

9th Annual Report 2001-2002



SURAJ STAINLESS LIMITED

AN ISO - 9002 COMPANY

&

A Govt. Recognised Export House

Progress Through Co-operation

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AN ISO - 9002 COMPANY

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A Govt. Recognised Export House

9th Annual Report 2001-2002

BOARD OF DIRECTORS	: MR. ASHOK T. SHAH (CHAIRMAN & MANAGING DIRECTOR) MR. KUNAL T. SHAH (WHOLE TIME DIRECTOR) MR. GUNVANT T. SHAH (WHOLE TIME DIRECTOR) MR. DINESH S. SHAH (DIRECTOR) MR. DIPAK H. SHAH (DIRECTOR)
REGISTERED OFFICE	: 6TH FLOOR, KALPANA COMPLEX, NR. MEMNAGAR FIRE STATION, NAVRANGPURA, AHMEDABAD - 380 009.
WORKS	: SURVEY NO. 779/A, THOL, KADI - SANAND HIGHWAY, TAL. - KADI, DIST. MEHSANA.
AUDITORS & CONSULTING COMPANY SECRETARY	: PANKAJ K. SHAH ASSOCIATES CHARTERED ACCOUNTANTS 701-A, "NIRMAN", B/H. NAVRANGPURA BUS STOP, AHMEDABAD.
BANKERS	: PUNJAB NATIONAL BANK
CONTENTS	: NOTICE DIRECTOR'S REPORT AUDITOR'S REPORT BALANCE SHEET PROFIT & LOSS ACCOUNTS SCHEDULES BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE STATEMENT UNDER SECTION 212 CASH FLOW STATEMENT ACCOUNTS OF SUBSIDIARY COMPANY

SURAJ STAINLESS LIMITED**NOTICE TO THE MEMBERS**

NOTICE is hereby given that the **NINTH ANNUAL GENERAL MEETING** of the Members of **SURAJ STAINLESS LIMITED** will be held on Monday, the 30th September, 2002 at 11:00 a. m. at the Registered Office situated at 6th Floor, Kalpana Complex, Nr. Memnagar Fire Station, Ahmedabad-380 009 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Profit & Loss Account for the period ended on 31st March, 2002, Balance Sheet as on that date Directors' Report and the Auditors' Report thereon.
2. To appoint Director in place of Mr. Gunvant T. Shah, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. **To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an Ordinary Resolution :**
"RESOLVED THAT Mr. Dipak H. Shah who was appointed as an Additional Director of the Company by the Board with effect from 30th March, 2002 and who holds such office upto the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company in respect of whom the Company has received a notice in writing from a member proposing his candidature for the appointment as Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."
5. **To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :**
"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the reappointment of and the remuneration payable to Shri Kunal T. Shah as Whole Time Director of the Company for a period of 5 years with effect from 1st day of October, 2001 on the terms and conditions set out in the Draft Agreement submitted to this Meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Board of Directors and Shri Kunal T. Shah, provided they are within and in accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto.
"RESOLVED FURTHER THAT the remuneration including benefits amenities and perquisites as set out in the said draft agreement shall nevertheless be paid and allowed to Mr. Kunal T. Shah, as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such years but shall not in any such year exceed the ceiling laid down in this behalf in schedule XIII to the Companies Act from time to time."
"AND RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to take such steps and to do such acts, deeds, matters and things as may be necessary, proper and expedient to give effect to this Resolution."
6. **To consider, and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :**
"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the reappointment of and the remuneration payable to Shri Gunvant T. Shah as Whole Time Director of the Company for a period of 5 years with effect from 28th day of March, 2001 on the terms and conditions set out in the Draft Agreement submitted to this Meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said Agreement in such manner as may be agreed to between the Board of Directors and Shri Gunvant T. Shah, provided they are within and in accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto.
"RESOLVED FURTHER THAT the remuneration including benefits amenities and perquisites as set out in the said draft agreement shall nevertheless be paid and allowed to Mr. Gunvant T. Shah, as minimum remuneration for any Financial Year in case of absence or inadequacy of profits for such years but shall not in any such year exceed the ceiling laid down in this behalf in schedule XIII to the Companies Act from time to time."
"AND RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to take such steps and to do such acts, deeds, matters and things as may be necessary, proper and expedient to give effect to this Resolution."
7. **To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :**
"RESOLVED THAT subject to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, approval be and is hereby granted for increase in the remuneration of Shri Ashok T. Shah, Managing Director of the company from 1st April, 2002 to 31st July, 2005 as set out in the draft of the Supplemental Agreement between the Company and Mr. Ashok T. Shah placed before this meeting and initialled by the Chairman of the Company for the purpose of identification.
"AND RESOLVED FURTHER THAT the Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Ashok T. Shah in terms of the aforesaid draft."
8. **To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :**
"RESOLVED THAT subject to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, approval be and is hereby granted for increase in the remuneration of Shri Gunvant T. Shah, Whole Time Director of the company from 1st April, 2002 to 27th March, 2006 as set out in the draft of the Supplemental Agreement between the Company and Mr. Gunvant T. Shah placed before this meeting and initialled by the Chairman of the Company for the purpose of identification.
"AND RESOLVED FURTHER THAT the Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Gunvant T. Shah in terms of the aforesaid draft."
9. **To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :**
"RESOLVED THAT subject to the provisions of Section 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, approval be and is hereby granted for increase in the remuneration of Shri Kunal T. Shah, Whole Time Director of the company from 1st April, 2002 to 30th September, 2006 as set out in the draft of the Supplemental Agreement between the Company and Mr. Kunal T. Shah placed before this meeting and initialled by the Chairman of the Company for the purpose of identification.
"AND RESOLVED FURTHER THAT the Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Kunal T. Shah in terms of the aforesaid draft."

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 31st August, 2002

Ashok T. Shah
Chairman & Managing Director

NOTES :

- a) A Member is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself and a proxy need not be a Member. The instrument appointing a proxy shall be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for holding the meeting.
- b) The Register of Members and the Share Transfer Books of the Company will remain closed from 21.09.2002 to 28.09.2002 (both days inclusive).
- c) The Members are requested to notify any change in their address to the Company quoting their folio number at earliest to avoid inconvenience at a later stage.
- d) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting, therefore, Members are requested to bring their copies of Annual Report to the Meeting.
- e) Shareholders seeking any information with regards to accounts are requested to write to the Company latest by 15th September, 2002 so as to enable the management to keep the information ready.
- f) Explanatory Statement for the special business pursuant to section 173 of the Companies Act, 1956 is annexed herewith.

ANNEXURE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956.****ITEM NO. 4 :**

Shri Dipak H. Shah was co-opted as an Additional Director on the Board of the Company with effect from 30th March, 2002 in terms of Section 260 of the Companies Act read with Article 134 of the Articles of Association of the Company.

By virtue of the aforesaid section, Mr. Dipak H. Shah holds office until the ensuing 9th Annual General Meeting of the Company.

The Company has received a notice, in writing, from a Member pursuant to Section 257 of the Companies Act, 1956 indicating his intention to propose his candidature for the office of the Director of the Company liable to retire by rotation.

Mr. Dipak H. Shah is a Commerce Graduate with Degree of Law. He is a leading Sales Tax Practitioner. He has excellent experience of Accounts which will be helpful to the Company.

ITEM NO. 5 & 6 :

Shri Kunal T. Shah was appointed as Whole Time Director of the Company for a period of 5 years which expires on 1st October, 2001. At the board meeting held on 29th September, 2001, the Board reappointed Shri Kunal T. Shah as Whole Time Director for a further period of 5 years with effect from 1st October, 2001 subject to the approval of Shareholders of the Company.

Shri Gunvant T. Shah was appointed as Whole Time Director of the Company for a period of 5 years which expires on 28th March, 2001. At the board meeting held on 31st January, 2001, the Board reappointed Shri Gunvant T. Shah as Whole Time Director for a further period of 5 years with effect from 28th March, 2001 subject to the approval of Shareholders of the Company.

The terms and conditions of reappointment of both the Whole Time Directors are as under :

1. Remuneration :
 - a) Salary : Rs. 15,000/- per month.
 - b) Perquisites :

In addition to Salary, the Whole Time Directors shall also be entitled to perquisites like Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, together with utilities thereof such as gas, electricity, water, furnishings, Medical Reimbursement and Leave Travel Concession for himself and family, Club Fees, Medical Insurance, etc. in accordance with the Rules of the Company or as may be agreed to between the Board and the Whole Time Directors.
2. The Company shall provide the Whole Time Directors a car with a driver and telephone facility at their residence. Provision of car for use on Company's business and telephone at residence will be considered as perquisites. Personal long distance calls on telephone and use of the car for private purpose shall be billed by the Company to the Whole Time Directors.
3. Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income-tax Act. Gratuity payable at a rate not exceeding half-a-month's salary for each completed year of service and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.
4. All perquisites provided to the Whole Time Directors shall be evaluated as per the Income-tax Rules wherever applicable. In the absence of any such Rules, Perquisites shall be evaluated at actual cost.

The terms and conditions of reappointment of Shri Kunal T. Shah and Shri Gunvant T. Shah may be altered and varied from time to time during their tenure of appointment in such manners as may be agreed to, between the Board of Directors and Shri Kunal T. Shah and Shri Gunvant T. Shah provided such terms are within and in accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any amendment thereto.
5. The Whole Time Directors shall not be entitled to any sitting fee for attending the meetings of the Board or any Committee thereof.

The Draft of the Agreement between the Company and Shri Kunal T. Shah and Shri Gunvant T. Shah referred to in the Notice is open for inspection at the Registered Office of the Company during Office Hours on all working days, except Sunday, between 11:00 a.m. & 1:00 p.m. The above may also be treated as an abstract under Section 302 of the Companies Act, 1956.

Except Shri Dipak H. Shah, all the directors, being relative of Mr. Kunal T. Shah and Shri Gunvant T. Shah shall be deemed to be concerned or interested in this Resolution.

ITEM NO. 7, 8 & 9 :

Shri Ashok T. Shah, Shri Gunvant T. Shah and Shri Kunal T. Shah are associated with the company since incorporation and keeping in view, the increased responsibilities and activities of the company, the Board of Directors at their Meeting held on 30th March, 2002 increased their remuneration from Rs. 15000/- to Rs. 21000/- p.m. with effect from 1st April, 2002, subject to the approval of shareholders at the Annual General Meeting. All other terms of their appointments remain unchanged.

The aforesaid increase in the remuneration payable to Mr. Ashok T. Shah, Shri Gunvant T. Shah and Shri Kunal T. Shah are in conformity with Schedule XIII to the Companies Act, 1956 as set out in the draft of the Supplemental Agreement referred to in these Resolutions.

Mr. Ashok T. Shah, Mr. Dinesh S. Shah, Mr. Kunal T. Shah and Mr. Gunvant T. Shah are relatives and may be deemed to be concerned or interested in these resolutions.

The foregoing material terms may also be treated as an abstract of the terms of the aforesaid Agreement for the purpose of Section 302 of the Companies Act, 1956.

The copies of the aforesaid draft Agreement will be available for inspection by the members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day except Sunday.

For and on behalf of the Board of Directors

Ashok T. Shah
Chairman & Managing Director

Place : Ahmedabad
Date : 31st August, 2002

DIRECTORS' REPORT

To :

**THE MEMBERS,
SURAJ STAINLESS LIMITED. AHMEDABAD.**

The Board of Directors have pleasure in presenting the Ninth Annual Report together with Audited Accounts for the year ended 31st March, 2002.

FINANCIAL REVIEW AND ANALYSIS :**HIGHLIGHTS :****(Rs.in lacs)**

	2001-2002	2000-2001
Turnover	2839.47	2357.93
Finance Cost	154.33	181.95
Depreciation	90.17	81.27
Operating Profit	53.19	37.58
Other Income	09.12	18.07
Profit Before Tax	62.31	55.65
Taxation - Currnet Tax	4.00	2.00
- Deferred Tax	17.61	0.00
Profit after Tax	40.70	53.65
Prior Period Adjustment	0.16	0.31
Balance available for Appropriation	40.54	53.96
Balance b/f from Previous Year	114.77	60.81
Balance c/f to Balance Sheet	155.31	114.77

REVIEW OF OPERATIONS :

Your director have great pleasure to inform you that the company has achieved record turnover during the financial year ended 31st March, 2002 amounting to an all time high of Rs. 2839.47 lacs as against Rs.2357.93 lacs during the previous year, registering a growth of 20% over the previous year.

The exports of the Company's products registered an impressive growth during the year under review. The company has achieved the export sales of Rs. 1183.67 Lacs during the year as against export sales of Rs. 850.12 Lacs during the previous year, registering a growth of 39%.It has also achieved the domestic sales of Rs. 1387.31 Lacs during the year as against the sales of Rs 1235.00 Lacs during the previous year registering a growth of 12%

The Company has achieved operating profit, amounted to Rs.53.19 Lacs during the year under review registering a growth of 41% over the previous year.

The improved performance could be attain on account of higher production, enhanced opearating efficiencies, better working capital management, aggressive marketing, back by highly motivated sale team and over all cost reduction measures adopted by the company. Your company has achieved overall excellence performance over the previous year in all segments including net profit. The profit after tax provision is lower than the previous year only due to recent guideline for providing for deferred tax provision.

THE YEAR IN RETROSPECT :

Despite uncertainties, the Country's economy grew at 5.4 % during the year as against 5.8 % in the previous year, largely due to recovery of the agriculture sector after two consecutive years of decline. The industrial sector however fared poorly, with a mere 3.3 % growth - the lowest in past eight years. Prices and profit margins were under even greater stress due to falling demands and increasing competition from cheaper imports. The Rupee and the stock markets also remained volatile. The average inflation rate during the period was at around 4.7 %

Keeping in view the down turn in the economy and the global meltdown in the technology sector, the Company's performance during the year can be considered very good.

PRODUCTION :

The Company has utilised 76.81 % of its installed capacity for production of S.S. Tubes and Pipes during the year, which is substaintally higher as compared to the previous years capacity utilisation of 59%. The increase in production was achieved due to productivity improvement and better utilisation of machines.

FOCUS :

The product of the company is well accepted by the international market and it has established export market arround the globe in more than 41 countries, exclusively due to its quality products and timely delivery. Hence your directors therefore expect better performance during the year.

The company looks to the year ahead with confidence.

FINANCE :

The Company undertook several efforts to reduce the interest cost.During the year under review, the Company has made repayment to the extent of Rs.79.54 lacs towards term loan to G.I.I.C. as per repayment schedule.

EXPORT HOUSE RECOGNITION :

During the year the company has been awarded status of Govt. recognized "Export House". This can be considered a good achievement during short span of export started by the company. Due to this, the company expects better export during current year and envisages several benefits out of it.

DIVIDEND :

To conserve the resources for the long term working capital requirement, the Board of Directors do not recommend any dividend for the year under review.

CONSERVATION OF ENERGY ETC :

The particulars regarding the Conservation of Energy & Technology Absorption & Foreign Exchange Earnings & Outgo are given in Annexure - I annexed to this report.

DIRECTORS :

Mr. Gunvant T. Shah, retires by rotation and being eligible for reappointment, offer himself for reappointment. Shri Dipak H. Shah was appointed as an Additional Director under Section 260 of the Companies Act with effect from 30th March, 2002. He hold office upto the date of ensuing Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956 proposing the appointment of Shri Dipak H. Shah as director of the Company liable to retire by rotation.

PARTICULARS OF EMPLOYEES :

There are no employees drawing remuneration in excess of the ceiling prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

AUDIT COMMITTEE :

The Board of Directors of the Company had formed an audit committee comprising of Shri Ashok T. Shah, Shri Dinesh S. Shah and Shri Dipak H. Shah. The committee's role, terms of reference and the authority and powers are in conformity with the requirement of the Companies Act, 1956.

AUDITORS & AUDITORS' REPORT :

M/s. Pankaj K. Shah Associates, Chartered Accountants, Ahmedabad retires at the ensuing Annual General Meeting and being eligible, the Board request to reappoint them as Auditors from the conclusion of this Annual General Meeting to the next Annual General Meeting.

The comments in the Auditors' Report read with Notes to the Accounts in Schedule are self explanatory and do not call for further explanation.

LISTING OF THE COMPANY'S EQUITY SHARES :

The Equity Shares of your Company continue to be listed during the year under review at the Ahmedabad and Mumbai Stock Exchanges. The Company has paid the annual listing fees for the financial year 2001 - 2002 to these Stock Exchanges.

DIRECTOR'S RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, 1956, Directors confirm:

- i) That, in the preparation of the annual accounts, the applicable accounting standards had been followed,
- ii) That, the directors have selected such accounting policies and applied them consistently and made judgments 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 ended 31st March, 2002 and of the profit of the company for that year,
- iii) That, the directors had 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,
- iv) That, the directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE :

The Corporate Governance Report as required by clause 49 of the Listing Agreement with the Stock Exchange is not applicable to the Company because the paid-up Share Capital of the Company is less than Rs. 10 Crores. However the same will be applicable from the financial year 2002-03.

SUBSIDIARY COMPANY :

As required U/S 212 of the companies Act, 1956, the Audited Balance and the Profit and Loss Account along with the Reports of Directors and Auditors of Suraj Chemtech Ltd, Subsidiary company of the company, are annexed hereto. However M/s. Suraj Chemtech ceased to be a subsidiary of the company after the close of financial year i.e 30-05-02

ACKNOWLEDGMENTS :

Your Directors appreciate the valuable co-operation extended by the Central and State Government authorities and are extremely grateful to the Financial Institutions and the Company's Bankers for their continued assistance, guidance and support. Your Directors are also grateful to the Employees, Shareholders, Agents, Customers and the general public for their support and confidence reposed in the Management.

For and on behalf of the Board of Directors

Place : Ahmedabad

Date : 31st August, 2002

Ashok T. Shah

Chairman & Managing Director

ANNEXURE TO DIRECTOR'S REPORT**A. Conservation of Energy :**

Energy conservation measures taken by the Company mainly include selection & installation of energy efficient equipments and energy saving devices. The impact of measures on the cost of production is not precisely ascertainable. (As per Form - "A" below.)

B. Technology Absorption :

- a) Research & Development : The Company has not so far formally established Research & Development wing.
- b) Technology absorption, adaptation & innovation : The Company has not imported any technology.

C. Foreign Exchange earnings and outgo :

1) Foreign Exchange earnings (Goods Exported)	:	Rs.	11,32,37,796/-
2) Foreign Exchange Outgo (Materials Import)	:	Rs.	5,05,39,153/-
3) Foreign Travel	:	Rs.	2,91,148/-
4) Foreign Commission	:	Rs.	8,27,379/-

SURAJ STAINLESS LIMITED**FORM - A**

Form for disclosure of particulars with respect to conservation of energy.

Power and Fuel Consumption	Year ended 31.03.2002	Year ended 31.03.2001
1. Electricity		
(a) Purchase in Units KWH :	7,77,924	9,03,948
Total Amount (Rs.)	36,95,281	36,38,900
Rate KWH (Rs.)	4.75	4.03
2. Consumption per unit of production		
Products (MT)	2026.20	1433.82
Total Nos. of Units (KWH)	7,77,924	9,03,948
Unit per M.T. (KWH)	383.93	630.44
Cost per MT (Rs.)	1823.67	2540.67

AUDITOR'S REPORT

To,
The Members,
SURAJ STAINLESS LIMITED Ahmedabad.

We have audited the attached Balance Sheet of M/s. SURAJ STAINLESS LIMITED as at 31st March, 2002 and also the Profit and Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of section 227 (4)(A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the Books of Account;
- iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in section 211(3C) of the Companies Act, 1956 except Accounting Standard - 2 & 15 in respect of which a reference is made to note no.1(E)(a) and 1(H) respectively of significant accounting policies in schedule 18.
- v) On the basis of the written representations received from the Directors as on 31st March, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with notes thereon in Schedule 18 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
 - ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date.

FOR PANKAJ K. SHAH ASSOCIATES
CHARTERED ACCOUNTANTS

Pankaj K. Shah
Proprietor

Place : Ahmedabad
Date : 31st August, 2002

ANNEXURE TO THE AUDITORS' REPORT**Referred to in Paragraph 1 of our Report of even date on the Accounts**

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets of erstwhile company. We are informed that major fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.
2. The Company has not revalued any of its fixed assets during the year.
3. As explained to us Raw material, Work in process, Finished goods, trading materials and stores & spares except stock in transit and lying with third parties have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and the nature of its business.
4. Subject to our observation at point 3 above, and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. Subject to our observation at point 3 above and as explained to us, no material discrepancies were noticed on physical verification of stock of raw materials, stores & spares and finished goods, having regard to the size of the operations of the Company.
6. In our opinion, the valuation of stock is fair & Proper in accordance with the normally accepted accounting principles and it is on the same basis as in the preceding year.
7. The Company has accepted temporary loans from subsidiary company as listed in the register maintained under Section 301. However, the terms of such loan are not prima-facie prejudicial to the interest of the company.
8. In our opinion, the rate of interest and the terms and conditions on which loans and deposits have been granted to the parties listed in the register maintained under Section 301 of the Companies Act, 1956, are not prima facie prejudicial to the interest of the Company.
9. The parties (including employees) to whom loans or advances in the nature of loans have been given by the Company, are repaying the principle amount as stipulated and are also regular in payment of interest wherever applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedure commensurate with the size of the Company and the nature of its business for the Purchase of Stores, raw materials including components, Plant & Machinery, Equipments and other assets and for the sale of goods.
11. In our opinion and according to the information and explanation given to us, the transactions for purchase of goods and materials and sale of goods, material and services made in pursuance of contract 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 have been made at prices which are reasonable having regard to the prevailing market price for such goods, materials or services or the prices at which transaction for similar goods, materials or services have been made with other parties.
12. As explained to us, the Company has no unserviceable or damaged Stores, raw materials and finished goods.
13. The Company has not accepted any deposit from the public during the year.
14. The company is not maintaining records for the sale and disposal of scraps except as maintained in the excise records. The company has no by-product.
15. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of the business of the company. However the company has no formal internal audit system during the year.
16. The Company has not maintained Cost records U/S 209(1)(d) the Companies Act, 1956, since in the opinion of the management it does not fall under the specified category.
17. According to the records produced before us, the company is regular in depositing the dues of Provident Fund with the appropriate authorities. As informed to us, Employee's State Insurance Act is not applicable to the Company.
18. According to the information and explanations given to us, no undisputed amounts were outstanding in respect of Income Tax, Sales Tax Wealth Tax, Custom Duty and Excise Duty as on 31st March, 2002 for a period of more than Six months from the date they became payable.
19. To the best of our knowledge, and on the basis of our examination of the books of accounts and the information and explanations given to us, no personal expenses have been charged to the revenue account other than those payable under contractual obligation or in accordance with generally accepted business practices.
20. The Company is not a Sick Industrial Company within the meaning of Section 3(1)(O) of the Sick industrial Companies (Special Provision) Act, 1985.
21. In respect of trading activities, we are informed by the Management that the inventory of stock in trade does not include any damaged goods.

**FOR PANKAJ K. SHAH ASSOCIATES
CHARTERED ACCOUNTANTS**

Pankaj K. Shah
Proprietor

Place : Ahmedabad
Date : 31st August, 2002

SURAJ STAINLESS LIMITED**BALANCE SHEET AS AT 31ST MARCH, 2002**

(Amount in Rs.)

Particulars	Schedule	As on 31-03-2002	As on 31-03-2001
SOURCES OF FUNDS :			
a) <u>Shareholders Funds:</u>			
-Share Capital	1	5,15,47,000	5,15,47,000
-Share Application Money		0	3,000
-Reserves & Surplus	2	4,18,89,168	3,15,30,758
		9,34,36,168	8,30,80,758
b) <u>Loan Funds:</u>			
-Secured Loans	3	8,26,92,842	9,21,83,871
-Unsecured Loans		0	0
		8,26,92,842	9,21,83,871
TOTAL RS :		17,61,29,010	17,52,64,629
APPLICATIONS OF FUNDS :			
a) <u>Fixed Assets:</u>	4		
Gross Block		10,45,83,715	9,88,12,495
Less: Depreciation		3,72,90,045	2,84,48,557
Net Block		6,72,93,670	7,03,63,938
b) <u>Investments</u>	5	87,51,005	1,30,42,529
c) <u>Current Assets, Loans and Advances :</u>			
Inventories	6	11,04,36,469	9,76,15,970
Sundry Debtors	7	5,64,91,344	3,72,32,911
Cash and Bank Balances	8	96,39,233	63,47,288
Loans & Advances	9	1,18,90,015	1,12,61,761
		18,84,57,061	15,24,57,930
<u>Less: Current Liabilities and Provisions :</u>	10		
Current Liabilities		9,25,37,367	6,08,31,924
Provisions		10,26,000	6,26,000
		9,35,63,367	6,14,57,924
Net Current Assets		9,48,93,694	9,10,00,006
d) <u>Misc. Expenditure</u>	11		
Miscellaneous Expenditure		6,47,142	8,58,156
Deferred Tax Assets		45,43,499	0
TOTAL RS :		17,61,29,010	17,52,64,629
NOTES ON ACCOUNTS	18		

As per our report of even date attached.

For PANKAJ K. SHAH ASSOCIATES
Chartered Accountants

Pankaj K. Shah
Proprietor

Place : Ahmedabad.
Date : 31st August, 2002

For and on behalf of the Board of Directors

Ashok T. Shah Managing Director

Kunal T. Shah Director

Place : Ahmedabad.
Date : 31st August, 2002