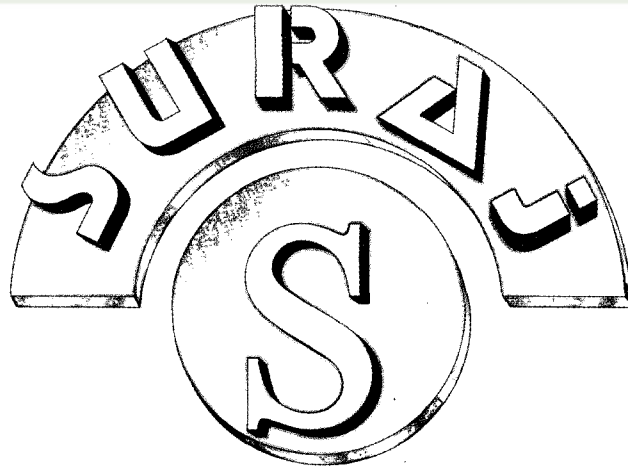




Annual Report 2006-2007

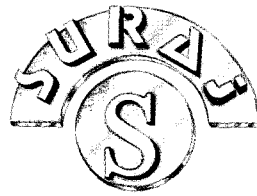
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SUIRAJ STAINLESS LTD.

AN ISO 9001-2000, PED APPROVED & GOVT. RECOGNIZED EXPORT HOUSE

Progress Through Co-operation

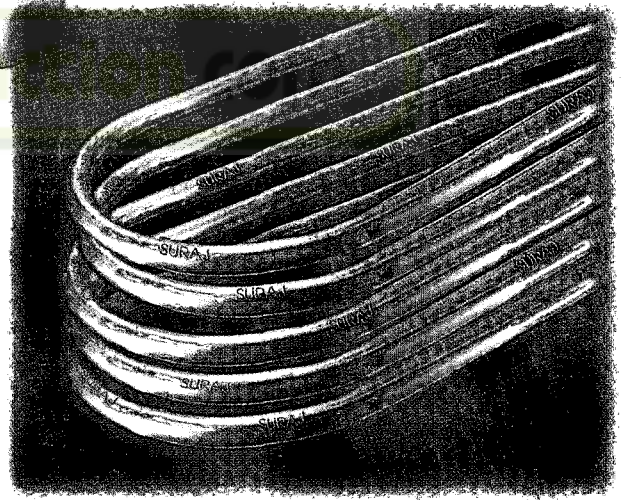
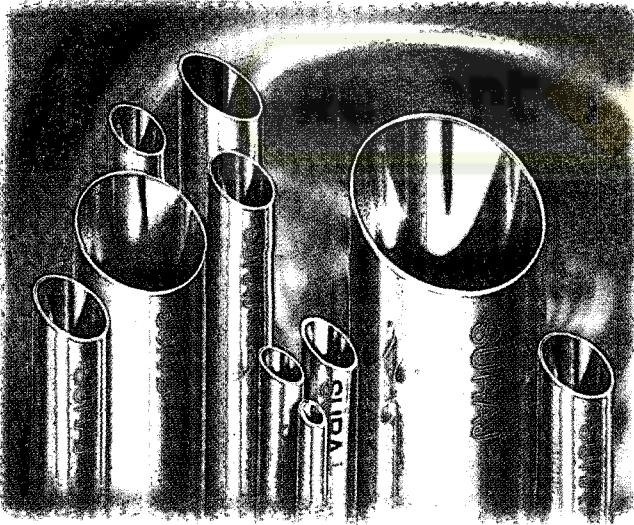


SURAJ STAINLESS LTD.

AN ISO 9001-2000, PED APPROVED & GOVT. RECOGNIZED EXPORT HOUSE

A Leading Manufacturer of Stainless Steel Welded & Seamless Pipes, Tubes & 'U' Tubes

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**Fast response, Guaranteed Quality
All Popular Grades & Sizes
in a large Production range
Third Party Inspection can be
available Conforming to National
& International Standards**

Materials : Austenitic Stainless Steels and
Duplex Stainless Steels
Specification: ASTM A-213, A-249, A-269,
A-312, A-688, A-789, A-790.
O.D. : 6 mm OD to 219.08 mm OD.
Thickness : 0.6mm to 10.00mm.
Length : Up to 30 Mtr. Long
Inspection : Like EIL, LRIS, BVQI, DNV,
SGS & also Under All Customers/
Third Party Inspection

Progress Through Co-operation

2006-2007

CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders

It gives me great pleasure to convey you the further improvement in working results of your Company during the financial year 2006-2007. The detailed working results and other improvements, which your company achieved during the financial year is highlighted in Directors' Report and also in this Annual Report. I am sure, you will be proud with the Company's tremendous achievement within a short period. The performance of both Marketing and Production teams are appreciable and I have no doubt, their commendable efforts helped to restore and sustain growth and profitability. They have been very supportive and generous with their trust. I offer them my thanks for sharing our efforts to achieve good progress.

This occasion also gives me great pleasure and a sense of pride to tell you that the Company's efforts to expand the business interest further to increase their export performance received good results. At the end of the financial year, the company have Overseas customers from more than 70 countries in all five continents.

Your Company has posted a very good performance by achieving a **gross sales of Rs. 233.28 crores with an increase of 99.50% achieved in last financial year.** This is a remarkable achievement of your Company because the Company has secured many prestigious overseas orders against our competitors from other countries.

I take this opportunity to inform you that we have enhanced our production capacity by starting a second manufacturing unit exclusively for the production of seamless tubes and pipes. The commercial production in our second plant is already started as indicated in my last year report and this enhancement of our production capacity is one of the main reasons for achieving our good performance during the financial year ended 31st March 2007. Our ability to deliver the world class quality material as per the customers quality requirement is an added reason for the improved working results.

In my last year report I have also made a mention about the company's ambitious plan to install a third manufacturing plant exclusively for producing Mother pipes, the raw material for the production of seamless pipes and tubes. I am happy to record here that the said third plant have already been commissioned and commercial production of mother pipes started. Therefore, the production and yield will go up considerably during the year 2007-2008. Our future looks secure once more. I am confident of a good performance in the period to come.

I acknowledge the support received from the Shareholders, employees, the banks and institutions and hope to meet their expectation in the future.

Ashok Shah
Chairman & CEO

2006-2007

VICE-CHAIRMAN



*"There is always a better way....
Your challenge is to find it...
If you can see the future you can build it "*

Gunvant Shah

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MANAGING DIRECTOR



*"I cannot Change the Direction
of the Wind,
but I can adjust my sails to
Always reach my Destination"*

Kunal Shah

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.

14th Annual Report 2006-2007

BOARD OF DIRECTORS	: SHRI ASHOK T. SHAH (Chairman & C.E.O.) SHRI GUNVANT T. SHAH (Vice Chairman & Wholetime Director) SHRI KUNAL T. SHAH (Managing Director) SHRI BIPIN K. PRAJAPATI (Wholetime Director) SHRI DIPAK H. SHAH (Non-Executive Director) SHRI KETAN R. SHAH (Non-Executive Director) SHRI MAHESH V. PARIKH (Non-Executive Director) SHRI NIMESH M. SHAH (Non-Executive Director)
REGISTERED OFFICE	: SURAJ HOUSE, VIDHYANAGAR SOCIETY, OPP. USMANPURA GARDEN, USMANPURA, AHMEDABAD-380 014.
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 STATE BANK OF INDIA
CONTENTS	: NOTICE DIRECTOR'S REPORT AUDITOR'S REPORT BALANCE SHEET PROFIT & LOSS ACCOUNTS SCHEDULES BALANCE SHEET ABSTRACT AND COMPANIE'S GENERAL BUSINESS PROFIL CONSOLIDATED FINANCIAL SATATEMENT

SURAJ STAINLESS LIMITED**9 YEARS' FINANCIAL PERFORMANCE**

(Rs. In Lacs)

Description	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Operating Results									
Turnover	23214.45	11654.58	10023.06	7064.08	4844.95	2839.46	2357.93	2234.11	1373.73
Total Income	23328.49	11693.12	10034.56	7073.87	4844.95	2839.47	2357.93	2343.34	1373.73
Earning Before Depreciation									
Interest and Tax (EBDIT)	2107.16	795.23	568.58	395.8	224.05	291.02	303.97	241.2	180.26
Depreciation	338.65	138.68	127.64	115.82	96.52	90.17	81.26	71.60	59.37
Profit after Taxes	815.58	295.89	192.31	105.95	68.12	40.54	53.96	28.55	7.30
Equity Dividend %	15%	12%	10%	NIL	NIL	NIL	NIL	NIL	NIL
Dividend Payout	85.04	61.85	51.54	NIL	NIL	NIL	NIL	NIL	NIL
Equity Share Capital	566.97	515.47	515.47	515.47	515.47	515.47	515.47	515.47	515.47
Reserve and Surplus	2995.29	942.45	726.49	592.96	487.01	418.89	315.34	261.37	232.82
Net Worth	3562.26	1457.92	1241.96	1108.43	1002.48	934.36	830.81	776.84	748.29
Gross Fixed Assets	5676.98	4031.95	1673.53	1395.48	1121.52	1045.84	988.12	862.62	775.29
Net Fixed Assets	4495.20	3186.49	966.47	581.27	656.07	672.94	703.64	659.4	643.67
Yearly High & Low Share Price Rupees	250 - 56	80 - 27	49 - 13	18 - 10	10 - 10	10 - 10	10 - 10	10 - 10	10 - 10

NOTICE TO THE MEMBERS

Notice is hereby given that the 14th Annual General Meeting of Suraj Stainless Limited will be held at the Registered Office situated at Suraj House, Opp. Usmanpura garden, Usmanpura, Ahmedabad - 380 014 on the 13th August, 2007 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, 2007 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. Ashok T. Shah, who retires by rotation and being eligible, offers himself for reappointment.
3. To elect Director in place of Mr. Gunavant T. Shah, who retires by rotation and being eligible, offers himself for reappointment.
4. To declare a dividend on Equity Shares.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the next Annual General Meeting and to authorize the board of directors to fix their remuneration.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary Resolution:

"RESOLVED THAT Shri Nimesh M. 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".

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ordinary Resolution:

"RESOLVED THAT Shri Bipin K. Prajapati, 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".

8. 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 Managing Director of the Company for a period of 5 years with effect from 1st October, 2006 on the terms and conditions set out in the Draft Agreement submitted to this Meeting and initialed 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."

9. 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 appointment of and the remuneration payable to Shri Bipin K. Prajapati as Whole time Director of the Company for a period of 5 years with effect from 1st February, 2007 on the terms and conditions set out in the Draft Agreement submitted to this Meeting and initialed 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 Bipin K. Prajapati, 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. Bipin K. Prajapati, 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."

10. 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, C.E.O. & Chairman of the company from 1st April, 2007 to 31st July, 2010 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.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Ashok T. Shah, will be treated 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."

"LASTLY RESOLVED THAT the Board of 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."

11. 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, 2007 to 28th March, 2011 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.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Gunvant T. Shah, will be treated 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."

"LASTLY RESOLVED THAT the Board of 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."

SURAJ STAINLESS LIMITED

12. 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, Managing Director of the company from 1st April, 2007 to 30th September, 2011 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.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Kunal T. Shah, will be treated 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."

"LASTLY RESOLVED THAT the Board of 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."

13. 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 Bipin K. Prajapati, Whole Time Director of the company from 1st April, 2007 to 31st January, 2012 as set out in the draft of the Supplemental Agreement between the Company and Mr. Bipin K. Prajapati placed before this meeting and initialed by the Chairman of the Company for the purpose of identification.

"RESOLVED FURTHER THAT the payment of remuneration to Mr. Bipin K. Prajapati, will be treated 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."

"LASTLY RESOLVED THAT the Board of Directors of the company be and are hereby authorised to enter into the Supplemental Agreement on behalf of the Company with Mr. Bipin K. Prajapati in terms of the aforesaid draft."

14. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Section 16, 94 and other applicable provisions, if any of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs. 6,00,00,000 (Rupees Six Crore Only) divided into 60,00,000 (Sixty Lacs Only) Equity Shares of Rs. 10/- (Rupees ten only) each to Rs. 18,00,00,000 (Rupees Eighteen Crore Only) divided into 1,80,00,000 (One Crore Eighty Lacs Only) Equity Shares of Rs. 10/- (Rupees ten only) by creation of 1,20,00,000 (One Crore Twenty Lacs Only) equity shares of Rs. 10/- each which shall rank pari passu with the existing equity shares of the Company in respect of divided, voting rights, etc."

"RESOLVED FURTHER THAT consent of the members of the company be and is hereby accorded to alter the existing clause V of the Memorandum of Association of the Company by deleting the same and substituting in place and instead thereof the following as new clause V:

- V. The Authorised Share Capital of the Company is 18,00,00,000/- (Rupees Eighteen Crores Only) divided into 1,80,00,000 (One Crore Eighty Lacs Only) Equity Shares of Rs. 10/- (Rupees ten Only) each.

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to take necessary actions to give effect to the foregoing resolution, submission of documents and papers with the concerned authorities to register and implement the aforesaid alteration in Authorised Share Capital and amendment to the Memorandum of Association of the company and to do all such acts, deeds and things as may be necessary in this regard including authorizing any officers of the company for this purpose."

15. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT:

- (a) Pursuant to the provisions of section 78,81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and Article 195 of the Articles of Association of the company, and subject to the Guidelines issued by the Securities and Exchange Board of India, and other approvals as necessary, consent of the Members be and it is hereby accorded to the Board of Directors of the Company to capitalize such amount out of the Securities Premium Account of the Company for issue of fully paid Bonus Shares of the face value of Rs. 10/- each, to the holders of the existing Equity Shares of the Company, on such Record Date as may be fixed by the Board in this regard, in the proportion of 2 (Two) new equity shares for every 1(one) Equity Shares to which the shareholders is entitled.
- (b) The Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company, and shall rank pari passu in all respects with and carry the same rights as the existing Equity Shares and shall be entitled to participate in full, in any dividend declared after the allotment of Bonus Shares.
- (c) No letter(s) of Allotment shall be issued to the allottees of the Bonus Shares instead, Shares Certificates will be dispatched to the shareholders who hold the existing Equity Shares in physical form and the respective beneficiary accounts will be credited for the Bonus Shares, for such shareholders who hold the existing Equity Shares or opt to receive the Bonus Shares, in dematerialised/ electronic form, within the prescribed period;
- (d) the Board of Directors (which shall include any Committee which the Board may constitute, or any Director/Officer authorized by the Board for this purpose) be and it is hereby authorized to settle all matters arising out of and incidental to the above mentioned issue of Bonus Equity Shares and further take all actions as it may, in its absolute discretion, deem necessary to give effect to this Resolution."
16. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
- "RESOLVED THAT the consent of the company be and is hereby accorded in terms of Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for borrowing for and on behalf of the Company, from time to time, any sum or sums of monies, on such terms and conditions as the Board of Directors may deem fit notwithstanding that the monies to be borrowed together with the monies already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid-up share capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount upto which monies may be borrowed at any time shall not exceed Rs. 200 Crore (Rupees Two Hundred Crore Only)."
17. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
- "RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for creation of mortgage(s) and/or charge(s) in addition to the existing mortgage(s)/ charge(s) created by the Company, in such form and manner and on such terms as the Directors may determine on all or any part of the movable and/or immovable properties of the Company, wherever situated both present and future and/or the whole or any part of the undertaking or undertakings of the company, in favour of Indian/Foreign Financial Institutions, Banks, Trusts and other Bodies Corporate (hereinafter referred to as the "Lending Agencies") for securing the loan/ credit facility availed/ to be availed by the Company up to an aggregate value not exceeding Rs. 400 Crores (Rupees Four Hundred Crore) together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys as may be payable by the company to the Lending Agencies under the respective loan agreements and other documents to be executed by the Company in respect of the said borrowings."
- "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to prepare, finalize and execute all such deeds, documents and writings as may be necessary for creating the aforesaid mortgage and/or charges and to do all acts, deeds, matters and things as may be necessary, desirable or expedient for giving effect to the above Resolution."

For and on behalf of the Board of Directors

Ahmedabad
Date : 26.6.2007

Ashok T. Shah
Chairman & C.E.O.