

19TH ANNUAL REPORT

2011-2012



SURAJ LIMITED

(FORMERLY KNOWN AS SURAJ STAINLESS LIMITED)

[AN ISO 9001-14001, OHSAS 18001, PED APPROVED & GOVT. RECOGNISED EXPORT HOUSE]

Progress Through Co-operation

SURAJ LIMITED

(FORMERLY KNOWN AS 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 Seventeen internationally renowned inspection agency.

19th Annual Report 2011-2012

BOARD OF DIRECTORS :

**ASHOK T. SHAH
GUNVANT T. SHAH
KUNAL T. SHAH
BIPIN K. PRAJAPATI
DIPAK H. SHAH
KETAN R. SHAH
HAREN R. DESAI
BHUPENDRASINH B. PATEL** (w.e.f. 26th December, 2011)

COMPANY SECRETARY : VIRAL M. SHAH

AUDITORS : PANKAJ K. SHAH ASSOCIATES
CHARTERED ACCOUNTANTS
701-A, "NIRMAN", B/H. NAVRANGPURA BUS STOP, AHMEDABAD.

BANKERS : PUNJAB NATIONAL BANK
STATE BANK OF INDIA
IDBI BANK
STANDARD CHARTERED BANK

PLANT LOCATION : SURVEY NO. 779/A, THOL, KADI - SANAND HIGHWAY,
TAL. - KADI, DIST. MEHSANA. (GUJARAT - 382729)

REGISTERED OFFICE : "SURAJ HOUSE", OPP. USMANPURA GARDEN,
ASHRAM ROAD, AHMEDABAD - 380 014.

REGISTRAR & TRANSFER AGENT : MCS LIMITED
101, SHATDAL COMPLEX, OPP. BATA SHOW ROOM,
ASHRAM ROAD, AHMEDABAD - 380 009.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Stakeholders,

It is great pleasure to submit the 19th Annual Report of your Company.

Annual report is often described as a 'snapshot of a Company's financial condition', which briefly provides financial performance and assesses the preceding fiscal year's operations and highlight the management's view of the upcoming year that are generally required by shareholders of the company and other interested parties.

The Previous financial year 2010-2011 was a very difficult year for the world economies and for business worldwide and the financial year 2011-2012 helped us to improve our working results to certain extent in restoring confidence and trust in our financial system. Suraj made operational progress during the financial year 2011-2012 and delivered a satisfactory set of financial results.

During the financial year 2011-2012, Company has achieved a turnover of Rs. 24896.87 Lacs compared to previous year Rs. 23817.58 Lacs. This was achieved in a year when the World felt the acute effects of the global recession. Therefore, your Directors strongly feel that what we have achieved in these hard days definitely be a good example as an industrial Company globally.

As I said earlier also, I hope we are entering to a stronger year and we will continue to follow our successful strategy and actively shape our future to present you more encouraging working results for the coming financial year, if the economy begins to recovery speedy.

With this positive note, I would like to take the opportunity to express my gratitude to our valued Customers, Banks, Financial Institutions, Business Associates Shareholders and employees for their continued support.

With best wishes,
Sincerely

Ashok T. Shah
Chairman & CEO

"No challenges big, No person is small"

10 YEARS OVERVIEW**(Rs. In Lacs)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales & Other Income	4844.95	7073.87	10034.56	11693.12	23328.49	29223.086	23097.13	17687.13	23932.66	25031.46
Profit before Interest, Depreciation & Tax	224.05	395.80	568.58	795.23	2107.68	3476.85	2193.84	2784.80	3399.21	3527.63
Depreciation	96.52	115.82	127.64	138.68	338.65	502.82	545.41	893.40	998.15	1015.26
Net Profit after tax for the year	68.12	105.95	192.31	295.89	833.82	1366.312	595.04	533.25	674.79	625.41
Share capital	515.47	515.47	515.47	515.47	566.97	1700.91	1700.91	1926.41	1926.41	1926.41
Reserve & surplus	487.01	592.96	726.49	942.45	2995.29	2918.82	3200.23	5243.96	5581.79	5871.36
Shareholders Funds	1002.48	1108.43	1241.96	1457.92	3562.26	4619.73	4901.14	7170.37	7508.2	7797.77
Gross Block	1121.52	1395.48	1673.53	4031.95	5676.98	6465.42	7969.30	12951.26	13977.57	14157.50
Net Block	656.07	581.27	966.47	3186.49	4495.20	4780.81	5743.49	9837.65	9865.82	9061.15
Dividend	NIL	NIL	51.54	61.85	85.04	255.14	255.14	255.14	288.96	288.96
Rate of Dividend	NIL	NIL	10 %	12 %	15 %	15 %	15 %	15 %	15 %	15 %
Book Value of share (in Rs.) (Face Value Rs.10/-)	19.45	21.50	24.09	28.28	62.83	27.16	28.81	37.22	38.98	40.48
Earnings per Share (in Rs.)	1.32	2.06	3.73	5.74	14.71	8.03	3.50	2.77	3.50	3.25
Yearly High & Low Share Price Rupees	10-10	18-10	49-13	80-27	250-56	421-108	222-47	147-61	97-53	69 - 47.25

NOTICE TO THE MEMBERS

NOTICE IS HEREBY GIVEN THAT the 19th Annual General Meeting of the Members of SURAJ LIMITED will be held on Monday, 24th September, 2012 at 10:00 a.m. at the Conference Hall of "The Ahmedabad Textile Mills Association", Near "Gurjari", Ashram Road, Ahmedabad - 380 009 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit & Loss for the year ended on 31st March, 2012, and the Balance Sheet as at that date together with the Report of the Board of Directors and Auditors thereon.
2. To Declare Dividend on equity shares for the financial year ended 31st March 2012.
3. To appoint a Director in place of Shri. Kunal T Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Bipin K Prajapati, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint Messrs Pankaj K. Shah Associates, Chartered Accountant, Ahmedabad having Firm Registration No. 107352W as Statutory Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

6. **To Consider and if thought fit, to pass with or without modification(s), the following resolution as a Ordinary Resolution:-**

"RESOLVED THAT Shri Bhupendrasinh Babulal Patel, who was appointed as an Additional Director pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 134 of the Articles of Association of the Company with effect from 26th December, 2011 and whose period of office expires at this ensuing Annual General Meeting, and being eligible for appointment to the office of the director and in respect of whom, the Company has received notice in writing, under section 257 of Companies Act, 1956 from member 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 a Special Resolution:-**

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and other statutory approval if any, the members of the Company hereby approves the re-appointment of Shri Kunal T Shah, as Managing Director of the Company for a period of 3 years commencing from 29th September 2011, as recommended by the Remuneration Committee and approved by the Board of Directors of the Company and with such powers and duties as set out in the agreement as placed before the members and duly initialed by the Chairman for the purpose of identification and further assented, approved and sanctioned with liberty to the Board of Director to vary the terms and conditions of the said re-appointment, as may be agreed to between the Board Members of the Company and Shri Kunal T Shah".

"RESOLVED FURTHER that the remuneration and perquisites set out in the aforesaid agreement be paid to Shri Kunal T Shah as minimum remuneration during the tenure of his re-appointment notwithstanding that in any financial year of the company during the aforesaid period, the Company has made no profits or the profits made are inadequate".

"RESOLVED FURTHER that the remuneration and perquisites including the monetary value thereof as specified in the agreement may be varied, increased, expanded, enhanced, enlarged, widened or altered in accordance with the provisions relating to the payment of Managerial remuneration under the Companies Act, 1956 or any amendments thereof or re-enactments thereof and that the aforesaid agreement between the Company and Shri Kunal T Shah be suitably amended to give effect to the same in such manner as may be agreed to between the Board and Shri Kunal T Shah".

8. To Consider and if thought fit, to pass with or without modification(s), the following resolutions as Special Resolution:-

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), and other statutory approval if any, the members of the Company hereby approves the re-appointment of Shri Bipin K Prajapati, as Whole time Director of the Company for a period of 3 years commencing from 28th January 2012, as recommended by the Remuneration Committee and approved by the Board of Directors of the Company and with such powers and duties as set out in the agreement as placed before the members and duly initialed by the Chairman for the purpose of identification and further assented, approved and sanctioned with liberty to the Board of Director to vary the terms and conditions of the said re-appointment, as may be agreed to between the Board Members of the Company and Shri Bipin K Prajapati."

"RESOLVED FURTHER that the remuneration and perquisites set out in the aforesaid agreement be paid to Shri Bipin K Prajapati as minimum remuneration during the tenure of his re-appointment notwithstanding that in any financial year of the company during the aforesaid period, the Company has made no profits or the profits made are inadequate."

"RESOLVED FURTHER that the remuneration and perquisites including the monetary value thereof as specified in the agreement may be varied, increased, expanded, enhanced, enlarged, widened or altered in accordance with the provisions relating to the payment of Managerial remuneration under the Companies Act, 1956 or any amendments thereof or re-enactments thereof and that the aforesaid agreement between the Company and Shri Bipin K Prajapati be suitably amended to give effect to the same in such manner as may be agreed to between the Board and Shri Bipin K Prajapati."

Registered Office :

'SURAJ HOUSE',
Opp. Usmanpura Garden,
Ashram Road, Ahmedabad - 380 014

Date : August 6, 2012

Place : Ahmedabad

For and on behalf of the Board

Viral M. Shah
Company Secretary

NOTES :

1. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
2. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of him/her and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.
3. The Register of Members and the Share transfer Books of the Company will remain closed from Monday, 17th September 2012 to Monday, 24th September 2012 (both days inclusive).
4. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
5. Members are requested to bring their attendance slip along with their copy of annual report to the Meeting.
6. Members who hold shares in dematerialization form, are requested to bring their depository account number for identification.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, between 11:00 a.m. and 1:00 p.m. up to the date of Meeting.
9. Dividend on Equity Shares as recommended by the Directors for the financial year ended March 31, 2012 when declared at the meeting will be paid on or after 29th September, 2012 :-
 - (i) to those Members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company's Registrar & Share Transfer Agent on or before 16.09.2012, **or**
 - (ii) in respect of shares held in electronic form, to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as on 16.09.2012.
10. Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of Dividend. However, if members want to change/correct bank account details, they should communicate the same immediately to the concerned Depository Participant. Members are also requested to furnish their MICR code of their bank to their Depository Participant. The Company or its Registrar will not entertain any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the members. Members holding shares in physical form are requested to advise any change of address immediately to the Company/Registrar and Share Transfer Agents, M/s MCS Limited.
11. Members who hold shares in the physical form can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail of the nomination facility by filling Form 2B. Blank forms will be supplied by Company's Registrar & Transfer Agent on request. Members holding shares in dematerialized form may contact their Depository Participant for recording nomination in respect of their shares.
12. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to MCS, for consolidation into a single folio.
13. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company at least 7 days before the date of the Meeting so that the information required may be made available at the Meeting.
14. Non-Resident Indian Members are requested to inform MCS, immediately of:
 - a) Change in their residential status on return to India for permanent settlement.
 - b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
15. Members are requested to note that the dividend for the year 2004-2005 which is not encashed for a period of 7 years from the date of transfer to the Company's Unpaid Dividend Account shall be transferred to the Investors Education and Protection Fund after 17th September, 2012. Members who have not

encashed their above Dividend Warrants may approach to the Company/RTA immediately for revalidation as otherwise no claim thereafter shall lie against the Fund or the Company in respect of such unclaimed Dividend Amount.

16. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
17. To support the "Green Initiative in Corporate Governance" taken by The Ministry of Corporate Affairs by allowing paperless compliances and stating that service of notices / documents including Annual Report can be effected by sending the same through electronic mode to the registered e-mail addresses of the shareholders, notices/documents including the Annual Report are now being sent by electronic mode to the shareholders whose e-mail address have been registered with the Company. Members who would like to receive such notices / documents in electronic mode in lieu of physical copy and who have not registered their e-mail addresses so far or who would like to update their e-mail addresses already registered, are requested to register/update their e-mail addresses:
 - In respect of electronic shareholding - through their respective Depository Participants;
 - In respect of physical shareholding - by sending a request to the Company's Share Transfer Agent, mentioning therein their folio number and e-mail address.

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

Item No. 6

The Board members appointed Shri Bhupendrasinh Babulal Patel as an Additional (Independent) Director of the Company w.e.f. 26th December 2011 pursuant to Section 260 of the act, to compose the Board in line with the Listing agreement and to comply with the provisions of clause 49 of the Listing agreement, he holds office upto the date of this ensuing Annual General Meeting of the Company. Shri Bhupendrasinh is possessed of wide and varied experience of around 36 years as an Engineer in various Industries. Originally, started his career as an Engineer from Ambica Mills - Ahmedabad in 1972 and served with various industries till 1988. Since then he worked with Reliance Industries Limited - Ahmedabad Textile unit as a Manager (Engineer) and worked till June 2008. His thorough knowledge and extensive skills in Production and capacity expansion in such textile unit coupled with maintaining cordial personnel relations at Plant Levels shall be of immense help to the company in achieving maximum yield.

A notice in writing along with 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 Shri Bhupendrasinh Babulal Patel as a candidate for the office of Director, Your Directors are of the view that it will be in the interest of the company to regularize him as Director of the Company, liable to retire by rotation and accordingly recommend his appointment.

None of the Directors, except Shri Bhupendrasinh B Patel, is in any way concerned or interested in the aforesaid resolution and recommend your acceptance thereof in the interest of the Company.

Item No. 7

The Board Members re-appointed Shri Kunal T Shah as Managing Director of the Company on 9th August 2011 for a period of three years w.e.f. from 29th September 2011 on the terms & conditions and remuneration as recommended by Remuneration Committee. The Remuneration Committee has considered the matter and recommended the terms of the Remuneration to the Board, subject to the approval of members under various Sections of the Act read with Schedule- XIII of the Companies Act, 1956. He is possessing graduate degree having experience of 16 years in the field of marketing. He is with company since last 18 years more particularly as Managing Director of the Company since 2005. He has vast experience in the field of marketing department, commercial department and effective policy formulations for efficient and smooth running of the company. In view of the manifold increase in role and his responsibility, the Board approved the re-appointment of Shri Kunal T Shah as Managing Director of the Company for a period of three years w.e.f. 29th September 2011. The details of the remuneration payable to Shri Kunal T Shah, as Managing Director as contained in the agreement signed between the Company and Shri Kunal T Shah are set out below:

- a) Salary at the rate of Rs. 3,00,000/- (Rupees Three Lac) per month. So long as he functions as such, he shall not be paid any sitting fees for attending meeting of the Board of Directors or committees thereof,
- b) The Managing Director shall be entitled to the following perquisites and facilities:
 - (i) Housing: The expenditure to the company on hiring furnished accommodation shall not exceed 60% of the salary. In case the Managing Director is provided accommodation owned by the company, he will pay 10% of his salary towards house rent.

- (ii) Gas, Electricity, Water and Furnishings: Besides house as mentioned above, the expenditure on gas, electricity, water and furnishing will be borne by the company and the market value will be evaluated as per Income Tax Rules, 1962.
- (iii) Medical Reimbursement: Medical expenses incurred by the appointee on self, spouse and dependent children will be reimbursed to him subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- (iv) Club Fees: Fees of two clubs subject to a maximum of two clubs excluding admission and life membership fees.
- (v) Provident fund and superannuation: Gratuity payable at the rate of half month's salary for each completed year of service with a service of six months or being treated as a full year.
- (vi) Car with driver: The Managing Director will be provided with a car and driver for use on company's business. Use of car for private purpose will be billed by the company. The provision of car for official use and telephone at residence will not be considered as perquisite.
- (vii) Telephone and Internet: Free telephone and Internet facility at his residence, Personal long distance calls will be billed to the Managing Director.

The company shall reimburse actual entertainment and travelling expense incurred by the managing director in connection with the company's business.

Note: For the purpose of perquisites stated herein above, family means the spouse, the dependent children and the dependent parents of the appointee.

The other terms contained in the agreement are the various powers delegated to Shri Kunal T Shah as Managing Director of the Company by virtue of his re-appointment.

This statement containing following information is given as per Clause-B of section II of part II of Schedule XIII of the Companies Act, 1956.

I.	GENERAL INFORMATION:		
(1)	Nature of Industry	Manufacturing of all kinds of ferrous and non-ferrous stainless steel Pipes and tubes for industrial and non industrial use.	
(2)	Date or expected date of commencement of commercial production.	Existing Company and hence not applicable.	
(3)	In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	Existing Company and hence not applicable.	
(4)	Financial Performance based on given indicators. (As at 31st March 2011)	Particulars	(Rs. In Lacs)
		Turnover (Net Sales)	23817.58
		Operating Profit	3242.19
		Net Profit Before Tax	1004.35
		Debt Equity Ratio	1.48:1
		Net Worth	7508.20
(5)	Export Performance	The Company has achieved export Turnover FOB value of Rs. 13388.82 Lacs for the financial year ended on 31.03.11	
(6)	Foreign Investments or collaborators, if any.	None	
II.	INFORMATION ABOUT THE APPOINTEE:		
(1)	Background Details	Shri Kunal T Shah possesses a graduate degree. He is with company since last 18 years more particularly as Managing Director of the Company since 2005.	
(2)	Past Remuneration	Remuneration paid for the Financial year 2010-11 was Rs. 36.00 Lacs per annum plus perquisites of Rs. 0.13 Lacs per annum.	
(3)	Recognition or Awards	As such no awards being received by Shri Kunal T Shah in his personal capacity however he ensured and strived his best to achieve numbers of awards and recognitions for the company which made history to enter into global market with ease.	

(4)	Job Profile and his suitability	Shri Kunal T Shah has vast experience in marketing, administration and effective policy formulations for efficient and smooth running of the company. He has wide knowledge of the industry and markets that the company operates in and has been instrumental in growth story of the company over the last few years.
(5)	Remuneration Proposed	As mentioned in the abstract of remuneration given in the preceding paras.
(6)	Comparative remuneration profile with respect to industry, size of the company, profile of the position and person.	The proposed remuneration is commensurate with level skills, experience of the appointee. Shri Kunal T Shah has been re-appointed as Managing Director having superintendence and control of the Board of Directors of the Company to carry out such duties on day to day basis as entrusted to him. The remuneration proposed is in line with and prevailing in similar industry and having regard to the size of the Company.
(7)	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.	He is directly related with Promoters of the Company and being one of the promoters of the company holding 5.35% shares in the company.
III.	OTHER INFORMATION:	
(1)	Reasons of loss or inadequate profits.	Though, the company has made reasonable profit during the immediately preceding financial year in which such reappointment has been made as per the industry norms, however as per calculation of profit u/s. 349 such profits are inadequate to remunerate such managerial personnel.
(2)	Steps taken or proposed to be taken for improvement	Efforts taken for cost cutting to improve margins. Search for improved quality and value added products.
(3)	Expected increase in productivity and profits in measurable terms.	Strict steps will be taken to control fixed costs and inventory costs, which will enable Company to improve its turnover and profits in years to come with normative numbers calculated with reference to good returns from the Stainless Steel Industry.
IV.	DISCLOSURES:	
(1)	The remuneration package of Shri Kunal T Shah has been enumerated above. A copy of the agreement entered with the Managing Director is available for inspection by the members of the Company at the Registered office of the Company between 11.00 a.m. to 1.00 p.m. on any working day.	
(2)	The required disclosure to the shareholders of the Company about remuneration package of the managerial person and all elements of remuneration package such as salary, benefits, bonuses, stock options, pensions etc., of all the directors; details of fixed component and performance linked incentives along with the performance criteria; Service contract, notice period, severance fees; Stock option details, if any and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable has been made in the Annual Report of the Company for the Financial Year 2011-12, wherever applicable.	

The re-appointment of Shri Kunal T Shah as Managing Director of the company requires special majority of the members under Section 198, 269, 309, 310 read with provisions of sub-clause (B) of section II of part II of Schedule XIII of the Companies Act, 1956, for payment of remuneration. The Company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon in terms of the proviso of sub clause (ii) of clause (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956. Consequently the said resolution for re-appointment of Shri Kunal T Shah as Managing Director for a period of three years on the remuneration as set out in the Agreement, requires approval of Members in General Meeting with special majority. Hence, your directors recommend the resolution for your approval.

As the resolution for re-appointment has been proposed for three years with remuneration within the limits prescribed under Sub-Clause-B of section II of part II of Schedule XIII of the Act, calculated with reference to effective capital on higher side and hence the approval of Central Government is not required.

Except Shri Kunal T Shah, Shri Gunvant T Shah and Shri Ashok T Shah, none of the Directors, is in any way