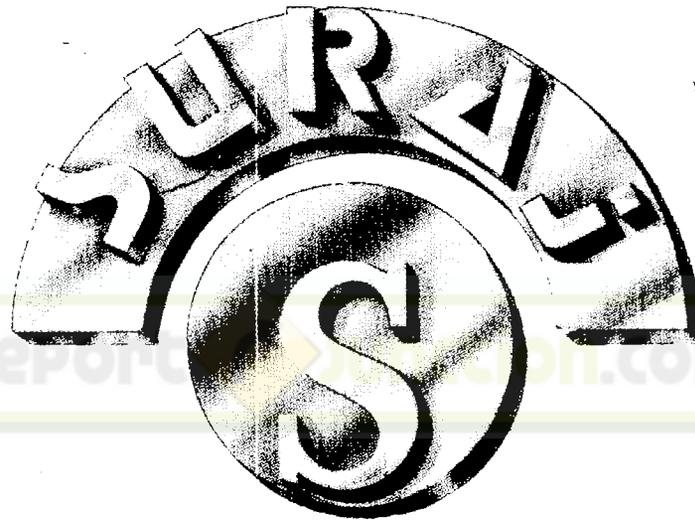


11th Annual Report 2003-2004

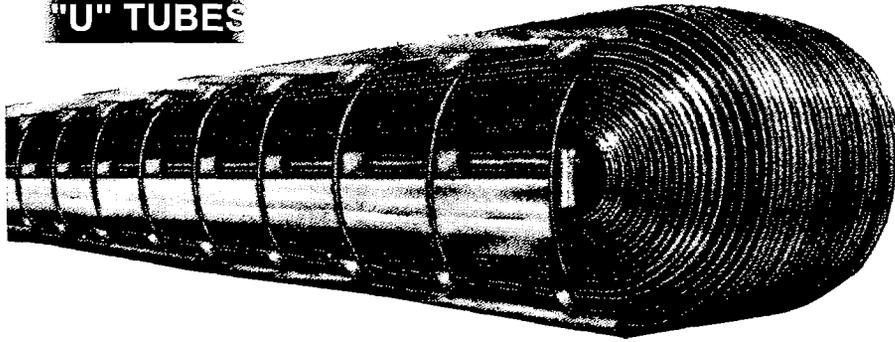


SURAJ STAINLESS LIMITED

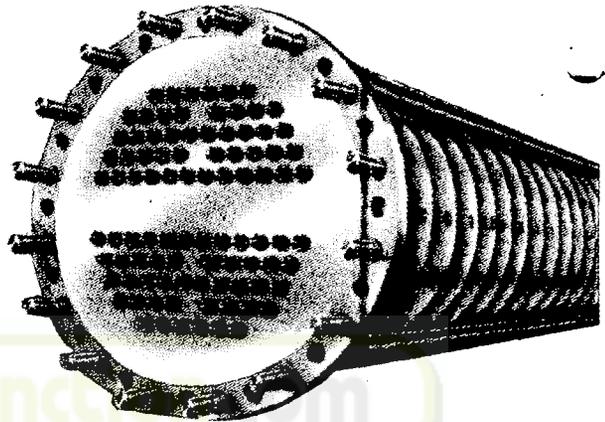
AN ISO - 9001 & A Govt. Recognised Export House

Progress Through Co-operation

"U" TUBES

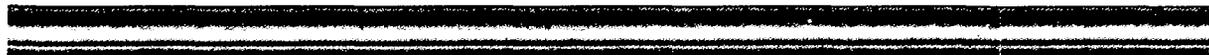


HEAT EXCHANGER TUBE



PIPES

LONG TUBE



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 the 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.

11th Annual Report 2003-2004

BOARD OF DIRECTORS	: SHRI ASHOK T. SHAH (Chairman & Managing Director) SHRI GUNVANT T. SHAH (Whole-Time Director) SHRI KUNAL T. SHAH (Executive Director) SHRI DIPAK H. SHAH (Non-Executive Director) SHRI GANPAT J. RATHOD (Non-Executive Director) SHRI DINESH J. SHAH (Non-Executive 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	: 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 BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE CASH FLOW STATEMENT

6 YEARS' FINANCIAL PERFORMANCE

(Rs. In Lacs)

Operating Results	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Sales Income	7073.87	4844.95	2839.47	2357.93	2343.34	1373.73
Interest cost	112.89	112.02	138.55	167.06	137.05	113.33
Cash Earnings	282.91	212.31	152.47	136.91	104.15	66.93
Depreciation	115.82	96.52	90.17	81.26	71.60	59.37
Profit before taxes	167.10	115.79	62.30	55.65	32.55	7.56
Net Profit after taxes	105.95	68.12	40.54	53.96	28.55	7.30
Financial Position						
Share Capital	515.47	515.47	515.47	515.47	515.47	515.47
Reserves	592.96	487.01	418.89	315.34	261.37	232.82
Net Worth	1108.43	1002.48	934.36	830.81	776.84	748.29
Borrowings	681.87	701.85	826.93	921.84	721.87	643.76
Deferred Tax Liability	5.45	0.00	0.00	0.00	0.00	0.00
Total Funds	1795.75	1704.33	1761.29	1752.65	1498.71	1392.05
Assets						
Fixed Assets : Gross	1395.48	1121.52	1045.84	988.12	862.62	775.29
: Net	581.27	656.07	672.94	703.64	659.40	643.67
Deferred Tax Assets	0.00	1.63	45.43	0.00	0.00	0.00
Total Assets	1795.75	1704.33	1761.29	1752.65	1498.71	1392.05
Ratios :						
Earning per Equity Share (In Rs.)	2.06	1.32	0.79	1.05	0.55	0.14
Book Value per Equity Share(In Rs.)	21.50	19.45	18.13	16.12	15.07	14.52

Progress Through Co-operation

SURAJ STAINLESS LIMITED**NOTICE TO THE MEMBERS**

Notice is hereby given that the Eleventh Annual General Meeting of the members of Suraj Stainless Limited will be held at the Registered Office situated at 6th Floor, Kalpana Complex, Nr. Memnagar Fire Station, Ahmedabad-380 009 on Wednesday, the 29th September, 2004 at 11 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider, and adopt the Audited Balance Sheet as at 31st March, 2004, Profit and loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri Gunvant T. Shah, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Ashok T. Shah, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the next Annual General Meeting and to authorise the board of directors to fix their remuneration.

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 Shri Dinesh J. Shah, 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 1956 up to 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, 2004

Ashok T. Shah
Managing Director

NOTES :

- a) 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.
- b) The Register of Members and the Share Transfer Books of the Company will remain closed from 29.09.2004 to 06.10.2004 (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, 2004 so as to enable the management to keep the information ready.
- f) Explanatory Statement pursuant to Section 173(2) of the Act is enclosed.

ANNEXURE**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 :
ITEM NO: 5**

In its effort to broad-base the Board of Directors of the company, pursuant to clauses 49 of the Listing agreements with the Stock Exchanges, the company appointed Shri Dinesh J. Shah as an Additional Director at the Board meeting held on 31.07.2004. Pursuant to section 260 of the companies act 1956, he holds office upto the date of this Annual General Meeting. Details like age, qualification experience of Shri Dinesh J. Shah is given below. A notice in writing along with a deposit of Rs. 500/- under Section 257 of the companies Act 1956, has been received from the Shareholder of the Company signifying his intention to propose Shri Dinesh J. Shah as a candidate for the office of Director, The Board recommends that he will be appointed as a Director of the Company.

Except Shri Dinesh J. Shah, not a single director is interested in this resolution.

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT /REAPPOINTMENT IN
ANNUAL GENERAL MEETING FIXED ON 29TH SEPTEMBER 2004**

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

NAME OF DIRECTOR	SHRI ASHOK T. SHAH	SHRI GUNVANT T. SHAH	SHRI DINESH J. SHAH
Age (Yrs.)	38	31	48
Qualifications	Graduate	Graduate	B.E.Mech.
Designation	Chairman & Managing Director	Whole-time Director	Director
Experience in specific functional areas	Industrialist and having rich experience in stainless steel pipes and tubes Industries, Actively engaged in Administration & Finance division.	Industrialist and having rich experience in Domestic Marketing. Actively engaged in Domestic Marketing division.	Having rich experience in a variety of operational areas in the stainless steel pipes and tubes Industries.
List of Companies in which outside Directorialship held	Suraj Impex Pvt. Ltd.	Suraj Impex Pvt. Ltd.	Nil
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, 2004

Ashok T. Shah
Managing Director

DIRECTORS' REPORT

To,
The Members,
SURAJ STAINLESS LIMITED Ahmedabad.

Your Directors have pleasure in presenting Eleventh Annual Report together with the Audited Accounts for the financial year ended March 31, 2004.

Financial Results

The highlights of financial results of the company for the financial year ended March 31, 2004 are as under :-
(Rs.in lacs)

	2003-2004	2002-2003
Sales and other Income	7073.08	4873.44
Interest	112.90	112.02
Profit Before Depreciation	282.91	212.31
Depreciation	115.82	96.52
Profit Before Tax	167.09	115.79
Taxation - Current Tax	45.00	5.50
- Deferred Tax	7.08	43.80
Profit after Tax	115.01	66.49
Prior Period Adjustment	9.07	1.64
Balance available for Appropriation	105.94	68.13
Balance b/f from Previous Year	223.44	155.31
Balance c/f to Balance Sheet	329.38	223.44

Operating Performance :

The year witnessed a growth of about 46 % in the sales turnover, which at Rs.7064.08 lacs (previous year Rs.4844.95 lacs) was the highest ever achieved by your company. During the year, your company could achieve a record export turnover of Rs.3944.71 lacs to various destinations across the world in spite of competitive global market, registering a growth of about 50% over the previous year as against turnover of Rs.2636.28. lacs. This was possible due to better product mix. There has been significant improvement in the product mix. Your company will continue to exploit the export opportunities for regular and value added products in the European markets.

Notwithstanding, the high current tax provision of Rs. 45 Lacs, as against Rs. 5.50 lacs during the previous year, the company has notched up a net profit of Rs. 105.95 Lacs (Previous Year Rs. 68.13 Lacs)

The Earning Per Share (EPS) stands at Rs. 2.06 in Financial Year 2003-04. (Previous Year Rs. 1.32)

Business Results :

The buoyancy in the Indian economy as a whole, and the steel industry in particular, gained momentum during the year under review. India's GDP is estimated to have doubled to 8.1%, as compared to 4.0% in the previous year. The strong domestic economy, a resurgent capital market and the improved foreign exchange reserves have instilled a new found confidence in the Indian corporate sector. In the Manufacturing sector, the steel industry has shown the highest growth in sales and profit in the first two quarters of the year. The demand of Steel Tubes and Pipes has grown up at a steady rate. This growth rate is likely to accelerate with consistent and rapid growth in the Indian economy.

The general economic well-being, the strong demand of company's products and the continuing efforts of the Company in improving its product-mix, contain cost, initiatives in adding value to its customers, resulted in another year of record performance.

Finance :

During last four years, the company have deployed its cash accruals in fixed Assets thereby increased its installed capacity also, but in the process, there was pressure on net working capital and current ratio.

Recently, on request of the company, and in view of satisfactory performance of the company the Punjab National Bank has sanctioned Corporate Loan along with takeover outstanding balance of GIIC term Loan account by way of term loan to the company as against exclusive charge over the assets of the company. Thus the company will reduce its interest cost and improve its profitability as well as current ratio.

Dividend :

Your board of directors have decided not to declare any dividend, in order to conserve the funds to meet the market challenges and for long term needs.

Directors :

Shri Guntant T. Shah and Shri Ashok T. Shah retire by rotation and being eligible for reappointment, offer themselves for reappointment.

Shri Dinesh S. Shah resigned from the board on 31st July,2004 and the board appreciate the advice and guidance rendered by him during his tenure of directorialship.

Shri Dinesh J. Shah was appointed as an additional director by the board, who will vacate office at the ensuing Annual General Meeting and is eligible for appointment.

Particulars Of Employees :

There was no employee drawing remuneration exceeding the limit stipulated 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 not call for further explanation.

Insurance :

All the assets of your company, including Buildings, Plant and Machinery and Equipment etc. and inventories have been adequately insured.

MANAGEMENT DISCUSSION AND ANALYSIS :

The operational performance and future outlook of the business has been reviewed by the management based on current business resources and future development of the company.

Performance and Future outlook

Export business of your company had been excellent during the year with sales growth of 50%. The year under review the company has shown all time high performance and, it has surpassed all the targets / estimates/projection for the year 2003-04. Its performance has been exemplary aided by enhanced efficiencies and stringent cost control efforts. The steel sector offers a long term growth potential and the company looks forward to a bright future.

Internal Control System

Your company has clearly laid down policies, guidelines and procedures that form part of the internal control system which provide for automatic checks and balances. All operating parameters are monitored and controlled. Regular internal audit and checks ensure the effectiveness and efficiency of these systems to ensure that all assets are protected against loss and that the financial and operational information is complete and accurate.

Human Resources / Industrial Relation

Your company has always considered its employees as valuable assets and has adopted various HRD measures including proper appraisal of employees placement, recognition, career growth prospects, improvement of managerial and internal personal skills through various training programs etc.

During the year industrial relations remained harmonious and cordial.

Corporate Governance

Your company has always conformed to good Governance norms and has complied with corporate governance norms as mentioned in the Listing Agreement.

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.

Director's Responsibility Statement :

In compliance of Section 217(2AA), as incorporated by the companies (Amendment) Act, 2000 in the Companies Act, 1956, your Directors confirms :

- 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, 2004 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, discrepancies and other irregularities,
- iv) That, the directors have prepared the Annual Accounts on a going concern basis.

Acknowledgement :

Your Directors take this opportunity to place on record their deep appreciation for the co-operation received from Punjab National Bank, its customers and hard work put in by all the employees of the Company at all levels which has enabled your company to achieve a reasonable performance in the emerging competitive environment.

For and on behalf of the Board of Directors

Ahmedabad
Date : 16th August, 2004

Ashok T. Shah
Managing Director

Kunal T. Shah
Executive 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 31,2004.

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
	31-03-2004	31-03-2003
A) Power and Fuel Consumption		
♦ Electricity		
♦ Purchase in Unit KWH	1131312	942268
♦ Total Amount (Rs)	5430691	4669542
♦ Rate KWH (Rs)	4.80	4.95
B) Consumption per unit of production		
♦ Production (M.T.)	4237	2885
♦ Total Nos. of Unit (KWH)	1131312	942268
♦ Unit Per M.T. (KWH)	267.07	326.60
♦ Cost per M.T. (Rs)	1282.03	1616.67

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.

(F.Y. 2003-04)

Particulars	Amount In Rs.
1) Foreign Exchange earned (Export of Goods on FOB Basis)	382768318.00
2) Foreign Exchange Outgo (Material Import on CIF Basis)	276400528.00
3) Foreign Travel	671497.00
4) Retainership	18200.00
5) Foreign Commission	2787706.00
6) Business Development	1431007.00

REPORT ON CORPORATE GOVERNANCE

(Pursuant to clause 49 of the Listing Agreement)

1. Company's Philosophy :

The Company has committed to ethical values and self discipline through standards of good Corporate Governance involving a high level of transparency, integrity, accountability and responsibility in all areas of its operations for ensuring protection of the rights and interest of its stakeholders. In order to achieve the objective the company continuously endeavours to improve on these aspects on an ongoing basis.

2. Board of Directors :

The Board of Director of the company comprises of Chairman, Managing Director, Executive Director, Whole-time Director and Independent Non-Executive Directors.

The Present Strength of Board of Directors of your company is Six Directors.