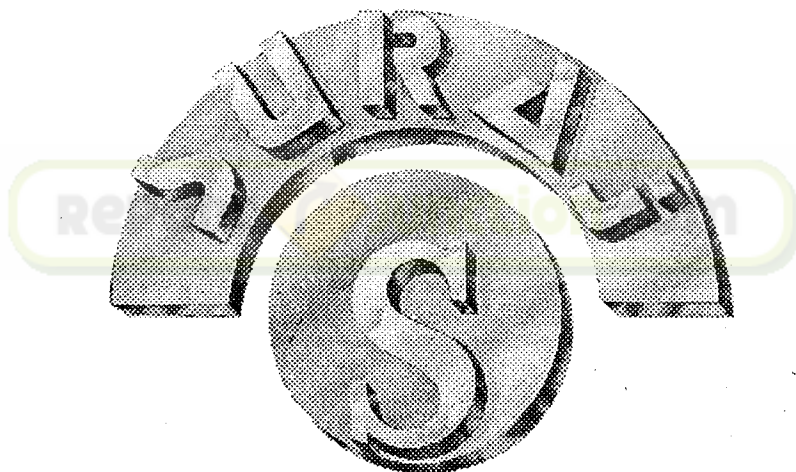


10th Annual Report 2002-2003



SURAJ STAINLESS LIMITED

AN ISO - 9001 & A Govt. Recognised Export House

Progress Through Co-operation

SURAJ

STAINLESS LIMITED

(AN ISO - 9001 & A Govt. Recognised Export House)

Manufacturer, Exporter of Stainless Steel Seamless & Welded Pipes, Tubes and 'U' Tubes

Our product is manufactured and tested to international standards, under by supervision of qualified and experienced technocrats and quality is certified, Approved ISO 9001-2000, AD 2000 MERKBLATT W0, and PRESSURE EQUIPMENT DIRECTIVE 97/23/EC our product is certified as per 3.1.A, 3.1.B, 3.1.C, and also available with the inspection of Sixteen internationally renowned inspection agency.

10th Annual Report 2002-2003

BOARD OF DIRECTORS	: MR. DINESH S. SHAH (CHAIRMAN) MR. ASHOK T. SHAH (MANAGING DIRECTOR) MR. GUNVANT T. SHAH (WHOLE TIME DIRECTOR) MR. KUNAL T. SHAH (WHOLE TIME DIRECTOR) MR. DIPAK H. SHAH (DIRECTOR) MR. GANPAT J. RATHOD (DIRECTOR)
REGISTERED OFFICE	: 7TH 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 TO BALANCE SHEET NOTES TO ACCOUNTS CASH FLOW STATEMENT

NOTICE TO THE MEMBERS

Notice is hereby given that the 10th Annual General Meeting of Suraj Stainless Limited will be held at the Registered Office situated at 7th Floor, Kalpana Complex, Nr. Memnagar Fire Station, Ahmedabad - 380 009 on Monday, the 29th September, 2003 at 11 a.m. to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Profit and loss Account for the year ended March 31, 2003, the Balance sheet as on that date and to receive, consider and adopt the Director's and Auditor's Reports thereon.
2. To elect Director in place of Mr. Dinesh S. Shah, who retires by rotation and being eligible, offers himself for reappointment.
3. To elect Director in place of Mr. Kunal T. Shah, who retires by rotation and being eligible, offers himself for reappointment.
4. To reappoint Messrs. Pankaj K. Shah Associates Chartered Accountants, as Auditors of the company from the conclusion of the next Annual General Meeting and to authorise the audit committee of the board of directors to fix the remuneration of the said auditors.

SPECIAL BUSINESS:

5. 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, 2003 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 initialed 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."

6. 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, 2003 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 initialed 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."

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 Kunal T. Shah, Whole Time Director of the company from 1st April, 2003 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 initialed 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."

8. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri Ganpat J. Rathod, who was appointed as an additional director of the Company by the Board of Directors and who holds office as per section 260 of the Companies Act, 1956m upto the date of forthcoming Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation".

For and on behalf of the Board of Directors

Ahmedabad
Date : 16th August, 2003

Ashok T. Shah
Managing Director

NOTES :

- A Member is eligible 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.
- The Register of Members and the Share Transfer Books of the Company will remain closed from 22-09-2002 to 29-09-2002 (both days inclusive).
- 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.
- 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.
- Shareholders seeking any information with regards to accounts are requested to write to the Company latest by 15th September 2003 so as to enable the management to keep the information ready.
- Explanatory Statement pursuant to Section 173(2) of the Act is enclosed.

ANNEXURE**Explanatory Statements as required pursuant to the provisions of section-173 of the Companies Act, 1956
Item No. 5, 6 & 7**

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 16th August, 2003 increased their remuneration from Rs. 21,000/- to Rs. 50,000/- p.m. with effect from 1st April, 2003, 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 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.

Item No. 8

In its effort to broad-base the Board of Directors of the Company, pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, the Company appointed Mr. Ganpat J. Rathod as an Additional Director of the Company at the Board Meeting held on 25th March, 2003. Pursuant to Section 260 of the Companies Act, 1956, he holds office upto the date of this Annual General Meeting of the Company. Details like age, qualification experience of Shri Ganpat J. Rathod is given below. A notice in writing alongwith a deposit of Rs. 500/- under Section 257 of the Companies Act, 1956 has been received from a Shareholder of the Company signifying his intention to propose Mr. Ganpat J. Rathod as a candidate for the office of Director. The Directors recommend that he be appointed as a Director of the Company.

Except Mr. Ganpat J. Rathod, no director is interested in the Resolution.

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT /REAPPOINTMENT IN ANNUAL
GENERAL MEETING FIXED ON 29TH SEPTEMBER 2003**

(IN PURSUANCE OF CLAUSE 49(VI) A OF THE LISTING AGREEMENTS)

NAME OF DIRECTOR	DINESH S. SHAH	KUNAL T. SHAH	GANPAT J. RATHOD
Age (Yrs.)	35	27	57
Qualifications	Graduate	Graduate	Matriculation
Designation	Chairman	Whole time Director	Director
Experience in specific functional areas	Industrialist and Director of Suraj Chemtech Ltd. having rich administrative experience.	Industrialist and having rich experience in Marketing, actively engaged in Export Marketing Division	He has experience more than 25 years as a Business Men and having a good experience in administration
List of Companies in which outside Directorship held	Suraj Chemtech Ltd. Suraj Impex Pvt. Ltd.	Suraj Chemtech Ltd. Suraj Impex Pvt. Ltd.	----
Chairman/Member of the Committee of the Board of Directors of the Company	Nil	Nil	Nil

For and on behalf of the Board of Directors

Ahmedabad
Date : 16th August, 2003

Ashok T. Shah
Managing Director

DIRECTORS' REPORT

To,
The Members,
SURAJ STAINLESS LIMITED Ahmedabad.

The Directors are pleased to present the 10th Annual Report and the Audited Accounts for the financial year ended March 31, 2003.

Financial Results

Summarized results for the year are as under

(Rs.in lacs)

	2002-2003	2001-2002
Sales and other Income	4873.44	2848.59
Interest	112.02	138.55
Profit before Depreciation	212.31	90.16
Depreciation	96.52	71.43
Profit Before Tax	115.79	62.31
Taxation - Current Tax	5.50	04.00
-Deferred Tax	43.80	17.61
Profit after Tax	66.49	40.70
Prior Period Adjustment	1.64	0.16
Balance available for Appropriation	68.13	40.54
Balance b/f from Previous Year	155.31	114.77
Balance c/f to Balance Sheet	223.44	155.31

Review Of Operation

Your director have pleasure to inform you that operation during the year 2002-03 was substantially improved over previous year and the trend is expected to continue. During the year, company has achieved Sales at Rs. 48.44 crores representing an excellent sales growth of 70.62% over the previous year.

During the year under review, profit before tax stood at Rs. 115.79 Lacs registering a growth of 85.83 % over the previous year. The export sales of the company has registered an impressive growth of 122.73%. This was made possible by augmentation of it's production capacity and quality conscious approach.

During the year plant of your company continue to perform at high level of efficiency. The plants are energy efficient comparable to the best of other plants. It has produced 2885 M.T during the year as against the production of 1637 M.T in previous year, showing a substantial Improvement at 76 %.

Dividend

To conserve the resources for the long term working capital requirement, the directors do not recommend dividend for the year under review.

Directors

Mr. Dinesh S. Shah and Mr. Kunal T. Shah retires by rotation and being eligible for reappointment, offer themselves for reappointment.

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.

Auditors & Auditors' Report

M/s. Pankaj K. Shah Associates, Chartered Accountants, Ahmedabad retires at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Board recommends their appointment.

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

Insurance

All the assets of your company, including Buildings and Equipment's etc. have been adequately insured.

MANAGEMENT DISCUSSION AND ANALYSIS

The management of the company, present the analysis of performance of the company for the year 2002-03 and it's future outlook. This outlook is assessed on the basis of current business resources and future development of the company.

Global and Indian Industrial Scenario And Development

Stainless Steel has played an important role in the Global market, as far as Indian economy is concerned, scenario of Indian steel industries has dramatically changed during the year 2002-03. There has been steep rise in the demand of stainless steel tubes & pipes worldwide.

Within a short span of its existence, the company has established itself as a major global force. The company's market share of its product increased during the year as compared to last year. With the concentrated efforts of the export market division, it has established the market in 53 Countries globally. The achievement of record turnover during the year is remarkably at the peak level.

The Year In Retrospect And Future Outlook

During the year the company has maintained its dominant position in the export as well as in domestic market. The company is capitalizing the excellent market response.

As a part of strategic business realignment, the company has reduced its trading activities during the year and concentrated on manufacturing wide range of quality products. This rearrangement will bring the strength in the market of the company's position in the overall market share.

Apart from the domestic market, the Company's product have been well accepted in European countries, where the potential of the business is good and encouraging. Repeat orders from new and permanent foreign customers signify growing customer satisfaction.

Considering the substantial improvement in production at 76 % over the previous year, excellent market response and constant flow of repeated orders & inquires for exports as well as of domestic, your company's plant have been checked for reliability and has visualized for project investment to enhance its production capacity and product range, which can be geared up for meeting the challenges in domestic and international market in future. This will help to meet quality norms, up-gradation and reducing operational delays in the cycle-time, thus bringing cost effectiveness in the company's operation. It will also help in achieving better customer service which should generate a sizable opportunities in future.

Strength

In view of the last three years, company's main strength lies in an excellent track record of production and safety, coupled with a captive market of stainless steel around the globe.

Your company has always stood for deregulation, which eventually results in efficiency and reduction of overhead costs, which ultimately delivers better value for money to the company.

Risk And Concerns

Risk is inherent elements of the business and it is essential for growth. The company is capitalizing the opportunities by envisaging the risk factors and manages with the aid of previous experience and strengthen the company by reducing the risk factor.

Internal Control System

Your company has an adequate internal control system, commensurate with its size of operation and works. The company has set up an effective system to utilize its resources at optimum level and the same has been monitored by qualified personnel.

The company has clearly laid down policies, guidelines and system that form part of the internal control system which provides for automatic checks and balances. Thus it resulted into a complete and accurate financial and operational information.

Your directors have great pleasure to inform you that company has already obtained Pressure Equipment Directive Certification (TUV/PED/CE-SYSTEMS) from TUV Germany, which is an added qualification for exporting Tubes to European countries.

During the year, the quality certification of ISO-9001 has also renewed.

The company complies all the norms of these institutions to maintain the International quality standard of the product.

Human Resources / Industrial Relation

Your company has always recognized its manpower as its strength and assets. It believes that people is the driving force for the growth and expansion of the company. The company has taken a number of new initiative to improve the efficiency and welfare for its employees. Your company is constantly endeavoring its efforts to attract on human potential by developing a cult of family.

The Purpose of human potential development is to enable the staffs to manage in a manner that brings a sense of belonging and feelings of ownership amongst them.

Your company has maintained a cordial and good industrial relation with its employees.

Corporate Governance

Securities and Exchange Board of India (SEBI) has recently introduced a code of Corporate Governance and made certain provisions mandatory for the listed companies through the route of the listing Agreement. Your company is required to comply with the mandatory provisions from the financial year 2002-03.

Your company is committed to observe the best practices in the area of Corporate Governance and is conscious of its role towards various constituents of growth.

The Certificate of compliance from the auditor and report on Corporate Governance from directors, forms a part of this report.

Conservation Of Energy Etc .

Information required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the board of Director) Rules 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is annexed as an Annexure.

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 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 ended 31st March, 2003 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.

Acknowledgement

The directors place on record their appreciation of the continued and encouraging performance by employees and the support received at all times from customers, suppliers, share holders, agents, and general public for their support and confidence reposed in the management.

Your Directors are also grateful to the Central and State Government Authorities, Financial Institution and Company's Bankers for their continued assistance and support.

For and on behalf of the Board of Directors

Ahmedabad

Date : 16th August, 2003

Ashok T. Shah
Managing Director

Kunal T. Shah
Wholtime Director

ANNEXURE TO DIRECTORS REPORT

Particulars required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 and forming part of the Directors' Reports for the year ended March 31, 2003.

Conservation of Energy :

Measures taken, additional investments and impact on reduction of energy consumption

Conservation of energy continues to receive top priority in the Company, particularly in production operations. Regular plant maintenance, review of energy generation and consumption are some of the measures adopted in this regard.

Form -A Disclosure of particulars with respect of conservation of energy.

	Year Ended	Year Ended
	31-03-2003	31-03-2002
A) Power and Fuel Consumption		
◆ Electricity		
◆ Purchase in Unit KWH	942268	777924
◆ Total Amount (Rs)	4669542	3695281
◆ Rate KWH (Rs)	4.95	4.75
B) Consumption per unit of production		
◆ Production (M.T.)	2885	1637
◆ Total Nos. of Unit (KWH)	942268	777924
◆ Unit Per M.T. (KWH)	326.60	475.21
◆ Cost per M.T. (Rs)	1616.67	2257.25

Form -B. Disclosure of particulars with respect of Technology Absorption of energy.

- 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.

Form - C Foreign Exchange earnings and outgo

Particulars	Amount In Rs.
1) Foreign Exchange earned	253573940.00
(Export of Goods on FOB Basis)	
2) Foreign Exchange Outgo	135143568.00
(Material Import on CIF Basis)	
3) Foreign Travel	647484.00
4) Foreign Commission	678453.00
5) Advertisement	35288.00

REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

1. Our Philosophy

Corporate Governance is the process by which the companies are directed, controlled and held to account. The corporate governance is not a matter of form, but of substance. It is an article of faith and should be integral to core values of the corporate. Your company has always believed in the concept of good Corporate Governance involving a high level of transparency, accountability and responsibility in all areas of its operations to ensure investors protection. In line with this overall context, Your company has made necessary changes in the systems and procedures required for effective control, for the steady growth of the company and to increase the value for all stakeholders. Mandatory provisions of corporate Governance as stipulated under listing agreements of Stock Exchanges are being complied with.

2. Board of Directors

The Board of Director comprises of three Executive Promoter Directors and three Non-Executive Directors, out of which one is Non Executive Promoter Director and two are Independent Directors.

The detailed composition of the board and other related information is given in the table below:

Name of the Director	Designation	Category	No. of Outside Directorship held	No. of other Outside Board Committees members	No. of Board meeting attended	Attendance at the last Annual General Meeting
Dinesh S. Shah	Chairman	Non-Executive	One	Nil	Eleven	Yes
Ashok T. Shah	Managing Director	Executive	One	Nil	Eleven	Yes
Kunal T. Shah	Whole Time Director	Executive	One	Nil	Eleven	Yes
Gunvant T. Shah	Whole Time Director	Executive	One	Nil	Seven	Yes
Deepak H. Shah	Director	Independent Non-Executive	Nil	Nil	Six	Yes
Ganpat J. Rathod	Director	Independent Non-Executive	Nil	Nil	Nil	No

The Board Monitors the business operations.

During the financial year under review, eleven Board meetings were held on the following dates:

05-04-2002, 30-04-2002, 14-05-2002, 22-07-2002, 31-07-2002, 31-08-2002, 15-09-2002, 30-10-2002, 30-01-2003, 25-02-2003, 25-03-2003

The time gap between any two meetings was less than 4 months. The Board Monitors the business operations.

3. Audit Committee

The Audit Committee comprising following Directors, which was constituted by the Board of Directors in its meeting held on 25-03-2003.

Composition

Shri Dinesh S. Shah and Shri Ganpatbhai J. Rathod are the members. Shri Dipak H. Shah is the chairman of the committee. During the year under review, the Audit Committee could not met since it was constituted in Board Meeting held on 25-03-2003

Terms of Reference

- Review Half-Yearly and Annual Financial Accounts of the company and discuss with Auditors before submission of the board.
- To investigate into any matter in relation to the items specified in Section 292 (A) of the Companies Act 1956, and also as contained under clause 49 of the Listing Agreement.
- Reviewing of the Company's Financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external Auditor and fixation of their Audit fee.
- Reviewing periodically and adequacy of the internal control system.
- Investigate matters referred to it by Board or as specified;
- Review the action taken by the company on various observation and queries of the auditors.

4. Remuneration of Directors

a) Executive Directors :

The Company has not set up a Remuneration committee. The remuneration of Executive Directors were fixed by the Board and approved by the shareholders at the Annual General Meeting. Details of remuneration paid to the Executive Directors during the financial year 2002-03 is given below:

(InRs.)

Name	Designation	Tenure of Appointment	Salary	P.F. Contribution	Other Perquisites	Gross Remuneration
Ashok T. Shah	Managing Director	Five Years	252000	30240	2500	284740
Kunal T. Shah	Wholetime Director	Five Years	252000	30240	2500	284740
Gunvant T. Shah	Wholetime Director	Five Years	252000	30240	2500	284740

b) Non Executive Directors :

Non-Executive Directors have not been paid any remuneration or sitting fees for attending board and committee meeting.

5. Shareholders / Investor's Grievance Committee

Constitution

Shareholder's committee of non-executive directors was constituted on 25-03-2003.