices have been proved effective in Human Resource Management.

11. Listing of Company's Securities :

Your Company's shares are currently listed on Hyderabad, Mumbai and Madras Stock Exchanges.

12. Delisting of Securities:

Delisting of equity shares of the Company from the Hyderabad and Madras Stock Exchanges is in process.

13. Dematerialisation of Shares:

Your Company shares have been made available for dematerialisation through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

14. Fixed Deposits :

The Company has not accepted any fixed deposits and the provisions of Section 58A of the Companies Act, 1956 are not applicable.

15. Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo :

The details regarding Energy Conservation, Technology, 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 the Board of Directors) Rules, 1988 are given in the Annexure 1 and forms part of this report.

16. Corporate Governance :

A detailed report on Corporate Governance has been included separately in the Annual Report. A report on Management Discussion and Analysis prepared and attached to the Directors' Report also forms part of this Annual Report.

17. Registered Office of the Company:

The Company had passed a special resolution at the Annual General Meeting of the Company held on 10.07.2003 and made a petition to Company Law Board, Southern Region Bench, Chennai for change of Registered Office from Hyderabad to Chennai. The same is in process.

18. Explanations to any qualifications in Auditors' Report:

There are no adverse remarks in the Auditors' Report dated 29.09.2004.

19. Acknowledgment :

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 ORDER OF THE BOARD

PLACE : Hyderabad

DATE : 26.11.2004.

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.

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* : NIL
- c) *Impact of the measures at (a) and (b) above for reduction of energy and consequent impact on cost of production* : Not Applicable.
- 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.

C. FOREIGN EXCHANGE EARNINGS & OUTGO :

- f) *Activities relating to export initiatives taken to increase exports, development of new export markets for products and services and export plans*: Making efforts for exports growth.
- g) *Total foreign exchange earned and used* : Earned:Rs.53,72,68,833/- and Used: Rs.40,02,58,381/-

FORM A

(See Rule 2)

A. PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

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

	2003-2004	2002-2003
Units (KWH)	33,87,417	26,03,569
Total amount (Rs.)	1,61,58,141	1,28,39,716
Rate/units (Rs.)	4.77	4.93

2. *Coal*

Quantity (Tonnes)	3,029.985	4,046.990
Total Cost (Rs.)	62,79,602	72,63,378
Average Rate (Rs.)	2,072.50	1,795.00

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

Electricity (KWH)	106.50	111.04
Coal (Tonnes)	0.210	0.035
Furnace Oil (Liters)	8.75	9.00

FORM - B

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)

1. *Specific areas in which R&D carried out by the Company:*

In view of the changing business/market conditions for the re-rolling industry products and the growing potential for Galvanised products we had undertaken an exercise for product re-orientation by extensive profitable product development.

2. *Benefits derived as a result of the above R&D:*

In order to minimise the losses, the Company has initiated necessary steps to increase the sales volumes and improve the profitability by taking up development of wider range of value added products. Towards realisation of these corporate goals we have undertaken extensive profitable product development activity by carrying out the minimum required modifications in the existing production facilities and has developed anti - corrosive steel, epoxy coated structural steel products, pre-fabricated structurals and galvanised pipes and tubes.

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3. Future plan of action:*Re-Rolling Unit I*

The products under development are construction steel with anti-corrosive treatment for coastal areas and re-rolled alloy steel products.

Re-Rolling Unit II

The products under development are Epoxy Coated Structured Steel Products, Ornamental Steel Sections and Pre-Fabricated Structural.

Towers Division

The products under development are Galvanized Components for Engineering applications, Pipes, Tubes for Chemical Industry.

4. Technology Absorption, Adoption and Innovation:

1. Efforts in brief made towards technology absorption, adaption and innovation : NIL
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution : NIL
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished: : NIL
 - a) Technology imported
 - b) Year of import
 - c) Has technology been fully absorbed
 - d) If not fully absorbed, areas where this has not been taken place.
reasons there of and future plans of action.

BY ORDER OF THE BOARD

PLACE : HYDERABAD **Y.S. CHOWDARY**
 DATE : 26.11.2004. *CHAIRMAN*

MANAGEMENT DISCUSSION AND ANALYSIS
1. Industry structure and development :

The Company deals in re-rolled long iron and steel products and power transmission & telecom towers. The favourable change in the prices of Company's Steel products helped the Company to achieve the turnover of Rs.75393.44 lacs for the 15 months ended 30.06.2004 when compared with the previous year (12 months) turnover of Rs. 41067.29 lacs. The attractive prices for the steel products are not limited to India but also in Global Market. The demand for the steel products is also good in response to the increased activity in infrastructure sector especially in irrigation, flyovers and bridges as well as in housing sector.

2. Opportunities and Strengths:

The demand for iron & steel long products is expected to be higher on account of the huge investments being planned on infrastructure projects and forecast of revival of the engineering industry. Our Company has capabilities to quickly adapt to the changing market conditions and sustain the projected growth in sales and profits.

3. Threats and Risks :

There is severe competition from the other secondary re-rolling manufacturers and the prices are expected to be volatile.

4. Business Outlook :

Considering the growing demand, the medium term business outlook is encouraging. The margins are expected to be under pressure. The business has become volume oriented with lower margins.

5. Internal control systems and their adequacy :

The Company has established internal control systems and the same are constantly