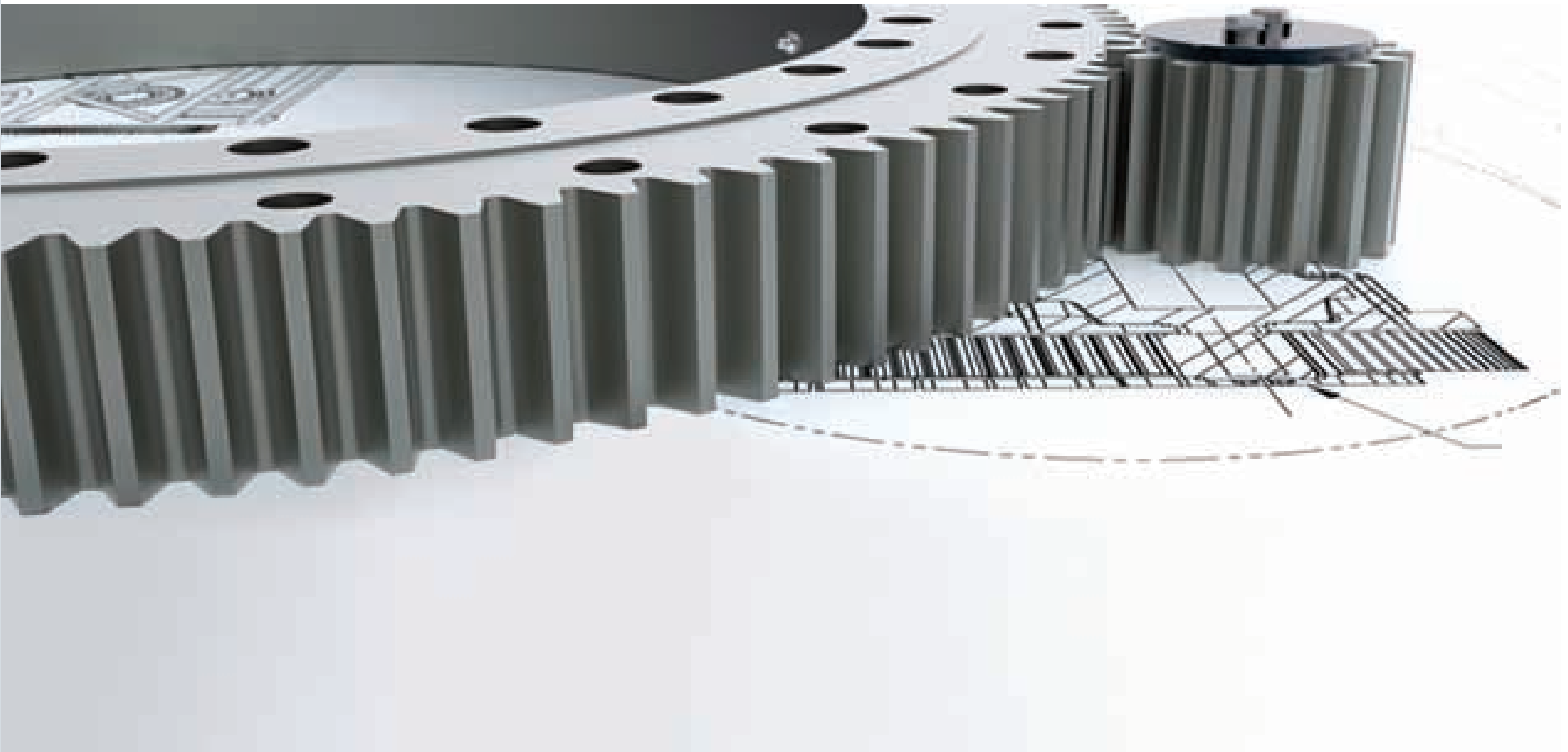
ENGINEERING EXCELLENCE



Annual Report
2010-11

Pennar

Pennar Industries Limited

Corporate information

Board of Directors

Shri Nrupender Rao *(Executive Chairman)*
Shri Ravi Chachra
Shri Dr. G Vivekanand
Shri C Parthasarathy
Shri B Kamalaker Rao
Shri A Krishna Rao
Shri C Rangamani
Shri P Bhaskara Rao
Shri Manish Sabharwal *(Additional Director)*
Shri J Ramu Rao *(Additional Director)*
Shri Ch Anantha Reddy *(Managing Director)*
Shri Aditya Rao *(Director - Projects)*

Vice President and Company Secretary

Shri R Ravi

Auditors

M/s Rambabu & Co.,
Chartered Accountants,
31, Pancom Chambers,
6-3-1090/1/A, Rajbhavan Road,
Somajiguda, Hyderabad - 500 082

Bankers

State Bank of India
Axis Bank Limited
State Bank of Patiala

Registered office

Floor No. -1, DHFLVC Silicon Towers
Madhapur Road,
Kondapur
Hyderabad - 500 084,India

Registrars and Share Transfer Agents

Karvy Computershare Pvt. Ltd.
Plot no.17-24, Vithalrao Nagar,
Madhapur, Hyderabad - 500081

Plants

Patancheru Unit
IDA, Patancheru - 502319, Medak (Dist.), A.P.

Isnapur Unit
Isnapur Village - 502307
Medak (Dist), A.P.

Chennai Unit
Kannigaipair Village, Uthukottai Tq
Thiruvellore Dist, Tamilnadu – 601 102

Tarapur Unit
J-72, MIDC, Tarapur
Maharashtra-401506.

Hosur Unit
43, SIDCO Industrial Estate
II Phase, Hosur Tamil Nadu

Across the pages

At Pennar, we have created a robust foundation for dynamic growth.

- We are providing products that require complex engineering.
- We are investing in our business to provide customised solutions.
- We are providing solutions that save costs for our customers.
- We are offering solutions that are unconventional and environment-friendly.
- We are building our business around a robust financial foundation.

Through two words. *Engineering excellence*.

Pennar. Creating a culture of engineering excellence. With the objective to achieve consolidated revenues of Rs. 2,200 crores (half a billion US dollars) in four years.

Lineage

- Established in 1988 to manufacture 30,000 TPA of cold rolled steel strips. Diversified to emerge as a leading engineering company with over 100 precisely-engineered products

- Set up a subsidiary, Pennar Engineering Building Systems (PEBS) to engage in the design, manufacture and installation of pre-engineered buildings.

- Headed by Mr Nrupender Rao (Executive Chairman), Mr Ch Anantha Reddy (Managing Director), Mr Aditya Rao (Director-Projects) and a team of experienced professionals

Presence

- Headquartered in Hyderabad, India

- Manufacturing locations at Patancheru, Isnapur, Chennai, Tarapur and Hosur

- Manufacturing facility of pre engineered building subsidiary at Sadashivpet (Andhra Pradesh)

- All plants certified for ISO 9000

- Pan-India sales and marketing network with 13 offices across nine states

- Shares listed and traded on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE)

Vision

Our vision is to be a globally reputed engineered metal products company. We endeavour to have a strong and enduring relationship with our customers based on quality and service.

Mission

Our mission is to leverage our modern infrastructure, technical expertise and decades of experience to provide high quality and cost-effective metal products to our customers. We are committed to ensure rewarding experiences to our customers. We work closely with shareholders, suppliers, customers and employees to ensure attractive economic returns for every stakeholder.

Over the years

1988	Commissioned CRS Complex, Isnapur 30,000 TPA
1995	Expanded capacity to 50,000 TPA
1997	Acquired Nagarjuna Steel, Patancheru; 142,000 TPA
1999	Acquired Press Metal Profile division of Tube Investments, Tarapur; 10,000 TPA
2004	Commissioned precision components plant at Hosur, 2,000 TPA
2007	Expansion at Patancheru plant
2008	Commissioned profiles, components and sub-assemblies in Chennai, 30,000 TPA
2009	Commissioned pre-engineered Buildings Plant, Sadashivpet, 30,000 TPA
2010	- PEBS capacity expanded to 60,000 MT - Expansion in Isnapur plant of 24,000 MT of Precision Tubes/CDW and 12,000 MT of heavy fabrication

Corporate highlights, 2010-11

Excellence. Reflected in our numbers.

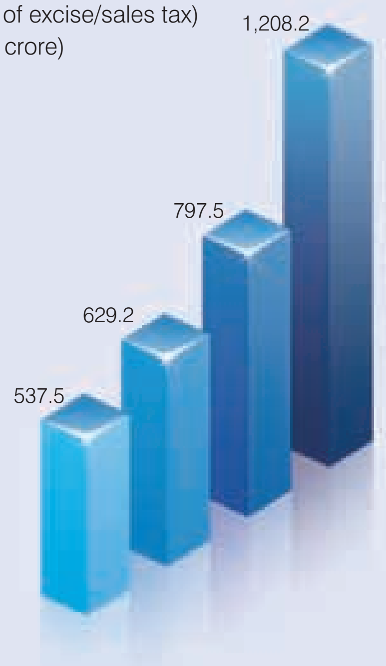
Operational highlights

- Increased cumulative capacity from 1,82,500 TPA in 2009-10 to 2,43,000 TPA in 2010-11
- Increased production 28% from 1,41,116 TPA in 2009-10 to 1,80,606 TPA in 2010-11
- Increased sales of value-added products from 88,245 MT in 2009-10 to 1,17,141 MT in 2010-11
- Yield marginally decreased from 90.9% in 2009-10 to 89.7%
- Introduced Sheet Piles, Galvanized Tubes, Super deck, Centre Sill and Side top Copping Products

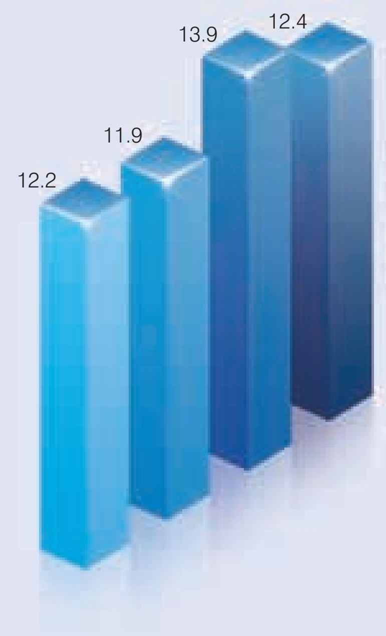
Financial highlights

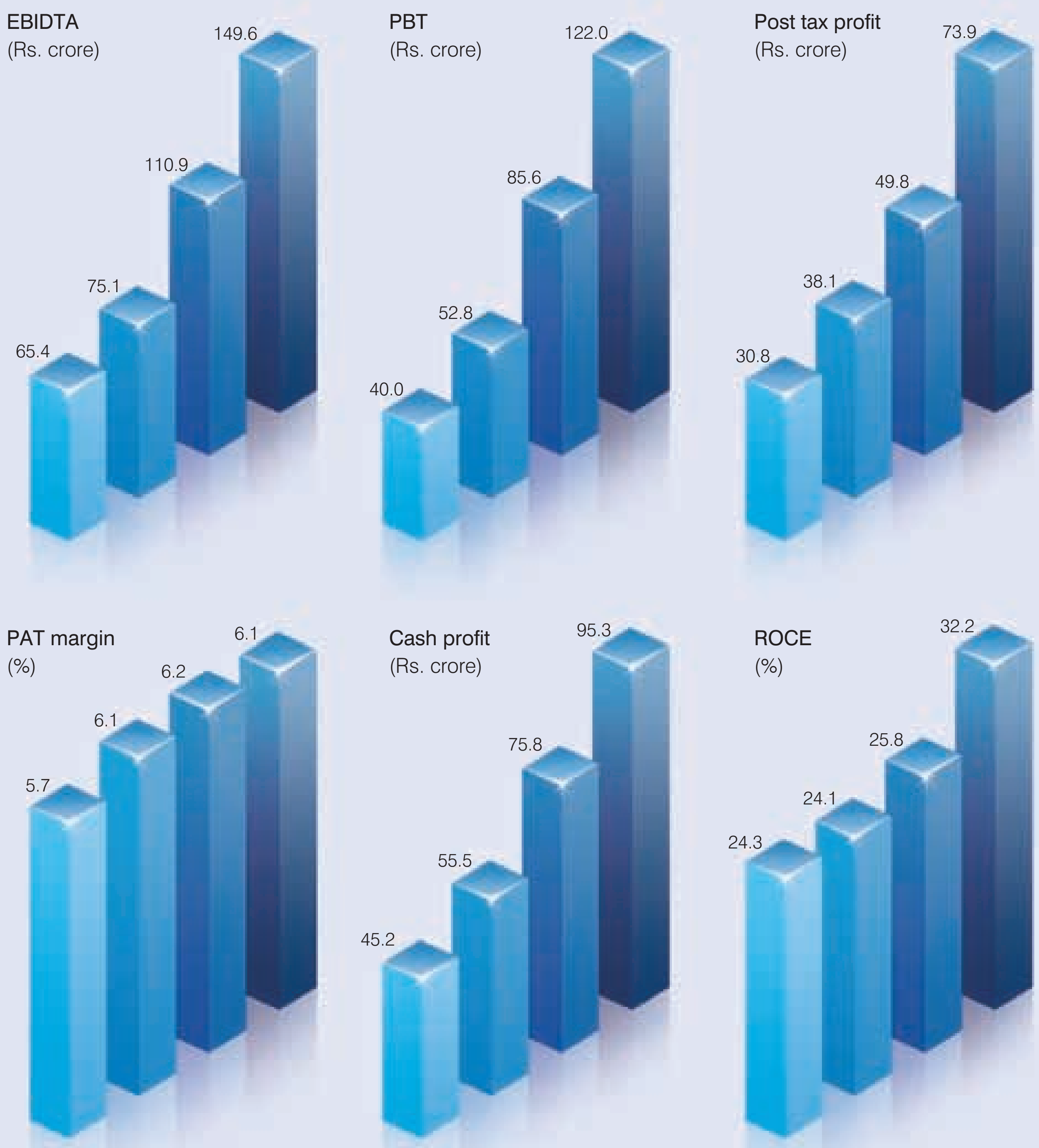
- Consolidated revenue after Excise Duty & Sales Tax increased 51.5% from Rs. 797.5 crores in 2009-10 to Rs. 1,208.2 crores
- Consolidated EBIDTA increased 34.9% from Rs. 110.9 crores in 2009-10 to Rs. 149.6 crores
- Increased consolidated post-tax profit 48.5% from Rs. 49.8 crores in 2009-10 to Rs. 73.9 crores
- EBIDTA margin declined 150 basis points from 13.9% in 2009-10 to 12.4%
- Post-tax profit marginally decreased 10 basis points from 6.2% in 2009-10 to 6.1%
- Return on capital employed increased 640 basis points from 25.8% in 2009-10 to 32.2%

Revenue
(net of excise/sales tax)
(Rs. crore)



EBIDTA margin
(%)





Note:

1) Figures for 2007-08, 2008-09 pertain to standalone

2) Figures for 2009-10, 2010-11 pertain to consolidated

Chairman's overview

"We have emerged as a strong engineering company with a robust financial foundation"

Mr. Nrupender Rao, Executive Chairman, reviews Pennar's performance during the financial year under review and highlights the impending growth.

Dear Shareholders,

I am proud to present the results of the financial year 2010-11 of Pennar Industries Limited.

The Company's consolidated revenue increased 51.5%, while consolidated gross profit and net profit grew 34.9% and 48.4% respectively. Our net profit increased from Rs. 49.8 crores in 2009-10 to Rs. 73.9 crores, an impressive growth of 48.4%.

This performance was not the result of something that we did during the last financial year; this was the result of what we have been consciously doing for a number of years. The performance was a part of our planned transformation from a commodity-based product manufacturer to a specialised engineered products company.

By the close of the financial year under review, we grew across every single quarter for the last 25 quarters, including the entire tenure during late 2008 to the first half of 2009 when the global economy passed through a challenging downturn.

Our priorities

A number of factors resulted in this unique performance.

- A clear recognition that we wished to build a valuable business that would offer products and solutions not easily possible for most companies. If we did this, we were convinced that sustainable growth would be an inevitable byproduct

- We were clear as to what this company needed to possess to be valuable – a relatively niche business presence, the brand of a specialist, the ability to evolve a product into a service, healthy margins and adequate cash flow
- A specialisation in business spaces that would require an increasing interplay of knowledge and customisation; this would separate us from the crowd on the one hand and protect our margins on the other. Besides, this would evolve us from a mere provider of material to a trusted partner, extending into repeat engagement and ongoing revenue flows.
- While most engineered product companies would have selected to focus on the growth emerging from one sector, Pennar widened its product mix to address the growth coming out of four different business segments, de-risking itself from an excessive dependence on any one segment
- We had our manufacturing personnel meet customers, understand their specific needs and offer customised solutions. Besides, these engagements resulted in a deep insight into each of our customers' businesses, making it possible for us to offer holistic solutions, and take the customers' businesses ahead.

Relevant decisions

These priorities translated into relevant business-strengthening implications for Pennar.

- We evolved from 10 businesses five years ago to 14 businesses in 2010-11, no business accounting for more than 10% of our revenues (excepting Railways), each business growing by at least 5% and the fastest having grown 53% during 2010-11
- We increased capacity across our manufacturing facilities to respond to the demands of the growing Indian economy. We doubled our pre-engineered building capacity in 2010-11; we are increasing our capacity for fabricated products and precision tubes capacity at our Isnapur manufacturing unit in 2011.
- We grew our presence in fast-growing Indian sectors. For instance, we grew our presence in the Railways segment. We introduced new profiles, which find application in coaches and wagons. We introduced side frames for wagons, under frames and other fabricated items. Result: Railway revenues increased 39% in 2010-11 to 21.4% of our total revenues.
- We captured the upswing in the Indian automobile industry. Revenues from auto component products increased 64.6% in 2010-11. Our Chennai plant is strategically located to service the large automobile market in that region.
- We recognised the growing relevance of being environment-friendly and manufactured electrodes for electrostatic precipitators extensively used for pollution control in the cement and thermal power industries. We increased revenues in this sector by 75.5% in 2010-11.
- Our pre-engineered building (PEB) subsidiary attracted prestigious customers like L&T, Ultratech Cement, Dr Reddy's, My Home Cements, Asian Colour Coated Steel, Core Green Sugar, among others in its very first full year. The subsidiary executed 45 projects and enjoyed an order book of Rs. 178 crores as on 31st March 2011. The plant was the first in India to be awarded a Gold certificate by the Indian Green Building Council.
- We reinforced our commitment to quality and customer service leading to new customer wins and repeat orders. Around 70% of our 2010-11 revenue was generated from repeat orders.

Building a solid financial foundation

I am happy to state that our wish list translated into some credible numbers:

- The entire capital investment in the last two financial years was funded by cash accruals.
- Working capital as a proportion of our total employed capital was a modest 58.8% in 2010-11
- We strengthened our inventory management cycle from 87 days of turnover equivalent in 2009-10 to 63 days in 2010-11. This helped us reduce our short-term loans in two years even as our turnover grew 54%.
- We repaid Rs. 17 crores of long-term loans in 2010-11. This helped

rationalise our debt-equity ratio to 0.1, providing room to mobilise additional debt whenever needed.

- We received an improved rating from CARE (premier credit rating agency). Our credit rating for long-term debt was revised from 'A-' to 'A' and the credit rating for our short-term debt from 'PR2+' to 'PR1'.
- We registered a 640 basis point improvement from 25.8% in 2009-10 to 32.2% in 2010-11 in our return on employed capital, an effective tool for measuring returns for every rupee invested in the business.

Industry bullishness

The good news is that the broad industry growth is expected to sustain: the Indian government has outlined larger investments in the Twelfth Plan. Pennar is present in product segments that will receive larger outlays.

Infrastructure: The Planning Commission of India envisaged an infrastructure investment of Rs. 41 lakh crores in the Twelfth Five Year Plan, a 100% increase over the Eleventh Five Year Plan outlay.

Railways: The Indian Railway Budget 2011-12 allocated the highest ever annual outlay of Rs. 57,630 crores, which will translate into a higher offtake of wagons, coaches and locomotives.

Construction: India represents the most viable infrastructure investment in the world, with a high growth rate that is expected to sustain into the long-term.

Dividend

We proposed a total dividend of 25% for our equity shareholders.

Corporate Social Responsibility

Your Company believes that it should be a responsible corporate citizen and contribute to society. You will be happy to know that your Company supported education and sanitation in schools in villages near our plants and some backward areas.

We conducted a carbon footprint study at our Patancheru and Sadashivpet plants. The emissions are comparatively lower than other companies, owing to several green initiatives undertaken.

Pennar's Carbon Footprint

Pennar has always been an environmentally-conscious and socially responsible company. Pennar's subsidiary Pennar Engineered Building Systems Limited (PEBS) was awarded the Gold Rating by the Indian Green Building Council, and is the first factory in the country to receive the Gold Award.

Pennar conducted a carbon footprint study as an internal assessment based on the Corporate Green House Goods (GHG) Inventory Programme formulated by CII. The study was carried out at Pennar's Patancheru and PEBS plants. Results show that carbon emissions per metric tonne are fairly low – at 0.2 MT at Pennar and 0.1 MT at PEBS.

Carbon emissions reduced as a result of several measures:

- A 25 kW solar PV system was installed at the PEBSL Sadasivapet factory with a capacity to generate about 35,000 units per annum. This system will reduce CO2 emissions by 28,000 kgs per annum.
- Sewerage Treatment Plants (STP) are located at PIL Patancheru and

Capacity additions (TPA)

	2010-11	2011-12	2012-13
Engineered products	500	7750	8350
Heavy engineering products	–	23750	–
Infrastructure	7500	–	5750
Pre-engineered building products	30,000	–	20000
Total capacity	38000	31500	34100

Growth in the last 25 quarters (Rs. in Lakhs)

PEBSL. The treated water is used for horticultural purposes The STP at PIL Patancheru treats about 70 Kl /day. At PEBSL, the STP treats about 2.3 Kl /day. The plant makes an annual saving of 855.9 Kl of water per annum.

- The reverse osmosis unit at PIL Patancheru is used in the semi-continuous pickling (SCP) plant. It recycles about 40 Kl of acidic water from the SCP per day. Some 65% of the recycled water is pumped into the SCP plant amounting to 26 Kl/day, saving 9,490 Kl of water per year.
- The rainwater harvesting system at PEBSL Sadashivpet captures at least 50% of the rain run-off from roof and non-roof surfaces.
- Vermiculture carried out from tree leaves yields 1 tonne/month of manure produced. A part of the manure is used internally, while the rest is sold.

The journey ahead

We are standing at an optimistic juncture for the following reasons:

- We are investing in 31,500 MT capacity expansion across all our manufacturing units, effective from 2011; this will expand capacities of fabricated products and precision steel tubes that find application in the automobile, railway and heavy engineering.
- We expect to strengthen our pre-engineered building business with timely project delivery and achieve revenues of Rs. 500 crores in the next four years.
- We expect to increase the production of heavy engineered products, heavy fabricated products and speciality profiles, finding application in critical sectors like defence, aerospace and nuclear power, among others

Message to the shareholders

The result of the above mentioned initiatives is expected to enhance our consolided revenues to Rs. 2,200 crores (half a billion US dollars) in the next four years, enhancing value for our shareholders.

Regards,

Nrupender Rao
Executive Chairman

Competitive edge

Management team
The Company is led by a management team with rich engineering experience and headed by Mr. Nrupender Rao, Chairman, Mr. Ch. Anantha Reddy, Managing Director, and Mr Aditya Rao, Director – Projects, who have rich industry experience.

Value-added products
The Company increased the proportion of value-added products in its revenue mix from 50.8% in 2006¬07 to 75.4% in 2010-11, resulting in a higher margin-accretive product mix and improved realisations.

Quality
The Company is committed to provide quality products to customers. All manufacturing units are ISO 9001: 2008-certified, resulting in a high quality discipline.

Technology
The Company invested in state-of-the-art manufacturing assets comprising laser cutting, plasma cutting, transfer presses and CNC machines, resulting in customised product manufacture. Besides, the Company created a repository of over 2,500 tools and dies to manufacture a large product portfolio.

Human resource
The Company has over 1,350 employees with a cumulative experience of over a million person days, resulting in considerable domain expertise.

Sectoral presence
The Company is present in growing Indian sectors like infrastructure, railways, construction, electricals, construction and automobiles, which the government has prioritised for increased investments.

Pride-enhancing clientele
The Company addresses the growing needs of a pride-enhancing clientele comprising TATA Motors, L&T, Ashok Leyland, Alstom, Hero Honda, Integral Coach Factory and Indian Railways, among others. The five leading clients accounted for 25% of the Company's revenues. The building subsidiary developed prestigious customers like L&T, Ultratech Cement, Dr Reddy Labs, My Home Cements, Asian Colour Coated Steel and others.

Diversified product mix

The Company's portfolio comprises over 1,000 products across diverse sectors like railways, automobiles, general engineering, building and electricals, among others, derisking the business from limited sector dependence

Replacement cost

The Company's replacement cost is estimated at Rs. 700 crores, considerably higher than its gross block of Rs. 345 crores, an adequate hedge against greenfield competition

Financials

The Company possesses a strong balance sheet low gearing, providing it room for additional borrowing whenever needed.

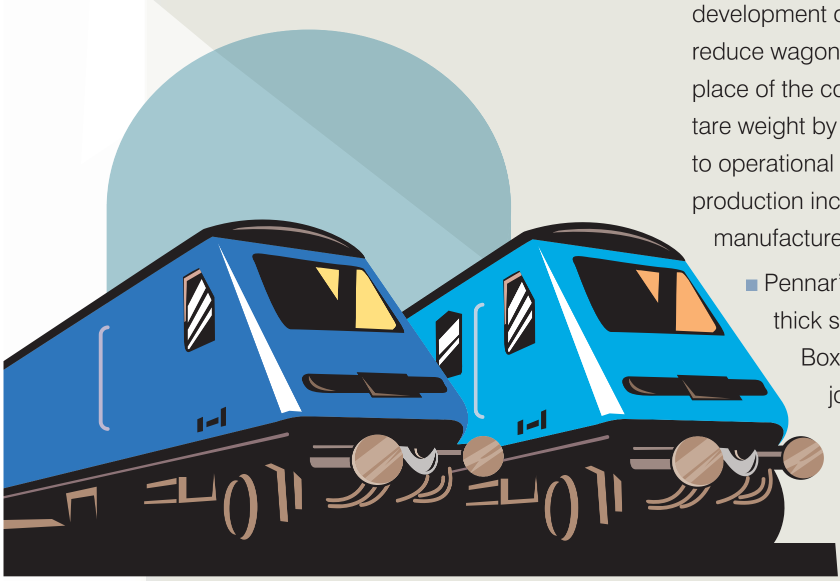
Pennar clientele

Segment	Customers
Railway products	Integral Coach Factory (ICF), BEML, Texmaco, Railway Divisions
Automobile products	Tata Motors, Ashok Leyland and VE Commercial (formerly Eicher Motors)
Building products	L&T, Shapoorji Pallonji and Nagarjuna Construction
Pollution control	ABB, Thermax and Bharat Heavy Electricals
Pressed steel components	Emerson Electric, Tecumseh, TVS, Wabco, Brakes India and IFB
Road safety systems	National Highways Authority of India (NHAI), HCC, KNR and Patel Engineering
Fabricated products	Thermax, ABB and Metso Minerals
Precision tubes	Bus body builders, Antenna manufacturers
Cold-rolled steel strips	Automobile, white goods, electrical and engineering companies
Pre-engineered buildings (PEBS)	Dr Reddy's, UltraTech, L&T, P&G, My Home Group, Core Green, HCC and Schneider Electric, among others

Creating customised railway products.

At Pennar, our engineering excellence enhanced the customised nature of products and solutions for the railway sector, enhancing business sustainability.

- We are working closely with Indian Railways to develop additional formed products for new wagon types (BRN 22.90 and others); we extended from two wagon types to more than six, enhancing volumes.
- We leveraged our engineering capability to enhance wagon productivity, eliminating needless processes and rework.
- We developed heavy fabricated items like the side wall/end wall/head stock among others, for LHB coaches, using stainless steel/carton steel critical for coach under frame assemblies. We extended our engineering capability to produce sole bars and trough floors up to 10~11m, enhancing overall productivity.
- In collaboration with the Research and Development Standards Organisation (RSDO) at Lucknow, Pennar played an important role in the development of profiles for new generation stainless steel wagons to reduce wagon tare weight. Pennar's high strength cold formed sections in place of the conventional hot rolled sections led to a reduction of wagon tare weight by 10% to 15% which enabled a higher wagon payload, leading to operational and financial benefits for the railways. Further, wagon production increased due to the use of longer length sections manufactured by Pennar.
- Pennar's crowning achievement was the development of 10mm thick stainless steel centre sill hat section of 10 metre length for Box NHL (MBS) wagons. This substituted a two-piece welded joint system, strengthening the under frame.
- Pennar developed heavy duty pressed components like stainless steel body pillars in a single piece of three metre length.



THE RESULT: THE COMPANY'S REVENUE FROM THE RAILWAY SECTOR GREW AT A CAGR OF 18.3% IN THE THREE YEARS LEADING TO 2010-11.

Creating niche fabricated products and engineering components.

At Pennar, we have selected to manufacture niche margin-accretive products requiring high engineering capabilities over general volume-driven items.

Fabrication

- We ventured into heavy fabrication to cater to the growing power (renewable energy) and infrastructure needs with a projected annual demand of 25,000 MT. We invested Rs. 35 crores to manufacture products with high fabrication skills leading to dimensional accuracy.
- We also developed quality railway products like underframe components, bogie bolsters, bogie frames, head stock, end parts body bolsters, modular frames, liver inner outers and cantrails, among others.
- For the first time in India, Pennar introduced cold formed sheet piles as per international standard EN10249 to enable the Indian Infrastructure industry to use cost-effective solutions for sheet piling requirements. The sheet piles are used in the construction of ports, harbours, river embankments, dams, flood protection and tunnels, among others. Within the first year of introduction, the Company's products were used by a number of clients.

Engineering components division (ECD)

- Growth in this division is driven by customer and product accretion.
- The division added Brakes India as a customer and stabilised the WABCO business in 2010-11. It received an 'excellent' rating from VOLVO (Germany) for developing the braking system parts for WABCO. The division now caters to the complete requirements of INEL and about 95% of Tecumseh and ECTIL's needs.
- Pennar developed an engineering design centre and state-of-the-art tool room facilities to enable new engineered products to be manufactured with design facilities like COPRA Advanced Software for designing tools for roll forming products and solid works for generating 3D models for various new product developments of engineering components.
- The manufacturing facilities include CNC vertical machining centres comprising CNC lathe, CNC turn mill, CNC wire cut, CNC CMM, Jig boring and electrical discharge machining.

RESULT: REVENUES FROM THE FABRICATION AND ECD BUSINESSES GREW AT A CAGR OF 17.7% IN THE FIVE YEARS LEADING TO 2010-11.

Creating seamless building products.

At Pennar we don't just manufacture products; we provide complete solutions in the pre-engineered building space (design to execution to support) through a technology alliance with a global leader.

We leveraged our engineering excellence to produce environment-friendly leak-proof roofing sheets (with LEEDS points for green building solutions under the IGBC and USGBC).

- We designed a 710 m long building, designed to take the dynamic load of six conveyers to mechanise cement loading. PEBS Pennar's unique building design contributed to the successful accommodation of all equipment and related requirements.
- We built a pre-engineered steel factory building for Core Sugars (the first sugar company to use pre-engineered buildings). The 11,520 sq. m factory comprises six buildings with different heights, a 35 MT EOT crane (span 24 m and hook height 14.8 m) and the crane runs column to column for 98 m. The building uses other standard accessories provided by Pennar Engineered Building Systems (PEBS Pennar).
- We provided large building space for Ultratech Cement to stack coal for the captive power plant even as the plant was in running condition. PEBS Pennar's safe methodology translated into timely completion, resulting in repeat orders.

THE RESULT: OUR PEBS BUSINESS RECORDED AN ORDER BOOK OF RS. 178 CRORES AS ON 31ST MARCH 2011 WITHIN 15 MONTHS OF COMMENCING OPERATIONS.

Creating a robust financial foundation.

At Pennar, our engineering excellence is not only reflected in our factories; it is evident in our financial statement as well.

We preferred the steadier route to growth, which is reflected in the kind of balance sheet we have today:

- The Company used its cash flow to reduce debt. The result is that the Company repaid Rs. 17 crores of long-term debt during the year and corrected its gearing from a high of 5.6 in 2006-07 to 0.1 in 2010-11 and maximised asset utilisation.
- The Company recognised that strength must be visible in the balance sheet; it reduced receivables cycle from a peak 50 days of turnover equivalent in 2009-10 to 44 days in 2010-11 and did not mobilise any working capital loan in the last two years.

RESULT: THE COMPANY'S CREDIT RATING IMPROVED FROM 'A-' TO 'A' AND 'PR2+' TO 'PR1' WHILE IT INVESTED RS. 39.6 CRORES IN CAPEX IN 2010-11 WITHOUT ANY BORROWING.

1

Business segment review

Engineered products

Snapshot, 2010-11		
	Segment revenue: Rs. 636.5 crores	Segment EBIDTA: Rs. 49.7 crores
	Contribution to overall revenue: 46.4%	Cumulative capacity: 110,000 TPA

Highlights, 2010-11

- Increased production 19.7% from 88,365 tonnes in 2009-10 to 1,05,756 tonnes
- Increased capacity utilisation from 63% in 2009-10 to 70%
- Introduced three new products
- Added 22 clients
- Increased average realisation per tonne 20% from Rs. 49,935 in 2009-10 to Rs. 59,901
- Increased order book to Rs. 162 crores as on 31st March 2011 (Rs. 112 crores as on 31st March 2010)

Overview

Engineered products are made from diverse raw materials like stainless steel, corten steel, pre-galvanised/galvalume/pre-colour coated steel, mild steel, and structural steel in St-42/52 grades. Their manufacture requires extensive engineering insight supported by a large repository of dies and tools. These quality and customised products find diverse critical applications in downstream sectors.

The Company's engineered product segment is engaged in the manufacture of state-of-the-art engineered products like automobile products, pressed steel components, precision tubes, cold rolled formed profiles, building products and rolled steel products, among others. The Company created sophisticated manufacturing facilities with equipment from India and abroad. The manufacturing facility is backed by a team of over 400 professionals with capabilities in design and manufacture.

Segment strengths

Product mix: The Company created a strong product mix, catering to diverse sectors like automotive, bearings, electricals, white goods and general engineering.

Operational efficiency: The Company's superior process integration and waste management enhanced yield.

Backward integration: The Company's engineered products are manufactured by a captive supply of customised raw material from the cold rolling facility.

Human capital: The Company possesses a talented human resource pool of over 400 professionals with rich industry experience.

Technology: The Company invested in state-of-the-art press shop technology with tool maintenance facilities (2,500 tools and dies) to manufacture high precision products.

Road ahead

Going forward, the Company will focus on the creation of more value-added products. The Company is expanding capacity across all high-precision product manufacturing locations. The Company intends to explore under-penetrated segments like defence, nuclear engineering, heavy fabrication and aerospace, among others.

Product range

Automobile products	■ Panels and profiles for buses and light commercial vehicles ■ Bumpers and fenders for heavy commercial vehicles ■ Precision tubes for buses ■ Auto components made of sheet metal
Pressed steel omponents	■ Compressor shells ■ Seating systems and rotor cups for automobiles ■ Brake Components
Precision tubes	Applications in sectors like automotives, electrical – transformer cooling tubes, construction, furniture, general engineering
Cold rolled formed rofiles	Profiles used extensively in commercial and passenger vehicles
Rolled steel products	Steel strips up to 720 width and thickness range of 0.25 -4.5 mm both in coil and sheet form

2

Business segment review

Heavy engineering products

Snapshot, 2010-11		
	Segment revenue: Rs. 292.8 crores	Segment EBIDTA: Rs. 48.0 crores
	Contribution to overall revenue: 21.4%	Cumulative capacity: 25,000 TPA

Highlights, 2010-11

- Increased production 10.9% from 14,975 tonnes in 2009-10 to 16,603 tonnes
- Increased capacity utilisation from 59.9% in 2009-10 to 66.4%
- Introduced two new products
- Increased average realisation per tonne 14.8% from Rs. 1,52,537 in 2009-10 to Rs. 1,75,164
- Order book stood at Rs. 88 crores as on 31st March 2011 (Rs. 60 crores as on 31st March 2010)

Overview

Heavy engineering products are custom-designed cold formed profiles requiring high engineering skills. These products are mainly used in the railway sector. The Company is among the five leading manufacturers of products in this segment.

The Company's heavy engineering segment caters to specific needs from the railway segment. The segment is engaged in manufacturing floors, side walls, end walls, and under-frame components for rail wagons and coaches.

The superior strength-to-weight ratio of Pennar's custom-designed cold rolled profiles enables it to find application in rail wagon manufacture. A reduction in the tare weight of a wagon increased payload. Pennar supplies stainless steel integrated trough floor assemblies for coaches in increased lengths, saving material and reducing costs. Pennar started supplying under-frame assemblies including longitudinal beam, body bolster and head stock.

Segment strengths

Value-added products: The Company is engaged in value-added and customised products like under-frame assemblies of railway wagons, stainless steel integrated trough floor assemblies and side wall assemblies, among others, catering to the specific needs of the railways.

Cost saver: The Company supplies stainless steel integrated trough floor assemblies for coaches in precise lengths, saving material.

Latest technology: The Company installed state-of-the-art CNC machines, robotic welding equipment and laser cutting machines, ensuring quality product manufacture.

Experience: Rich engineering experience translated into customised product manufacture and client retention.

Road ahead

Going ahead, the Company plans to launch more wagon and coach components including heavy duty wagon chassis members.

Product range

Rail wagons and coaches	Under-frame assembly: ■ Longitudinal beam ■ Stainless steel integrated trough floor assemblies ■ Body bolster ■ Head stock ■ Modular frame ■ Lower spring beam Roof: ■ Cant rail assembly ■ U-stiffener ■ Trough for roof mounted A/C Furnishing: ■ Hand rails ■ End construction Side wall assembly: ■ Body pillar ■ Door corner sheet ■ Light spring beam Shell assembly: ■ Partition frames Profiles: ■ Side stanchion ■ Stringer ■ Centre sill ■ Sole bar
LHB coaches	■ Side wall assembly ■ Roof assembly ■ End wall construction
Delhi Metro Rail Coach	■ Cant rail ■ Sill side ■ Roof panel

3

Business segment review

Infrastructure products

Snapshot, 2010-11		
	Segment revenue: Rs. 276.0 crores	Segment EBIDTA: Rs. 35.3 crores
	Contribution to overall revenue: 20.1%	Cumulative capacity: 48,000 TPA

Highlights, 2010-11

- Increased production 15.5% from 32,284 tonnes in 2009-10 to 37,300 tonnes
- Capacity utilisation remained steady at over 75%
- Introduced a new product

Overview

Infrastructure products are cold-roll formed structural steel products required in steel construction, road safety barriers, pollution control systems and material handling systems. Pennar's products are painted/powder-coated/galvanized to make them maintenance-free. Being factory-finished, they minimise wastage and installation time. Cold-forming increases strength and safety.

Pennar makes easy-to-erect standard profiles as well as customised decks as per specific customer requirements. The Company makes composite floor decks with ribbed/embossed profiles that bind with concrete slabs and interlock with the floor structure. This creates a reinforced concrete slab that serves the dual purpose of permanent form and positive reinforcement. Besides, Pennar has an ultramodern roofing mill, crimping machine, press brake and down spout manufacturing, thereby integrating all components manufactured under one roof.

The infrastructure product segment is engaged in the manufacture of various building products like purlins, roofing sheets and deck plates, among others. The Company pioneered the manufacture of crash barriers for road safety and fabricated structural products (range of collecting electrodes and discharge electrodes for electrostatic precipitators used for controlling pollution in cement, mineral industries and power plants) for engineering industries. These fabricated products are manufactured for boilers, conveyors, racking systems, exhaust systems and seed drying chambers, among others.

Segment strengths

Design capability: The Company designs and manufactures a range of products suiting customer needs.

Infrastructure: The Company invested in modern infrastructure like laser cutting machines, hydraulic presses, plasma cutting machines, sheet metal bending equipment and sophisticated welding equipment, among others.

Skilled manpower: The Company has a number of skilled welders who are periodically trained, in the welding of steel structurals and pressure vessels.

Road ahead

Going ahead, the Company plans to enhance the capacity of fabricated products across all manufacturing facilities. The Company plans to introduce value-added products.

Product range

Building products	■ Primary frames ■ Z and C purlins ■ Roofing sheets ■ Deck plates
Material handling systems	Fabrication of heavy structures for – ■ Industrial buildings ■ Conveyors ■ Racking systems
Road safety systems	■ Metal crash barriers including beams and posts for safety on highways and bridges
ESP Electrodes	■ Collecting electrodes ■ Discharge electrodes

4 Business segment review

Pre-engineered buildings

Snapshot, 2010-11		
	Segment revenue: Rs. 165.5 crores	Segment EBIDTA: Rs. 16.8 crores
	Contribution to overall revenue: 12.1%	Cumulative capacity: 60,000 TPA

The Company delivers pre-engineered building solutions through its subsidiary Pennar Engineered Building System Limite

Highlights, 2010-11

- Doubled capacity to 60,000 TPA
- Added 87 clients
- Completed 45 new projects
- Increased average realisation per tonne 13% from Rs. 70,195 in 2009-10 to Rs. 80,013
- Order book stood at Rs. 178 crores as on 31st March 2011 (Rs. 60 crores as on 31st March 2010)

Overview

IPennar formed the subsidiary Pennar Engineered Building Systems (PEBS) to tap opportunities in the growing construction sector. It entered into a technical collaboration with NCI Group, USA – a leading player in the global pre-engineered building products market. The Company provides 360° solutions to clients including designs to provide engineering value. The Company leveraged NCI Group's deep understanding in the sector to manufacture global-standard buildings, incorporating leak-proof sheets.

Pre-engineered buildings are suitable for industries, commercial houses, warehouses, multi-storied buildings, aircraft hangers and malls, among others. The pre-engineered buildings are gaining popularity as they cost less and take a lower time for construction by around 20-25%. The Company has 10 marketing offices across the country to cater to various customer needs.

The Company created a pride-enhancing clientele comprising L&T, Ultratech, Infosys, ACC, ABB, Schneider, JSW and HCC, among others. Timely supply of quality products enabled the Company to report repeat orders from clients.

Besides catering to demand from within the country, the Company also exported to Africa, generating around 4.4% of the divisional revenues from international shipments.

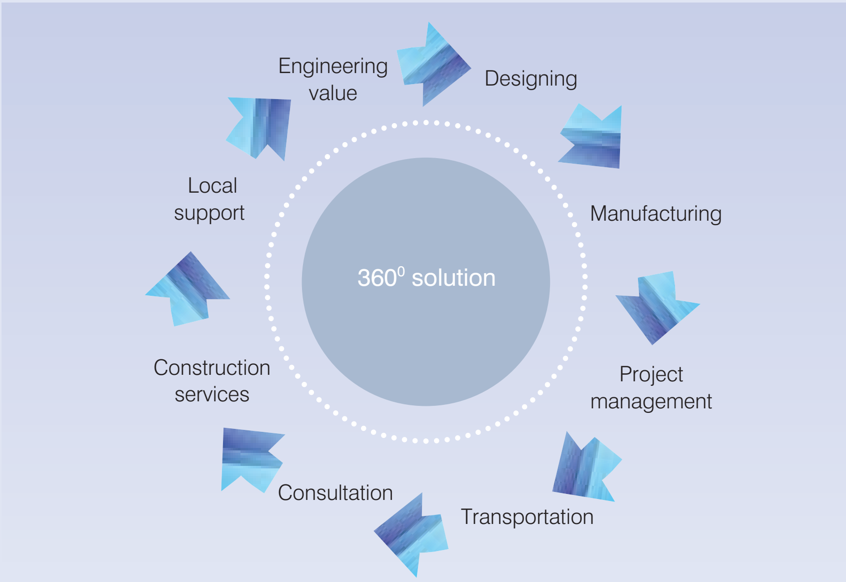
Segment strengths

Technical tie-up: The Company formed a technical collaboration with the NCI Group, USA with over 20% share in the global pre-engineered building products market, enabling the Company to design and manufacture world-class products.

People: The segment is led by a strong management team and professionals with rich industry experience.

Equipment: The Company invested in state-of-the-art equipment including CNC plasma, Double-Lock standing seam mobile roll former, CNC 16 mm shear, pull-through welder and roll formers, among others, to manufacture high-quality and long-lasting products.

Infrastructure: The Company invested



in the latest design codes and software, making it possible to customise a solution in 30 minutes.

Manufacturing facility: The Company's manufacturing facility near Hyderabad – spread across 23,000 sq. mt – is equipped with latest equipment and a high-end laboratory.

360^0 solution: The Company provides the entire bouquet of solutions from design to after-sales service.

Green building certification: The Company provides US-GBC and IGBC-certified LEED points for green buildings as these buildings provide energy-efficiency. The Company's manufacturing unit, using the pre-engineered building product, is the first IGBC-certified green building in India's factory segment.

Quality: The Company is ISO 9001:2008 certified, ensuring quality consistency. The manufacturing unit houses a sophisticated quality laboratory with the latest quality checking equipment.

Road ahead

The Company will enhance capacity and plans to set up a manufacturing unit in North India.

Pennar brands

Prime build	■ 100% leak proof standing seam roofing with a 10 year warranty by PEBS Pennar ■ Purlins/girts/eave struts are pre-galvanised with 275 gsm ■ Primary structures shot-blasted to Swedish standard SA 2.5 with epoxy primer ■ Continuous supervision at site during installation
Value build	■ Standard trapezoidal roof sheeting ■ Purlins/girts/eave struts are pre-galvanised with 120 gsm ■ Primary structures with sweep blast and alkyd primer ■ Periodic supervision at site during installation

Advantages of pre-engineered buildings

Reduced construction time: Buildings are typically delivered in a few weeks after the approval of drawings. Foundation and anchor bolts are cast parallel with finished, ready-for-the-site bolting. The use of PEBs reduces construction time by half resulting in faster occupancy and quicker revenues.

Lower cost: Due to the systems approach, there is a significant saving in design, manufacturing and on-site erection cost. The secondary members and cladding nest together, reducing transportation costs.

Flexibility of expansion: Buildings can be easily expanded in length by adding additional bays. An expansion in width and height is possible by pre-designing for future expansion.

Quality control: As buildings are manufactured completely in the factory under controlled conditions, quality is assured.

Low maintenance: Buildings are supplied with quality paint systems for cladding and steel to suit ambient on-site conditions, resulting in durability and low maintenance.

Energy efficient roofing and wall systems: Buildings can be supplied with polyurethane-insulated panels or fiber glass blankets insulation to achieve required 'U' values.

Architectural versatility: Buildings can be supplied with various types of fascias, canopies and curved eaves. They are designed to receive pre-cast concrete wall panels, curtain walls, block walls and other wall systems.

Single source responsibility: As the complete building package is supplied by a single vendor, the compatibility of all building components and accessories is assured – a benefit of the pre-engineered building system.

Risk management

Definition of risk

Risk is defined as an expression of the uncertainty about events that can have a significant impact on the Company's performance, affecting profitability adversely.

Risk management

Risk management is the process of identifying, assessing and taking proactive measure to minimise or eradicate the potential loss for the organisation arising due to exposure to particular risks.

Risk management process at Pennar

The dedicated and experienced management at Pennar identifies risks involved with the business proactively and takes adequate measures to contain their effect. The Company has a comprehensive risk management structure governed by prudent norms and a reporting framework. The management takes risk management initiatives, which are communicated down for effective implementation. The consistent implementation of this framework is monitored by a risk compliance team and through audits and reviews. As a result, the Company takes business decisions with balanced risk and rewards.

Risk identification > Risk assessment and analysis > Effective risk governance

Economy risk

An industry downturn could affect growth

Risk mitigation

- India's economy grew 8.6% in 2010-11
- The IIP recorded a growth of 8.8% during 2010¬11.
- The economy is expected to expand in excess of 8% in 2011-12.

Industry risk

Slowdown in the downstream industry could affect offtake

Risk mitigation

- The government envisaged a Rs. 57,630 crores investment in the railways segment in the Eleventh Five Year Plan.
- India's automobile sector is expected to grow over a five-year period.
- The market for pre-engineered building products is growing at a CAGR of 18%.

Competition risk

Increased competition could affect realisations

Risk mitigation

- The Company created a repository of over 2,500 tools and dies, enabling it to manufacture a range of products.
- The Company created a value-added product mix enabling it enjoy higher margins.
- The Company plans to foray into high precision fabricated product sectors with a high engineering requirement.

Product portfolio risk

Risk	Risk mitigation
Product offering may fail to attract customers	■ The Company created a diversified product portfolio comprising various engineering products. ■ The Company moved up the value chain from providing commodity-based products to value-added products including cold-rolled formed products, precision tubes, cold rolled formed profiles and building products, among others. ■ The Company is among the top five Indian companies offering pre-engineered building products.

Technology risk

Risk	Risk mitigation
Technological obsolescence may hinder growth	■ The Company invested in state-of-the-art technology across six manufacturing locations. ■ The Company's facilities include laser cutting, plasma cutting, transfer presses and CNC machines. ■ For PEBS, the Company entered into a technical collaboration with NCI Group, US, a leading global player in the pre-engineered building product segment.

Quality risk

Risk	Risk mitigation
Failure to comply with quality standards could affect offtake and reputation	■ The Company has a dedicated team of engineers dedicated quality management. ■ The Company invested in a sophisticated laboratory with the latest quality control equipment. ■ The Company's manufacturing capacities are ISO 9001:2008-certified.

Liquidity risk

Risk	Risk mitigation
Inability to fund daily requirements could disrupt functioning	■ The Company's current and quick ratio stood at a low 1.8 as on 31st March 2011 and 1.4 (as on 31st March 2010). ■ The Company improved its receivables cycle from 50 days of turnover equivalent in 2009-10 to 44 days in 2010-11. ■ The Company's internal funds generation was sufficient to meet its working capital requirements.

Funding risk

Risk	Risk mitigation
Inadequate supply of funds at competitive rates could dampen expansion plans	■ The Company enjoys a modest debt-equity of 0.1, for its long-term loans which provides room for additional borrowing. ■ The Company's interest cover was a healthy 8.1x (in 2010-11). ■ The Company had around 83.6% of its reserves as free reserves.

Spreading a million smiles

At Pennar, we recognise how business growth is closely associated with community uplift, workplace safety and environment protection. The Company adopted a number of measures to enhance community uplift and environment friendliness.

Education

In the villages of Medak, Adilabad districts, Hyderabad and Deogargh, we undertook the following initiatives:

- Development of education and sanitation
- Provided furniture and uniforms for school children
- Appointed teachers
- Provided mid-day meals enriched with protein

Eco-friendliness

The Company strictly monitors energy and water consumption. The senior management ensures that sustainability is at the forefront of its strategic plannings in harmony with employees, customers and community commitment.

Workplace safety

At Pennar, a safe and secure workplace is of utmost importance. The Company emphasises safer processes and minimises effluent discharge potential. The Company is committed to the ideal of zero workplace injuries.

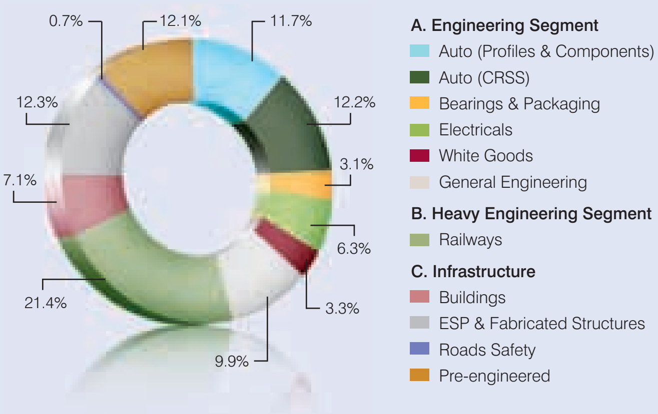
Community uplift

We are socially aware and encourage the following initiatives: health social infrastructure, enriching human capabilities, and regularly organising welfare camps.

Corporate governance

At Pennar, we ensure that all business transactions are carried out in conformance with the highest ethical practices. The Board of Directors and senior management oversee governance processes, which involve organising investor meets and sharing information to enhance transparency.

Segment-wise revenue mix



Directors' Report

Dear members

Your Directors have pleasure in presenting the 35th Annual Report along with the audited accounts for the year ended March 31, 2011. The financial highlights of the Company are as follows:

Financial results

(Rs. in lacs)

Particulars	12 months ended March 31, 2011	12 months ended March 31, 2010
Gross sales	1,21,523	86,114
Operating profit (PBIDT)	11,269	10,902
Profit before tax (PBT)	11269	8,567
Income Tax and deferred tax	4,323	3,560
Profit after tax (PAT)	6,946	5,007
Profit brought forward from previous year	4,491	2,004
Surplus available for appropriation	11,437	7,011
Appropriations		
Dividend	1,526	1,532
Corporate tax on proposed dividend	246	260
Transfer to General Reserve	700	505
Transfer to Capital Redemption Reserve	–	223
Balance of profit carried to Balance Sheet	8,965	4,491

Performance

For the year 2010-11, your Company reported its highest ever annual sales revenue of Rs. 1,215.2 crores against Rs. 861.1 crores recorded in 2009-10, registering an increase of 41.1%. This increase in sales was achieved due to the increase in production volumes and improved product mix with focus on value added products. The Company recorded an operating profit (PBIDT) of Rs. 133.1 crores against Rs. 109.0 crores in the previous year and a net profit of Rs. 69.5 crores compared with Rs. 50.1 crores last year with a growth of 22.1% and 38.7% respectively over the previous year.

The above excellent results were due to the Company's continued focus on transforming itself into an engineering Company by increasing the sale of products for rail wagons and coaches, automobiles, buildings, pollution control, and road safety segments. The expansion of manufacturing facility at its Isnapur plant by 8,000 M.T. for value-added products also contributed to the increase in the Company's topline and bottomline.

Pennar Engineered Building Systems Limited (PEBS)

Your Company's subsidiary, Pennar Engineered Building Systems Limited (PEBS), which has technical collaboration with NCI Building Systems (USA), one of the world's largest pre-engineered building solution providers, achieved, in its first full year of operations, annual sales revenue of Rs. 165.9 crores. PEBS recorded an operating profit (PBIDT) of Rs. 16.8 crores and a net profit of Rs. 6.5 crores.

Consolidated result

Pursuant to the Accounting Standards AS-21 issued by the Institute of Chartered Accountants of India, the consolidated financial statements presented by the Company include financial information of its subsidiary, Pennar Engineered Building systems Limited. Pennar Industries Limited holds 74% stake in the subsidiary.

For the year ended March 31, 2011, Pennar achieved on a consolidated basis, gross sales of Rs. 1,370.8 crores (Rs. 890.1 crores in 2009-10), gross profit (EBIDTA) of Rs. 149.6 crores (Rs. 110.9 crores in 2009-10), profit before tax (PBT) of Rs. 122.0 crores (Rs. 85.6 crores in 2009-10) and a net profit of Rs. 73.9 crores (Rs. 49.8 crores in 2009-10). Cash EPS for the year was Rs. 7.8 (Rs. 6.1 in 2009-10) and the basic EPS was Rs. 6.1 (Rs. 4.0 in 2009-10) per share of Rs. 5 each.

Listing of equity shares

The Company's equity shares were listed in the National Stock Exchange of India Limited with effect from November 25, 2010. The shares continue to be listed at the Bombay Stock Exchange Limited.

Change of registered office of the Company

With effect from February 17, 2011, the Registered Office of Pennar Industries Limited has been changed to Floor No. -1, DHFLVC Silicon Towers, Kondapur, Hyderabad-500084.

Dividend

Your Directors declared an interim dividend of 10% i.e. Re 0.50 per equity share on October 21, 2010 and recommended a final dividend of 15% i.e., Rs. 0.75 per equity share. Thus, the total dividend for the year was 25%, amounting to Rs. 1.25 per equity share of Rs. 5 each.

Directors have also recommended for a dividend on 1,75,53,299 cumulative redeemable preference shares of Rs. 5 each of the Company at a coupon rate of 0.01% p.a.

Secretarial Audit Report

As a measure of good Corporate Governance practice and as recommended by the Ministry of Corporate Affairs' (MCA) Corporate Governance Voluntary Guidelines, 2009, the Board of Directors of the Company appointed Mr. S Chidambaram, Company Secretary in Practice, to conduct Secretarial Audit of records and documents of the Company.

The Secretarial Audit Report for the financial year ended March 31, 2011, is provided in the Annual Report.

The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreements with the Stock Exchanges, and SEBI guidelines/regulations on Insider Trading and Takeover Code.

Credit Rating

CARE has upgraded the rating for Pennar industries Limited of the long-term bank facilities to 'CARE A'. For short-term bank facilities, the rating has been upgraded to 'PR 1' (PR One).

Directors

Mr. Manish Sabharwal and Mr. J Ramu Rao were appointed as the Company's Additional Directors with effect from April 22, 2011, and would hold office up to the conclusion of the ensuing Annual General Meeting. It is proposed to appoint Mr. Manish Sabharwal and Mr. J Ramu Rao as the Company's Directors.

Mr. A Krishna Rao, Mr. C Parthasarathy and Mr. B Kamalaker Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

For perusal of the shareholders, a brief resume of the Directors being appointed/re-appointed along with other necessary particulars are given in the explanatory statement to the notice. The Board of Directors recommend their appointment/re-appointment.

Auditors

The Auditors, M/s Rambabu & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and confirmed their eligibility and willingness to accept the office, if re-appointed.

Directors' Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, the Directors would like to state that

i. In the preparation of the annual accounts, the applicable accounting standards were followed

ii. The Directors selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the Company's state of affairs at the end of the financial year and of the profit or loss of the Company for 2010-11.

iii. The Directors took proper and sufficient care for maintaining adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities.

iv. The Directors prepared the Company's annual accounts on a going concern basis.

Management discussion and analysis

The report on Management Discussion and Analysis forming part of Directors' Report, is annexed.

Corporate Governance

A separate section on Corporate Governance with a detailed compliance report thereon is annexed and forms a part of the Annual Report. The Auditor's Certificate in respect of compliance with the provisions concerning Corporate Governance, as required by Clause 49 of the Listing Agreement, is also annexed.

Public deposits

The Company settled all the outstanding public deposits during the year and no amount is outstanding as on March 31, 2011.

Personnel

Your Directors place on record, their sincere appreciation for the Company's employees whose dedication and commitment are responsible for the Company's excellent performance.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in Annexure-II to the Directors' Report.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

The Board wishes to thank the State Bank of India, Axis Bank Limited, State Bank of Patiala, customers, suppliers and shareholders for their continued support.

For and on behalf of the Board

Place : Hyderabad — Nrupender Rao
Date : July 20, 2011 — *Executive Chairman*

Annexure I to Directors' Report

Form A

Particulars	April 1, 2010 to March 31, 2011	April 1, 2009 to March 31, 2010
A. Power and fuel consumption		
1. Electricity		
a. Purchased units	2,15,94,600	1,78,68,536
Total amount (Rs.)	8,95,72,088	7,00,13,279
Rate per unit (Rs.)	4.2	3.9
b. Own generation (DG set)		
1,000 KVA units (KWH)	13,50,689	11,97,856
Units per litre of diesel oil	3.3	3.2
Cost of diesel per KWH (Rs.)	11.8	11.0
2. Coal		
Quantity (tonnes)	1,260.9	1,208.9
Total amount (Rs.)	41,62,274	33,01,271
Average rate per tonne (Rs.)	3,301	2,731
3. Diesel oil		
Quantity (KL)	626.8	494.4
Total amount (Rs.)	2,46,96,431	1,72,52,123
Average rate per tonne (Rs.)	39,401	34,896
4. C IX oil		
Quantity (MT)	1,417	1,066
Total amount (Rs.)	4,02,60,176	2,60,94,164
Average rate per tonne (Rs.)	28,404	24,479
B. Consumption per unit of production		
a. Product cold rolled steel strips (tonnes)		
Electricity (KWH)	174	127
Coal (kg)	14	12
Diesel (ltrs)	1.8	1.2
C IX (kgs)	15.4	10.3
b. Product cold formed metal profiles (tonnes)		
Electricity (KWH)	71.1	67.4

Form B

1. Research and Development (R&D)

As part of research and development, Pennar has set up facilities with a focus to bring improvements in quality, cost, delivery, safety and the environment besides business development. Additional CNC machining centers were installed for facilitating development of tools at short notice for new business development.

Technologically upgraded manufacturing facilities were set up across the plants to improve productivity, quality and delivery.

The various developments are as follows

a. Developed various rail coach components for ICF Chennai, LHB and MRVC End parts, head stocks, Bogie Bolsters.

b. Developed sheet piles for construction and infrastructure sectors.

c. Developed engineering components for Wabco, Brakes India and Emerson controls.

d. Developed automobile sections and panels for M/s Ashok Leyland.

e. Developed special grade steels for automobile industries.

2. Initiatives for cleaner and greener environment

The Reverse Osmosis (RO) water treatment plant system was established at Patancheru plant and a similar system is being installed at Isnapur plant

3. New facilities in various plants

a. CNC turn mill for the defence sector components and high-speed CTL to crop narrow widths at Patancheru plant.

b. CNC roll bending and CNC five axes press brake at Chennai plant.

c. Automated C, Z, Deck and ESP mills at Isnapur plant.

4. Future plan of action

a. To create facilities for heavy plate bending up to 100mm thickness and machining facilities viz., vertical turning lathe and horizontal boring machine for manufacturing heavy engineering components up to eight meters in diameter.

b. To develop ESP exports and DE automation.

c. To develop CDW precision tube components for auto and general engineering.

5. Expenditure on R&D.

Over Rs. 7.4 crores.

6. Foreign exchange earnings and outgo.

The information on foreign exchange earnings and outgo is furnished in the notes on accounts.

Annexure II to Directors' Report

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956

Name of the employee	Mr. Nrupender Rao	Mr. Ch Anantha Reddy	Mr. Aditya Rao
Designation	Executive Chairman	Managing Director	Director - Projects
Age (years)	66	64	29
Qualification	B.Tech, M.S	B.E (Metallurgical), P.G.D.M.M	B.S., M. Eng
Experience (years)	43	40	6
Remuneration (Rs.)	2,49,98,304	1,90,62,174	1,36,99,364
Date of commencement of employment	September 1, 1998	January 1, 1986	May 2, 2007
Details of last employment	Executive Vice Chairman Pennar Aluminum Co. Ltd.	Manufacturing Manager, Nagarjuna Signode Limited	Corporate Planning Manager, Karvy Consultants

Management Discussion and Analysis report

(Forming part of Directors' Report)

1. The global economy

During the year, all the countries across the world including the booming Chinese economy struggled to keep up with the pace in the growth achieved in the previous year and showed signs of strain. The political power and global economic influence shifted from advanced western economies to Asia and Latin America, whose economies weathered the global recession far better than US and Europe.

The growth in global economy in 2010-11 of 4.2% was not big enough to pull it out of the global recession. Inadequate International co-operation to fight global financial crisis is a concern.

The global markets continue to face uncertainty, volatility, socio political turmoil in the Middle East, Euro zone debt crisis, high oil prices, unemployment, depressed real estate market, among others.

Countries now consider trade and investment as principal drivers of economic growth replacing fiscal and monetary stimulus practiced in 2009-10. This combined with the policy of China to increase interest rates to reduce inflation are likely to result in slowing down global growth.

The approach by the central banks of various countries using exchange rate as a policy weapon to undercut other economies and boost their own countries' exports represents great risk to global recovery and may result in the growth rate falling below 4.6% targeted for 2011-12.

2. Indian Economy:

The World Bank has predicted that India, along with five other emerging economies – Brazil, China, Indonesia, South Korea and Russia will account for more than half of all global growth by 2025.

India is predicted to emerge as the third-largest economy in the next 15 years with a GDP of around USD 7 trillion and provider of a large globally mobile work force. To enable this one looks forward to the policy makers in the Government designing and implementing policies which will result in absorption of currently under employed work force in agriculture into productive employment in manufacturing and services sectors.

The Indian economy aided by sharp recovery in farm output and services achieved 8.5% GDP growth in 2010-11 as against 8% in the previous fiscal. Agriculture and allied activities expanded by 6.6% against 0.4% in 2009-10.

RBI hiked the interest rates 10 times since March, 2010 to curb demand and control inflation. The trend is likely to continue during the rest of the current fiscal year.

The high inflation rates resulted in slowdown in the manufacturing sector. The investment in manufacturing sector has reduced due to rising interest costs and input costs of commodities. The growth in the six core infra sectors – crude oil, petroleum and refinery products, coal, electricity, cement and finished steel was lower than last year.

The growth rate in GDP in 2011-12 is expected to be between 8.5% to 9%. This is subject to the monsoon being normal, the failure of which will drag down the growth to 7.5% and below. The Government stepping in to regain the confidence of investors and consumers with better governance is also critical to achieve higher growth by the Indian Economy.

3. Opportunities and threats

Due to the improvement in the economy domestic market boomed in 2010, Pennar Industries which undertook various strategies like expanding its product profile, prudent cash management and control on input costs reported an excellent performance.

In the domestic front, the railway business expansion is taking its own time and subdued reaction on the part of the government has hit the growth in the infrastructure and allied Industry. The auto sector after last years significant growth has stagnated since beginning of this year and threatens to decline some more in coming months.

At this point of time, Pennar is geared to utilise its resources effectively by virtue of its strength of its work force and improved capacity utilisation of its assets. It further aims that diligence will help in improving yields and productivity, thereby improving its financial strength.

4. Risks and Concerns:

Risks as foreseen in previous years remain as more competitors have come into fray in recent months in some of the segments including railway business. Pennar's strategy to diversify to additional product areas like heavy engineering fabrication, CDW tubes, will help in getting new business. Upgrading the existing equipment thereby increasing productivity and quality with same or reduced manpower strength is the next agenda on the anvil, while living up to our reputation/strength in providing efficient service.

5. Internal control systems and their adequacy

The Company has in place effective internal controls to aid improved decision-making by making the operating information available online across the country. The Company implemented SAP-based ERP. The Company put in place proper checks and balances and control systems to safe guard its assets and ensure that all operational and financial activities were carried out under proper authorisation and with necessary documentation. Internal audit by a firm of Chartered Accountants is carried out at regular intervals. The internal audit reports, the quarterly and annual financial statements are placed before the Audit Committee of the Board, for their review, discussion and follow-up actions.

6. Material developments in industrial relations/human resources

The Company has an excellent track record of cordial and harmonious industrial relations and over the years not a single man-day was lost on account of labour unrest. In view of its aggressive growth plans, the Company, during the year, augmented its manpower with experienced personnel in the technical, marketing and finance areas. The Company took steps for upgrading the knowledge base of the employees by continuous training. The Company continues to take care of the welfare of the employees. The Company organised camps for checking the health of operatives and staff by ESI and other medical agencies.

7. Financial performance and internal controls

During fiscal year 2010-11, the Company achieved new peaks in sales volume, revenues, margins and profits. With a view to achieve better results, your Company is focussing on value-added products: Profiles, engineering components, sub-assemblies for railway, infrastructure sector projects. Due to aggressive marketing efforts, Pennar increased the sales volume from 1,33,473 metric tonnes to 1,61,598 metric tonnes, an increase of 21.1%. This helped it to achieve its highest ever sales turnover at Rs. 1,215.2 crores against Rs. 861.1 crores in the previous year. With its financial planning and tight control on account receivables, the Company is able to keep its financing cost low. The prudent finance management by the Company also helped to reduce the interest rates on working capital and term loans.

The long-term debt to equity ratio was brought down to 0.02 from previous year’s figure of 0.11.

The Company’s strong financial and operational performance during 2010-11 and the optimistic outlook about the Company’s continued growth in the years to come enabled the Board to declare a dividend of 25% to its equity shareholders.

Resources

The net current assets as on March 31, 2011 increased from Rs. 200.4 crores in 2009-10 to Rs. 211.7 crores.

(Rs. in lacs)

Particulars	2010-11 (12 M)	2009-10 (12 M)
Sources of funds		
a. Shareholders' funds	26,455	21,533
b. Loan funds	11,818	14,898
c. Deferred tax liability	984	407
Total	**39,257**	**36,838**
Application of funds		
a. Fixed assets (net)	16,234	14,899
b. Investments	1,850	1,850
c. Net current assets	21173	20,042
d. Deferred tax/ miscellaneous expense, among others	–	47
Total	**39,257**	**36,838**

The cash flow is given below

(Rs. in lacs)

Particulars	2010-11 (12 M)	2009-10 (12 M)
Profit from operations	8,786	7,955
Less: Increase in net working capital	1,261	1,318
Net cash flow from operating items (before extraordinary items)	7,525	6,637
Payments for assets acquisitions/investment	(2,709)	(4,789)
Net cash flow from investing activities	(2,709)	(4,789)
Cash flow from financing activities	(4,899)	(1,520)
Net cash inflow / (outflow)	(83)	328

The Company earned Rs. 87.9 crores cash inflow from operations. After meeting working capital requirements, the Company earned net cash inflow of Rs. 75.3 crores.

The profit before non-recurring items was Rs. 113.2 crores and Rs. 0.5 crores was charged towards amortisation of preliminary expenses. After providing for tax liability, the net profit stood at Rs. 69.5 crores.

8. Outlook

The GDP growth rate of the country is expected to be between 8% to 8.5% in this year. India has shown enough resilience to rise above the effects of inflation and increase in lending rates by banks.

Pennar is optimistic that its robust foundation consisting of diverse product range and established market coupled with its new facility to increase its product range in Heavy engineering, fabricated products and CDW Tubes and will help it in achieving dynamic growth in the years to come.

Compliance report on

Corporate Governance

In compliance with Clause 49 of the Listing Agreement, with the stock exchanges, your Company hereby provides, to the shareholders, the report on Corporate Governance.

1. Company's philosophy on Code of Corporate Governance

The Company is committed to ethical values and self-discipline through standards of good governance with transparency, efficiency, efficacy, full disclosure in its dealings and appropriate checks and balances directed at sustaining shareholders' interests and overall organisational goals.

2. Board of Directors

a) **Composition of the Board:** The Company's Board of Directors comprises twelve Directors, of which three are Executive Directors and balance nine are Non-Executive Directors of whom six are Independent Directors. The Company has an Executive Chairman, Managing Director and Director - Projects. The Executive Chairman and the Managing Director are responsible for the conduct of the business and the day-to-day affairs of the Company. The Director – Projects, looks after diversification and projects.

b) Number of Board meetings held during the financial year and the dates of the Board meetings:
During 2010-11, the Board met seven times on April 21, 2010, May 27, 2010, June 5, 2010, July 29, 2010, October 21, 2010, January 10, 2011 and February 21, 2011.

c) Attendance of each Director at Board meetings and the last Annual General Meeting

Sl. No.	Name of the Director	Category of Directorship	Number of Board meeting held during his Directorship	Number of Board meetings attended	Attendance at the last AGM held on July 29, 2010
1	Mr. Nrupender Rao	Promoter, Executive Chairman	7	7	Yes
2	Mr. Ravi Chachra	Non-Executive Director	7	4	No
3	Mr. C Parthasarathy	Independent Non-Executive Director	7	2	No
4	Dr. G Vivekanand	Independent Non-Executive Director	7	2	No
5	Mr. B Kamalaker Rao	Independent Non-Executive Director	7	6	Yes
6	Mr. C Rangamani	Independent Non-Executive Director	7	4	No
7	Mr. A Krishna Rao	Independent Non-Executive Director	7	4	Yes
8	Mr. P Bhaskara Rao	Non-Executive Director	7	4	Yes
9	Mr. Manish Sabharwal#	Independent Non-Executive Director	NA	NA	NA
10	Mr. J Ramu Rao#	Non-Executive Director	NA	NA	NA
11	Mr. Ch Anantha Reddy	Managing Director	7	7	Yes
12	Mr. Aditya Rao	Director – Projects	7	7	Yes

 # Mr. Manish Sabharwal and Mr. J Ramu Rao were appointed as Additional Directors with effect from April 22, 2011.

d) Number of other Boards/Board Committees each Director (being a Director of the Company as at the end of the financial year) is a Director/Chairman

Sl. No.	Name of the Director	Number of other Companies in which director		Number of Committee memberships held in other Companies	
		Chairman	Director	Chairman	Member
1	Mr. Nrupender Rao	4	5	1	–
2	Mr. Ravi Chachra	–	1	–	–
3	Mr. C Parthasarathy	7	13	–	–
4	Dr. G Vivekanand	–	7	–	1
5	Mr. B Kamalaker Rao	–	1	–	–
6	Mr. C Rangamani	–	2	1	–
7	Mr. A Krishna Rao	–	1	–	–
8	Mr. P Bhaskara Rao	–	2	–	–
9	Mr. Manish Sabharwal#	–	3	–	–
10	Mr. J Ramu Rao#	–	11	–	–
11	Mr. Ch Anantha Reddy	–	–	–	–
12	Mr. Aditya Rao	–	7	–	–

 # Mr. Manish Sabharwal and Mr. J Ramu Rao were appointed as Additional Directors with effect from April 22, 2011.

3. Audit Committee

a) **Brief description of the terms of reference**

The terms of reference of the Audit Committee are comprehensive and cover the matters specified for Audit Committees under the Listing Agreements with stock exchanges. The Committee provides the Board with additional assurance as to the adequacy of Company's internal control systems and financial disclosures.

b) **Composition, name of members and chairperson**

The Committee comprises

1. Mr. C Rangamani - Chairman (Independent Non-Executive Director)
2. Mr. B Kamalaker Rao - Member (Independent Non-Executive Director)
3. Mr. A Krishna Rao - Member (Independent Non-Executive Director)
4. Mr. P Bhaskara Rao - Member (Non-Executive Director)

c) **Meetings and attendance during the year**

During the year under review, the Committee met five times on April 21, 2010, May 27, 2010, July 29, 2010, October 21, 2010 and January 10, 2011. The details of attendance are given below:

Sl. no.	Name of the member	Number of meetings held	Numbers of meetings attended
1	Mr. C Rangamani	5	4
2	Mr. B Kamalaker Rao	5	5
3	Mr. A Krishna Rao	5	3
4	Mr. P Bhaskara Rao	5	3

The Statutory Auditors and Internal Auditors are invited to attend the Audit Committee meetings and the Company Secretary acts as the Secretary of the Committee.

The minutes of the meetings of the Audit Committee are circulated to all the members of the Board.

4. Remuneration Committee

a) **Brief description of terms of reference**

To formulate the remuneration policy and approve the remuneration or revision in the remuneration payable to Executive Directors/Whole time Directors

b) **Composition, name of members, and chairperson**

The Company constituted a Remuneration Committee on June 11, 2004. The Remuneration Committee comprises

1. Mr. A Krishna Rao - Chairman (Independent Non-Executive Director)
2. Mr. B Kamalaker Rao- Member (Independent Non-Executive Director)
3. Mr. C Rangamani - Member (Independent Non-Executive Director)
4. Mr. P Bhaskara Rao - Member (Non-Executive Director)

c) **Meetings and attendance during the year**

During the Period under review the Company has conducted Remuneration Committee Meeting on May 26, 2010. The details of attendance are given below:

Sl. no.	Name of the member	Number of meetings held	Numbers of meetings attended
1	Mr. C Rangamani	1	1
2	Mr. B Kamalaker Rao	1	1
3	Mr. A Krishna Rao	1	–
4	Mr. P Bhaskara Rao	1	–

d) Remuneration policy

To recommend/review the remuneration package, periodically, to the Executive Directors. The remuneration payable to them is in accordance with the existing industry practice and also with the provisions of the Companies Act, 1956.

e)At present, all the Non-Executive Directors receive remuneration only by way of sitting fees for attending the meetings of the Board and Committee thereof.

The actuals of remuneration paid to all the Director's for 2010-11 is given below (Amount in Rupees)

Name of the Director	Designation	Salary	Commission	Provident fund, Superannuation fund and other perquisites	Sitting Fee	Total
Mr. Nrupender Rao	Executive Chairman	36,00,000	1,77,98,304	36,00,000	–	2,49,98,304
Mr. Ch Anantha Reddy	Managing Director	36,00,000	1,18,62,174	36,00,000	–	1,90,62,174
Mr. Aditya Rao	Director-Projects	24,00,000	88,99,364	24,00,000	–	1,36,99,364
Mr. Ravi Chachra	Non-Executive Director	–	–	–	22,000	–
Mr. C Parthasarathy	Independent Non-Executive Director	–	–	–	13,500	–
Dr. G Vivekanand	Independent Non-Executive Director	–	–	–	10,000	–
Mr. B Kamalaker Rao	Independent Non-Executive Director	–	–	–	64,000	–
Mr. C Rangamani	Independent Non-Executive Director	–	–	–	47,000	–
Mr. A Krishna Rao	Independent Non-Executive Director	–	–	–	41,000	–
Mr. P Bhaskara Rao	Non-Executive Director	–	–	–	–	–
Mr. Manish Sabharwal#	Independent Non-Executive Director	–	–	–	–	–
Mr. J Ramu Rao#	Non-Executive Director	–	–	–	–	–

 # Mr. Manish Sabharwal and Mr. J Ramu Rao were appointed as Additional Directors with effect from April 22, 2011.

The Chairman of the remuneration committee was present at the last Annual General Meeting.

f) **Details of number of shares held by the Non-Executive/Independent Directors as on March 31, 2011**

Name of the Director	Designation	No. of shares held
Mr. Ravi Chachra	Non-Executive Director	–
Mr. C Parthasarathy	Independent Non-Executive Director	–
Dr. G Vivekanand	Independent Non-Executive Director	–
Mr. B Kamalaker Rao	Independent Non-Executive Director	5,000
Mr. C Rangamani	Independent Non-Executive Director	–
Mr. A Krishna Rao	Independent Non-Executive Director	–
Mr. P Bhaskara Rao	Non-Executive Director	–
Mr. Manish Sabharwal#	Independent Non-Executive Director	–
Mr. J Ramu Rao#	Non-Executive Director	–

 # Mr. Manish Sabharwal and Mr. J Ramu Rao were appointed as Additional Directors with effect from April 22, 2011.

5. Shareholders' / Investors' Grievances Committee

A Committee of the Board, designated as 'Shareholder's/Investor's Grievances Committee' was constituted on February 1, 2002, to specifically look into the redressal of shareholder/investor complaints and to strengthen investor relations.

a) Name of Non-Executive Director heading the Committee: The Committee functions under the Chairmanship of Mr. C Rangamani, a Non-Executive and Independent Director. Other members include Mr. A Krishna Rao, Independent Non-Executive Director, Mr. P Bhaskara Rao, Non-Executive Director and Mr. B Kamalaker Rao, a Non-Executive and Independent Director.

b) Name and designation of Compliance Officer: Mr. R Ravi, V.P Finance and Company Secretary.

c) Number of complaints received from shareholders: During the period under review, the Company has received and resolved 27 complaints and there were no pending complaints as at the year end.

d) Number of pending share transfers and complaints: Nil

e) **Details of meetings and attendance by the members:**

During the year the Committee met four times on April 21, 2010, July 29, 2010, October 21, 2010 and January 10, 2011.

Sl. no.	Name of the member	Number of meetings held	Numbers of meetings attended
1	Mr. C Rangamani	4	3
2	Mr. B Kamalaker Rao	4	4
3	Mr. A Krishna Rao	4	3
5	Mr. P Bhaskara Rao	4	3

6. General body meetings

a) Details of the location and time of the General meetings

Date	Year	Type	Venue	Time
July 29, 2010	2009-10	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	4.00 pm
August 19, 2009	2008-09	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	10.30 am
September 8, 2008	2007-08	Annual General Meeting	FAPCCI, Red Hills, Hyderabad	10.30 am

b) **Special resolutions**

All resolutions moved at the last Annual General Meeting were passed by a show of hands by the requisite majority of members attending the meeting. The following are the special resolutions passed at the previous General meetings held in the last three years:

AGM/EGM held on	Whether special resolution passed	Summary of the resolution
July 29, 2010	No	-NA-
August 19, 2009	Yes	Members consent to the Company pursuant to Regulation 23 (1) (C) of the Securities Board of India (Substantial Acquisition of Shares and Takeovers) Regulation 1997 for Buyback of Equity Shares
September 8, 2008	Yes	Appointment of Mr. Aditya Rao, as Director – Projects, for a period of three years with effect from January 30, 2008

c) **Postal ballot:**

The Company has issued notice for the Postal Ballot on March 7, 2011, to the shareholders pursuant to Section 192A (2) of the Companies Act, 1956, read along with Companies (Passing of Resolution by Postal Ballot) Rules, 2001, seeking their approval by means of postal ballot with regard to providing Corporate Guarantee/Loan/ Investment to Pennar Engineered Building Systems Limited, the subsidiary Company.

Mr. S Chidambaram, Practicing Company Secretary, Hyderabad, was appointed as Scrutiniser for conducting the Postal Ballot voting process in a fair and transparent manner. The Chairman after receiving the Scrutiniser's Report announced on April 13, 2011, that the Special Resolution of the Postal Ballot Notice was duly passed as special resolution by the requisite majority.

The results are as follows:

Sl. No.	Particulars	No. of shareholders	No. of Equity shares	% to the total no of equity shares for which postal ballot forms were received
1	Total Postal Ballot forms received	301	4,38,93,216	100
2	Total no. of votes polled in favour of the resolution	277	4,38,21,368	99.84
3	Total no. of votes polled against the resolution	7	425	–
4	Total no. of votes polled neutral/invalid to the resolution	17	71,423	0.16

Presently, the Company is not proposing to pass any special resolution through postal ballot.

d) Procedure for postal ballot - Not applicable.

e) Information on Directors re-appointment as required under Clause 49 VI (G) of the Listing Agreement with stock exchanges is given as a note appended to the explanatory statement of the AGM notice.

7. Disclosures

a) Related Party Transactions:

No transaction of material nature was entered in to by the Company with the related parties i.e, Directors or the management, their subsidiaries or relatives conflicting with the Company's interest. Transactions with the related parties are disclosed in notes to accounts in the Annual Report.

b) Disclosure of Accounting Treatment:

The Company has followed the accounting standards notified under Companies (Accounting Standards) Rules, 2006 in the preparation of its financial statements.

c) Details of non-compliance etc

There has been no instance of non-compliance with any legal requirements nor have there been any strictures imposed by any stock exchange, SEBI on any matters relating to the capital market over the last three years. A Statement of Compliance with all laws and regulations as certified by the Managing Director and Company Secretary is placed at periodic intervals for review by the Board.

d) Whistle Blower Policy:

The Company has not established a whistle blower policy. We further affirm that during the year 2010-11 no personnel have been denied access to the Audit Committee.

e) Code of Conduct

The Company has adopted the Code of Conduct which is applicable to the members of the Board and top management of the Company. The Code of Conduct is available on the Company's website.

f) Proceeds from public issues, rights issues, preferential issues etc.,

During the financial year ended March 31, 2011, there were no proceeds from public issues, rights issues, preferential issues, among others.

g) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause

The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

Compliance with Non-Mandatory requirements:

We comply with the following non-mandatory requirements:

(i) **The Board** – We also ensure that the persons who are being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company and contribute effectively to the Company.

(ii) **Remuneration Committee** – We have constituted a Remuneration Committee. A detailed note on it is provided in the Remuneration Committee section.

(iii) **Shareholder Rights** – The Company publishes its results on its website i.e, www.pennarindia.com which is accessible to the public at large. A half-yearly declaration of financial performance including summary of the significant events is presently not being sent to each household of shareholders. The Company's results for each quarter are published in an English newspaper having a wide national circulation and also in a Telugu newspaper having a wide circulation in Andhra Pradesh. Hence, half-yearly results are not sent to the shareholders individually.

(iv) **Audit qualifications** – During the period under review, there is no audit qualification in Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

(v) **Training of Board members** – The Company is yet to evolve a plan to train the Board members.

(vi) **Mechanism for evaluating Non-Executive Board members – Yet to evolve**

As regards other non-mandatory requirements, the Board has taken cognizance of the same and may consider adopting them as and when deemed appropriate.

The Company has not yet adopted the CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009. The Board will adopt the same as and when deemed appropriate.

8. Means of communication

The quarterly/half-yearly/annual financial results of the Company are sent to the stock exchanges immediately after they are approved by the Board.

The quarterly/half-yearly/annual financial results of the Company are published in Business Standard and Surya within 48 hours of the conclusion of the Board meeting.

The Company's website www.pennarindia.com contains a separate dedicated section "Investors" where latest information for shareholders is available. The quarterly/half-yearly/annual financial results of the Company are simultaneously posted on the website. The Company's website also displays official news releases related to the activities of the Company.

Presentations were made to analysts during the financial year 2010-11.

General information

1. Date, time and venue of Annual General Meeting	September 12, 2011 at 10.30 am at The Federation of Andhra Pradesh Chamber of Commerce and Industry (FAPCCI), K. L. N. Prasad Auditorium, 3rd Floor, House No. 11/6/841, Red Hills, Hyderabad 500014
2. Financial calendar (Tentative)	a) Annual General Meeting : September 12, 2011 b) Results for the quarter ending June 30, 2011: 3rd week of July 2011 c) Results for the quarter ending September 30, 2011 :Last week of October 2011 d) Results for the quarter ending December 31, 2011: Last week of January 2012 e) Results for the quarter ending March 31, 2012: Last week of April 2012
3. Date of book closure (both days inclusive)	September 8, 2011 to September 10, 2011 (both days inclusive)
4. Dividend payment due	October 12, 2011

5.	Listing on stock exchanges	The Bombay Stock Exchange Limited P. J. Towers, Dalal Street, Mumbai – 400001 The National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051 Note: The equity shares of the Company were listed on The National Stock Exchange of India Limited with effect from November 25, 2010.
6.	Stock Code	BSE: Equity- 513228 0.01% cumulative redeemable preference shares- 700107 NSE EQUITY: PENIND
7.	Electronic connectivity	1. The National Securities Depository Ltd Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400013 2. Central Depository Services (India) Ltd Phiroze Jeejeebhoy Towers, 28th Floor, Dalal Street, Mumbai – 400023
8.	Registered Office (address for correspondence)	Floor -1, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500084 A.P. India, Tel.No: +91 40 23117043/7045, 23114072 • Fax No: +91 40 23117041 E-mail:pilhyd@bsnl.in, corporatecommunications@pennarindia.com
9.	Communication regarding share transfers and other related correspondence	Karvy Computershare Pvt Ltd Plot no. 17-24, Vithalrao Nagar, Madhapur, Hyderabad - 500081, Phone: 040 23420818 – 828, Fax: 040 23420814 E-mail: mailmanager@karvy.com/ksreddy@karvy.com Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.
10.	Share transfer system	Shares lodged for physical transfer at the Registrar's address are normally processed within a period of 15 days from the date of lodging, if the documents are clear in all respects. The shares duly transferred would be dispatched to the concerned shareholders within a week from the date of approval of transfers by the Share Transfer Committee.

9. As required under Clause 49 of the Listing Agreement, a certificate duly signed by Mr. Ch Anantha Reddy, Managing Director, and Mr. R Ravi, V. P. Finance and Company Secretary was placed at the meeting of the Board of Directors held on July 20, 2011

10. Distribution of shareholding as on March 31, 2011 was as under

Sl. no.	Category	Numbers of shareholders	% of shareholders	Number of shares	% of shares
1.	1 to 5000	25,491	91.13	53,20,696	4.36
2.	5001-10000	1,076	3.85	17,12,023	1.40
3.	10001-20000	562	2.01	16,63,860	1.36
4.	20001-30000	282	1.01	14,22,224	1.17
5.	30001-40000	90	0.32	6,34,877	0.52
6.	40001-50000	104	0.37	10,02,893	0.82
7.	50001-100000	138	0.49	20,27,592	1.66
8.	100001 & Above	230	0.82	10,82,39,835	88.70
	Total	**27,973**	**100**	**12,20,24,000**	**100**

Shareholding Pattern as on March 31, 2011 was as under

Sl. no.	Particulars	No. of Shares	% to total shares
1	Promoter and Promoter Group	4,77,48,813	39.13
2	Mutual Funds/ UTI	950	0.00
3	Financial Institutions/Banks	2,708	0.00
4	Insurance Companies	12,49,005	1.02
5	Foreign Institutional Investors	1,94,04,290	15.91
6	Foreign Funds	87,14,052	7.14
7	Bodies Corporate	1,76,38,551	14.46
8	Individuals	2,57,74,467	21.12
9	Trust	10,955	0.01
10	NRI	14,69,179	1.20
11	Clearing Members	11,030	0.01
	Total	**12,20,24,000**	**100**

11. Dematerialisation of shares and Liquidity

a) Equity shares

The Company's equity shares are in compulsory demat list. The International Securities Identification Number (ISIN) allotted to the Company's scrip is INE932A01024. 98.08% of equity shares are held in dematerialised form as on March 31, 2011.

b) Preference shares

The Company's 0.01% cumulative redeemable preference shares issued as per the scheme of reconstruction and arrangement approved by Hon'ble High court of Andhra Pradesh are listed on the Bombay Stock Exchange. International Securities Identification Number (ISIN) allotted to these preference shares is INE932A04010. 84.32% of 0.01% cumulative redeemable preference shares are held in dematerialised form as on March 31, 2011.

c) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity.

During the financial year 2010-11, the Company has not issued any GDRs/ADRs and there are no outstanding warrants or any convertible instruments.

12. Plant locations

a) Patancheru unit : IDA, Patancheru, Medak (Dist.), A.P.

b) Isnapur unit : Isnapur Village, Medak (Dist.), A.P.

c) Tarapur unit : MIDC, Tarapur, Maharashtra

d) Chennai unit : Kannigaipair Village, Thiruvellore Dist, T.N.

e) Hosur unit : SIDCO Industrial Estate, Hosur, T.N.

13. Market price data

The Company's shares are traded on The Bombay Stock Exchange and The National Stock Exchange of India Limited.

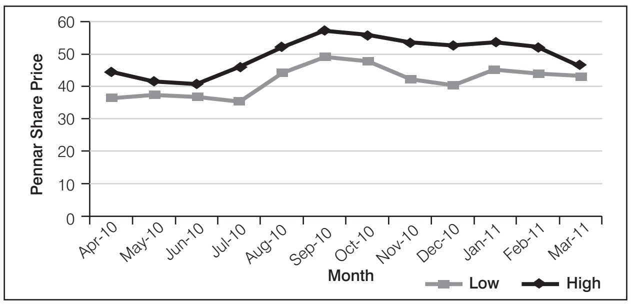
Note: The equity shares of the Company were listed on The National Stock Exchange of India Limited with effect from November 25, 2010.

Monthly high and low quotations and volume of equity shares traded on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) for 2010-11 were as follows

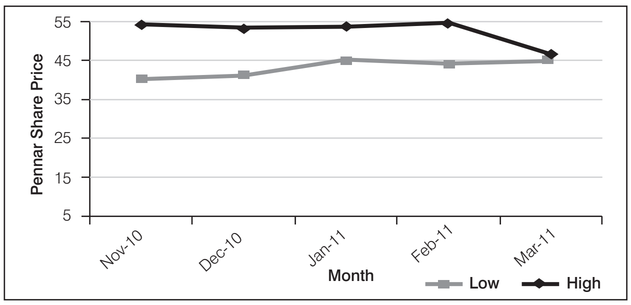
Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
April 2010	44.10	36.60	1,01,27,548	-	-	-
May 2010	41.10	37.15	71,08,664	-	-	-
June 2010	40.45	36.75	23,36,868	-	-	-
July 2010	45.60	35.00	82,21,576	-	-	-
August 2010	51.80	43.75	1,12,36,867	-	-	-
September 2010	57.00	49.05	54,54,799	-	-	-
October 2010	55.60	48.00	32,33,745	-	-	-
November 2010	53.30	41.95	26,36,998	54.00	40.00	4.83.029
December 2010	52.20	40.10	18,13,203	53.00	41.00	8.31.701
January 2011	53.75	45.40	20,89,588	53.70	45.10	13.54.165
February 2011	51.80	44.00	10,39,097	54.50	44.05	6.79.563
March 2011	46.00	43.10	6,60,981	46.40	44.70	3.13.957

(Source: www.bseindia.com & www.nseindia.com)

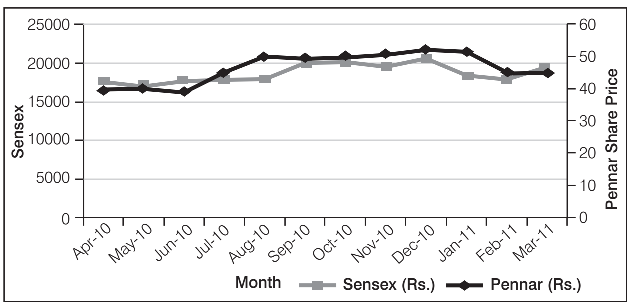
Share prices at BSE



Share prices at NSE

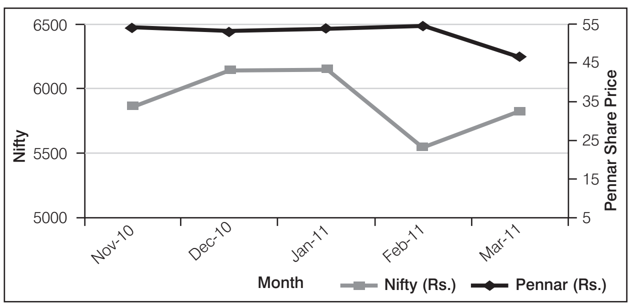


Performance in comparison to broad based indices such as BSE Sensex:



Comparison is done between the Share price-High and Sensex index close price

Performance in comparison to broad based indices such as Nifty:



Comparison is done between the Share price- High and Nifty index close price.

Declaration of Code of Conduct

The Board of Directors of Pennar Industries Limited, at their meeting held on January 31, 2006, adopted the Code of Conduct for the Directors and also for the Company's senior management personnel, which was posted on the Company's website.

In accordance with Clause 49 I (D) of the Listing Agreement with the stock exchanges, I hereby confirm that, all the Directors and the senior management personnel of the Company have affirmed compliance with the aforesaid Code of Conduct as applicable to them for the financial year ended March 31, 2011

Place: Hyderabad   Sd/-
Date: July 20, 2011   Managing Director

Auditors' Certificate on Compliance with the Provisions of Corporate Governance Pursuant to Clause 49 of the Listing Agreement

To
The Members of
PENNAR INDUSTRIES LIMITED
HYDERABAD.

We have examined the compliance of conditions of Corporate Governance by **PENNAR INDUSTRIES LIMITED** for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been in the manner described in the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India and has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to explanations given to us, and based on our reliance upon the representations made by the management, we certify that the Company has complied in all material respects with the conditions of the Corporate Governance as stipulated in the Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievances were pending for a period of one month against the Company as per the records maintained by the Shareholders / Investor's Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **RAMBABU & CO.,**
Chartered Accountants
Registration No. 002976S

Place : Hyderabad
Date : 25th July, 2011

Ravi Rambabu
Partner
M. No : 18541

Secretarial Audit Report

To
The Board of Directors
Pennar Industries Limited
Floor No. -1, DHFLVC Silicon Towers,
Kondapur, Hyderabad - 500 084

I have examined the registers, records, books and papers of Pennar Industries Limited as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of the Company for the financial year ended on 31st March, 2011. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, according to the provisions of:

The Companies Act, 1956;

The Depositories Act, 1996 and the Regulations and Bye-laws framed under that Act;

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and

The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited

I report the following

1. The Company:
   (a) has maintained various statutory registers and documents;
   (b) has closed its Register of Members during the Financial Year for the purpose of Annual General Meeting and Dividend;
   (c) has filed Forms, returns, documents and resolutions required to be filed with the Registrar of Companies and Central Government;
   (d) has duly conducted Board meetings/Committee Meetings;
   (e) has sent the notices as required to its Members;
   (f) has duly conducted the Annual General Meeting on 29.07.2010;
   (g) has maintained minutes of proceedings of Board Meetings/Committee Meetings and General Meetings;
   (h) has complied with all the applicable provisions with regard to constitution of the Board of Directors / Committee(s) of directors and appointment, retirement and their re-appointment including that of Managing Director/Whole-time Directors;
   (i) has complied with all the applicable provisions with regard to payment of remuneration to the Directors including the Managing Director and Whole-time Directors;
   (j) has complied with all the applicable provisions with regard to appointment and remuneration of Auditors;
   (k) has delegated power to the Registrar and Transfer Agent to process and approve the transfers and transmissions of the Company's shares;
   (l) during the period under review the Company has not allotted any shares.

(m) has complied with the provisions of the Companies Act, with regard to declaration and payment of dividends;

(n) has complied with the provisions of Section 372A of the Companies Act, 1956;

2. I further report that:

(a) the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings / debenture holdings and directorships in other companies and interests in other entities;

(b) the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel as per Clause 49 of the Listing Agreement;

(c) there was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company, its Directors and Officers;

3. I further report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed thereunder by the Depositories with regard to dematerialisation / rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

4. I further report that:

(a) the Company has filed the requisite returns, documents, information as per the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited;

(b) the Company has duly complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 including the provisions with regard to disclosures and maintenance of records required under the Regulations;

(c) the Company has filed returns, documents, information as required under the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

S. Chidambaram
Practising Company Secretary
C P No: 2286

Place : Hyderabad
Date : 20th July, 2011

Auditors' Report

To
The Members
Pennar Industries Limited
Hyderabad

We have audited the attached Balance Sheet of PENNAR INDUSTRIES LIMITED, HYDERABAD, as at 31st March, 2011 and the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the annexure referred to in paragraph 1 above, we report that :
   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
   ii) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
   iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
   v) In our opinion and based on written representation received from directors, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of Clause (g) of sub-section (1) to Section 274 of the Companies Act, 1956.
   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      a) In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2011
      b) In so far as it relates to Profit and Loss Account, of the Profit of the Company for the year ended on that date.

      And
      c) In so far as it relates to Cash Flow Statement, of the cash flows of the Company for the year ended on 31st March, 2011.

For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

Ravi Rambabu
Partner
Membership No: 18541

Place : Hyderabad
Date : 25th July, 2011

Annexure to the Auditors' Report

Referred to as in Paragraph 1 of our report of even date

1. In respect of its Fixed assets:
   (a) The company has maintained proper records showing full particulars including details and situation of fixed assets.
   (b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
   (c) During the year, the company has not disposed of substantial part of the Assets. According to the information and explanations given to us, we are of the opinion that no transactions are effected involving disposal of assets so as to affect going concern status of the company.
2. In respect of its Inventories:
   (a) As explained to us, inventories have been physically verified during the year by the management at regular intervals. In our opinion, the frequency of verification is reasonable.
   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the company and the nature of its business.
   (c) The company has maintained proper records of inventories. In our opinion and according to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material, have been properly dealt with in the books of account.
3. In respect of loans secured or unsecured, granted or taken by the Company to/from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
   (a) The Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
   (b) As the Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the rate of interest and other terms and conditions on which Company has taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 does not arise.
   (c) As the Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the regular payment/receipt of the principal and interest amounts as stipulated does not arise.
   (d) As the Company has not taken/granted loans from/to Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the steps taken for recovery/payment of the Principal and interest on overdue amount of more than one lakh does not arise.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, based on our audit procedures applied, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. In respect of transactions covered under section 301 of the Companies act, 1956:
   (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies Act, 1956 and exceeding the value of Rs. 5,00,000/- with parties covered above during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and the Company is regular in filing compliance reports with the Company Law Board.
7. In our opinion, the company has independent internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub section (1) of section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. In respect of statutory dues:
   (a) According to the records of the company and as per the information and explanations given to us, the company is

generally regular in depositing with appropriate authorities undisputed Statutory dues including Provident fund, Investor education & protection fund, Employee's state insurance, Wealth tax, Custom duty, Income tax, Excise duty, Cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no disputed amounts payable in respect of Wealth tax, Income tax, Sales tax, Customs duty, Excise duty and Cess were outstanding, as at 31st March, 2011 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, an amount of Rs. 437.4 lakhs of Sales tax, Customs duty, and interest which have not been deposited on account of dispute as given below:

S. No.	Nature of the Statute	Nature of Dues	Forum where dispute is pending	Year	Amount (Rs. in lacs)	Deposit Amount (Rs. in lacs)	Unpaid Amount (Rs. in lacs)
1	Customs Act,1962	Customs Duty & Interest	The Commissioner of Customs (Exports AO		62.3	–	62.3
2	Customs Act,1962	Interest on Customs Duty Paid	The Commissioner of Custom(Appeals)		44.7	–	44.7
3	Customs Act,1962	Customs Duty & Interest	The Supreme Court of India ITAT		165.1	–	165.1
4	A.P. VAT Act,2005	Entry Tax on Cix	The Supreme Court of India		218.6	53.3	165.3
				Total	**490.7**	**53.3**	**437.4**

10. In our opinion, the company neither has accumulated losses at the end of the year exceeding fifty percent of its net worth, nor incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

11. As per the records of the Company and according to the information and explanations given to us, we are of the opinion the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

12. According to the information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of Shares, debentures and other securities.

13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund/society. Accordingly the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

14. In our opinion, the company is not dealing in or trading in shares, securities, and debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

15. According to the information and explanations given to us, the Company has given corporate guarantee for securing loans taken by the Pennar Engineered Building Systems Ltd (PEBSL) from State Bank of India to the tune of Rs. 8,952 lakhs and further the company has provided collateral security by way of lien on fixed deposits of Rs.200 lakhs and pledge of 61,50,000 shares of Pennar Engineered Building Systems Ltd amounting to Rs. 615 lacs for securing the said loan.

16. In our opinion, during the year the company has not raised any fresh term loans.

17. In our opinion, according to the information and explanations given to us and on an overall examination of statements and records of the company, that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.

18. In our opinion, the Company has not made any preferential allotment of shares/securities during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

19. In our opinion, the Company has not raised money by way of public issue for any specific purpose during the year.

20. According to the information and explanations given to us, the Company has not issued debentures during the period covered by our report. Hence, the Company is not required to create/register/modify any Security /Charge

21. According to the information and explanations given to us and based on audit procedures performed, no fraud on or by the Company has been noticed during the year.

For **Rambabu & Co.,**
Chartered Accountants
Registration No. 002976S

Ravi Rambabu
Partner
Membership No: 18541

Place : Hyderabad
Date : 25th July, 2011

Balance Sheet As at 31st March 2011

(Rs. in lacs)

S.No	Particulars	Schedule No	As at 31.03.2011	As at 31.03.2010
I	SOURCES OF FUNDS			
1	Shareholders' Funds			
a	Share Capital	1	6,978.9	6,978.9
b	Reserves & Surplus	2	19,476.1	14,555.0
2	Loan Funds			
a	Secured Loans	3	9,332.3	12,568.9
b	Unsecured Loans	4	2,485.6	2,329.2
3	Deferred Tax Liability		984.5	406.7
	Total of 1 - 3		39,257.4	36,838.7
II	APPLICATION OF FUNDS			
1	Fixed Assets	5		
a	Gross Block		29,528.4	28,231.8
b	Less : Depreciation		13,951.2	14,195.7
c	Net Block		15,577.2	14,036.1
d	Add : C W I P		657.1	863.0
			16,234.3	14,899.1
2	Investments	6	1,850.3	1,850.3
3	Current Assets, Loans and Advances			
a	Inventories	7	10,389.2	11,806.1
b	Sundry Debtors	8	14,849.7	11,663.7
c	Cash & Bank Balances	9	1,144.5	1,094.9
d	Loans & Advances	10	1,764.3	1,259.0
			28,147.7	25,823.7
	Less : Current Liabilities & Provisions	11		
a	Current Liabilities		5,734.2	4,579.8
b	Provisions		1,240.7	1,201.5
			6,974.9	5,781.3
	Net Current Assets		21,172.8	20,042.4
4	Miscellaneous Expenditure	12	-	46.9
	(to the extent not written off / adjusted)			
	Total of 1 - 4		39,257.4	36,838.7
5	Notes On Accounts	19		
	Schedules 1 to 19 annexed form part of accounts			

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

For and on behalf of the Board
Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Ravi Rambabu
Partner
Membership No. 18541

R Ravi
V.P. Finance and Company Secretary

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 25, 2011

Place : Hyderabad
Date : July 20, 2011

Profit & Loss Account For the year ended 31st March 2011

(Rs. in lacs)

S.No	Particulars	Schedule No	Year Ended 31.03.2011	Year Ended 31.03.2010
1	**INCOME**			
a	Sales			
	Domestic Sales & Processing charges		121,492.2	86,032.5
	Export Sales		31.2	81.4
			121,523.4	86,113.9
	Less : Excise Duty		10,606.9	6,317.9
	Sales Tax		3,707.1	2,666.7
	Net Sales		107,209.4	77,129.3
b	Other Income	13	106.2	41.7
	Total Income		**107,315.6**	**77,171.0**
2	**EXPENDITURE**			
a	Raw Material Consumed	14	78,598.1	55,020.7
b	Personnel Cost	15	3,194.9	2,575.7
c	Other Manufacturing costs	16	7,239.1	5,055.1
d	Administrative & Selling Expenses	17	4,822.6	3,539.3
			93,854.7	66,190.8
3	**Profit before Interest, Depreciation & Tax**		**13,460.9**	**10,980.2**
a	Financing Costs	18	1,028.9	1,137.1
b	Depreciation		1,115.5	1,239.0
c	Preliminary Expenditure written off		46.9	36.6
			2,191.3	2,412.7
4	**Profit before Tax**		**11,269.6**	**8,567.5**
5	**TAXES**			
a	Deferred Tax Liability		577.8	1,272.0
b	Income Tax		3,745.6	2,288.5
6	**Net Profit after Tax**		**6,946.2**	**5,007.0**
7	**Profit / (Loss) brought Forward**		**4,490.8**	**2,003.7**
8	**Profit available for Appropriations**		**11,437.0**	**7,010.7**
9	**APPROPRIATIONS**			
a	Equity Dividend		1,525.3	1,531.8
b	Preference Dividend		0.1	0.1
c	Dividend Distribution Tax		246.3	260.3
d	General Reserve		700.0	505.0
e	Capital Redemption Reserve		-	222.7
f	Profit carried forward		8,965.3	4,490.8
			11,437.0	**7,010.7**

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

For and on behalf of the Board
Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Ravi Rambabu
Partner
Membership No. 18541

R Ravi
V.P. Finance and Company Secretary

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 25, 2011

Place : Hyderabad
Date : July 20, 2011

Cash Flow Statement For the year ended 31st March 2011

(Rs. in lacs)

S.No	Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
A	Cash Flow from operating activities :		
a	Net Profit before Interest & Depreciation		
	(EBIDT)	13,460.9	10,980.2
b	Income Tax	(3,699.4)	(2,139.6)
c	Loss from Sale of Fixed Assets	13.6	-
d	Operating Profit before working capital changes	9,775.1	8,840.6
	Adjustments for :		
e	Trade and other receivables	(3,186.0)	(2,077.6)
f	Inventories	1,416.9	(4,537.9)
g	Loans and Advances	(646.6)	2,454.5
h	Trade payables	1,154.4	2,842.9
		(1,261.3)	(1,318.1)
i	Cash generated from operations	8,513.8	7,522.5
j	Less : Interest on working capital	(988.8)	(886.0)
k	Net Cash from operating activities " A "	7,525.0	6,636.5
B	Net Cash from Investing activities :		
a	(Purchase) / Sale of fixed assets	(2,708.9)	(2,939.1)
b	(Purchase) / Sale of Investments	-	(1,850.0)
c	Net cash used in investing activities " B "	(2,708.9)	(4,789.1)
C	Cash Flow from financing activities		
a	Share Capital / Share Premium	-	(1,245.2)
b	Proceeds from long term borrowings -		
	(Net of payments)	(3,080.2)	2,178.0
c	Interest on Term Loans paid	(40.1)	(251.1)
d	Dividends paid	(1,778.7)	(2,201.6)
e	Net Cash used in financing activities " C "	(4,899.0)	(1,519.9)
D	Net (Decrease) / Increase in Cash and		
	Cash Equivalents (A + B + C)	(82.9)	327.5
a	Cash and Cash Equivalents at the beginning	612.6	285.1
b	Cash and Cash Equivalents at the end	529.7	612.6

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

For and on behalf of the Board
Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Ravi Rambabu
Partner
Membership No. 18541
Place : Hyderabad
Date : July 25, 2011

R Ravi
V.P. Finance and Company Secretary

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 20, 2011

Schedules forming part of the Balance Sheet

(Rs. in lacs)

		As at 31.03.2011	As at 31.03.2010
SCHEDULE 1 SHARE CAPITAL			
AUTHORISED			
Equity			
15,00,00,000	Equity Shares of Rs. 5/- each (previous year 15,00,00,000 equity shares of Rs. 5/- each)	7,500.0	7,500.0
Preference			
Series - A : 5,00,000	Cumulative Redeemable Preference Shares of Rs. 100/- each (previous year 5,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each)	500.0	500.0
Series - B : 4,00,00,000	Cumulative Redeemable Preference Shares of Rs. 5/- each (previous year 4,00,00,000 Cumulative Redeemable Preference Shares of Rs.5/- each)	2,000.0	2,000.0
		10,000.0	10,000.0
ISSUED, SUBSCRIBED & PAID UP			
Equity			
12,20,24,000	Equity Shares of Rs. 5/- each (previous year 12,64,77,479 equity shares of Rs. 5/- each)	6,101.2	6,323.9
Less : Buyback of 44,53,479 shares of Rs. 5/-		-	222.7
		6,101.2	6,101.2
Preference - Series B			
1,75,53,299	Cumulative redeemable		
Preference Shares of Rs. 5/- each		877.7	877.7
Total		6978.9	6978.9

	Balance on 01.04.2010	Additions during 2010 - 11	Deductions during 2010 - 11	Balance on 31.03.2011
SCHEDULE 2 RESERVES & SURPLUS				
I. Reserves				
a. Share Premium	5,310.4	-	-	5,310.4
b. Profit on forfeiture of shares	6.2	-	-	6.2
c. General Reserve	1,005.0	700.0	-	1,705.0
d. Capital Redemption Reserve	222.7	-		222.7
e. Profit & Loss Account	4,490.8	4,474.5	-	8,965.3
Sub Total - 1	11,035.1	5,174.5	-	16,209.6
II. Revaluation Reserve	3,519.9	-	253.4	3,266.5
Total	14,555.0	5,174.5	253.4	19,476.1

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 3 SECURED LOANS		
Term Loans		
Axis Bank	358.4	1,772.6
IFCI	166.6	218.0
	525.0	1,990.6
Cash Credit from Banks		
State Bank of India	5,601.7	6,898.6
Axis Bank	2,238.2	2,512.0
State Bank of Patiala	967.4	1,153.2
	8,807.3	10,563.8
Lease Liability on assets	-	14.5
Total	9,332.3	12,568.9

SCHEDULE 4 UNSECURED LOANS		
Fixed Deposits	-	16.3
Sales Tax Deferment Loan	2,485.6	2,270.8
Unsecured Loans - Others	-	42.1
Total	2,485.6	2,329.2

SCHEDULE 5 FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	Gross as on 01.04.2010	Additions 2010 - 11	Deletions 2010 - 11	Gross as on 31.03.2011	As on 01.04.2010	For the Year	Adjustment for Deletions	As on 31.03.2011	As on 31.03.2011	As on 31.03.2010
Freehold Land	872.7	24.2	-	896.9	-	-	-	-	896.9	872.7
Roads	199.3	207.2	-	406.5	12.8	3.3	-	16.1	390.4	186.5
Buildings	4,695.1	1,307.7	-	6,002.8	1,517.6	153.5	-	1,671.1	4,331.7	3,177.5
Plant & Machinery	19,875.4	855.4	1,622.9	19,107.9	11,534.2	1,006.3	1,612.0	10,928.5	8,179.4	8,341.2
Factory Equipments	1,852.8	395.1	-	2,247.9	768.5	137.5	-	906.0	1,341.9	1,084.3
Office Equipments	200.8	36.6	-	237.4	111.2	5.4	-	116.6	120.8	89.6
Computers	361.8	70.5	-	432.3	165.1	80.7	-	245.8	186.5	196.7
Furniture & Fixtures	59.7	51.2	-	110.9	42.7	1.5	-	44.2	66.7	17.0
Vehicles	73.8	26.1	14.1	85.8	16.7	7.7	1.5	22.9	62.9	57.1
Sub Total - 1	**28,191.4**	**2,974.0**	**1,637.0**	**29,528.4**	**14,168.8**	**1,395.9**	**1,613.5**	**13,951.2**	**15,577.2**	**14,022.6**
Leased Assets										
Computer Accessories	40.4	-	40.4	-	26.9	13.5	40.4	-	-	13.5
Total	**28,231.8**	**2,974.0**	**1,677.4**	**29,528.4**	**14,195.7**	**1,409.4**	**1,653.9**	**13,951.2**	**15,577.2**	**14,036.1**
Previous Year	26,155.7	2,076.1	-	28,231.8	12,703.4	1,492.3	-	14,195.7	14,036.1	13,452.3

Note : Deletions during the year includes an amount of Rs. 1604.6 lacs, being the value of Machinery given on lease. During the year the value of such leased assets as well as the accumulated depreciation amount is being written down from the gross block of fixed assets.

Depreciation for the year includes an amount of Rs. 253.4 lacs on revalued value of the fixed assets and has been debited to Revaluation Reserve A/c.

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 6 INVESTMENTS		
Unquoted		
1,85,00,000 Equity Shares of Rs. 10/- each fully paid up in		
Pennar Engineered Building Systems Limited	1,850.0	1,850.0
2689 Equity Shares of Rs. 10/- each fully paid up in Patancheru Enviro-Tech Limited	0.3	0.3
Total	1,850.3	1,850.3
SCHEDULE 7 INVENTORIES (As valued and certified by Management)		
Raw Material	2,286.2	2,544.4
Stores & Spares	2,613.0	2,721.4
Work in Progress	3,542.3	4,606.1
Finished Goods	1,841.0	1,868.2
Scrap	106.7	66.0
Total	10,389.2	11,806.1
SCHEDULE 8 SUNDRY DEBTORS (Unsecured and considered good)		
Outstanding for more than 6 mths	341.1	209.6
Outstanding for less than 6 mths	14,508.6	11,454.1
Total	14,849.7	11,663.7
SCHEDULE 9 CASH AND BANK BALANCES		
Cash & Cheques in hand	5.8	9.5
Bank Balances with scheduled banks		
In Current Accounts	79.1	63.4
Collection Accounts	444.8	539.7
Margin Money Accounts	414.8	282.3
Fixed Deposits	200.0	200.0
Total	1,144.5	1,094.9
SCHEDULE 10 LOANS & ADVANCES		
(Unsecured, considered good, recoverable in cash or in kind for value to be received)		
Loans & Advances to Staff	5.6	7.9
Advances to Suppliers	1,304.2	904.3
Advances to Others	82.2	81.5
Other Deposits	372.3	265.3
Total	1,764.3	1,259.0

Schedules forming part of the Balance Sheet

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 11 CURRENT LIABILITIES & PROVISIONS		
a. Current Liabilities		
Sundry Creditors	4,129.7	3,513.5
Unclaimed Dividend	34.3	23.4
Other Liabilities	1,570.2	1,042.9
	5,734.2	4,579.8
b. Provisions		
Provision for Income Tax	5,957.1	3,212.9
Less : Prepaid Taxes	5,780.2	3,082.2
	176.9	130.7
Provision for Equity Dividend	915.2	915.2
Provision for Preference Dividend	0.1	0.1
Provision for Dividend Distribution Tax	148.5	155.5
	1,240.7	1,201.5
Total	6,974.9	5,781.3

SCHEDULE 12 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
a. Preliminary & Share Issue Expenses		
Opening Balance	15.3	18.3
Less : Written off during the year	15.3	3.0
	-	15.3
b. Deferred Revenue Expenditure		
Opening Balance	31.6	65.2
Less : Written off during the year	31.6	33.6
	-	31.6
Total	-	46.9

Schedules forming part of the Profit and Loss Account

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 13 OTHER INCOME		
Miscellaneous Income	21.7	14.1
Rent received {Gross, inclusive of TDS of Rs. 1.1 lacs (previous year - Rs. 1.9 lacs)}	12.1	11.7
Interest Income {Gross, inclusive of TDS of Rs. 4.9 lacs (previous year - Rs. 1.4 lacs)}	60.5	15.8
Gain on Exchange Fluctuations	11.9	0.1
Total	106.2	41.7

Schedules forming part of the Profit and Loss Account

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 14 RAW MATERIAL CONSUMED		
(a) Raw Material consumed		
Opening Stocks	2,544.4	1,068.0
Add : Purchases	77,289.6	58,993.1
	79,834.0	60,061.1
Less : Closing Stocks	2,286.2	2,544.4
Raw Material consumed - (1)	77,547.8	57,516.7
(b) (Increase) / Decrease in Stocks (other than raw material)		
Opening Stocks		
Work in Progress	4,606.1	3,747.7
Finished Goods	1,868.2	260.6
Scrap	66.0	36.0
	6,540.3	4,044.3
Closing Stocks		
Work in Progress	3,542.3	4,606.1
Finished Goods	1,841.0	1,868.2
Scrap	106.7	66.0
	5,490.0	6,540.3
(Increase) / Decrease in Stocks - (2)	1,050.3	(2,496.0)
Total Material consumed	78,598.1	55,020.7

SCHEDULE 15 PERSONNEL COST	Year ended 31.03.2011	Year ended 31.03.2010
Salaries & Wages	2,483.3	2,090.6
Contribution to Gratuity,PF & Super Annuation	393.8	205.5
Staff Welfare Expenses	317.8	279.6
Total	3,194.9	2,575.7

SCHEDULE 16 OTHER MANUFACTURING EXPS	Year ended 31.03.2011	Year ended 31.03.2010
Sub Contract Expenses	1,392.0	1,187.2
Stores & Spares	4,509.4	2,836.9
Power	895.7	700.1
Repairs & Maintenance		
Buildings	115.6	77.5
Plant & Machinery	106.6	149.2
Others	93.0	9.6
Miscellaneous manufacturing expenses	126.8	94.6
Total	7,239.1	5,055.1

Schedules forming part of the Profit and Loss Account

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 17 ADMINISTRATIVE & SELLING EXPENSES		
Insurance	6.5	5.5
Travelling & Conveyance	357.0	298.9
Rent	27.2	25.7
Rates & Taxes	47.1	12.6
Advertisement & Sales Promotion	105.7	102.8
Sales Commission	254.7	517.5
Communication Expenses	50.7	36.1
Bank Charges	700.5	447.4
Freight Outward	2,203.6	1,472.3
Technical, Legal & Professional	205.0	174.4
Managerial Remuneration	577.6	206.6
Directors' Fees & Expenses	7.2	6.5
Printing & Stationery	38.8	26.0
Bad Debts written off	15.7	13.6
Loss on sale of Fixed Assets	13.6	-
Auditors' Remuneration	18.0	15.0
Miscellaneous Expenses	193.7	178.4
Total	**4,822.6**	**3,539.3**

SCHEDULE 18 FINANCING COST		
Interest on Term Loans	40.1	251.1
Interest on Working Capital	988.8	886.0
Total	**1,028.9**	**1,137.1**

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

1) Accounting Conventions:

The financial statements have been prepared under the historical cost conventions in accordance with the generally accepted accounting principles in India including the Accounting Standards notified by the Government of India and issued by the Institute of Chartered Accountants of India, as applicable, and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

2) Use of Estimates :

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, provision for doubtful debts/advances/contingencies, allowances for slow/non moving inventories, useful lives of fixed assets, provision for taxation, etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

3) Revenue Recognition:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from Works Contracts is recognized by reference to the completion of the contract activity at the reporting date, where the contract activity extended beyond the reporting date, on the basis of percentage of completion method.

Dividend income on investments is accounted for when the right to receive the payment is established.

4) Expenditure:

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

5) Fixed Assets:

Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective fixed assets and excludes duties and taxes to the extent recoverable from tax authorities.

Fixed Assets which are revalued are stated at the amounts revalued as reduced by the depreciation.

6) Depreciation:

Depreciation on Fixed Assets including on the additions on account of revaluation has been provided on a straight-line method at the rates specified in the Schedule XIV to the Companies Act, 1956.

Depreciation on the additional value due to revaluation has been charged to the Revaluation Reserve account.

7) Impairment of Assets:

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. The recoverable amount of such assets is estimated. Where the carrying amount of the asset exceeds the recoverable amount, the impairment loss is recognized in the profit and loss account.

8) Investments:

Long term Investments are stated at cost. Provision, if any, is made for permanent diminution in the value of investments. Current investments are stated at lower of cost or market value.

9) Inventories:

Inventories have been valued as under:

i) Raw materials, stores and spares and traded goods have been valued at cost. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.

ii) Due allowance is made for slow / non moving items, based on Management estimates.

iii) Finished goods and work-in-progress have been valued at cost or net realizable value whichever is lower. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

iv) Excise duty on closing stock of finished goods has been provided in the accounts and considered for valuation of closing stock. A corresponding liability is created for the same amount.

10) Leases:

Where the Company is the Lessee :

Operating Lease

Lease rentals in respect of assets taken on operating lease are charged to the profit and loss account.

Finance Lease

Assets acquired on finance lease which transfer risk and rewards of ownership to the Company are capitalized as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments. Amortization of the capitalized leased assets is computed on the straight line method over the primary lease period. Lease rentals payable is apportioned between principal and finance charges. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

11) Sales Tax Deferment Loan:

The Sales tax collected on domestic sales of Company's products from eligible units is treated as interest free sales tax loan from Govt. of A P in accordance with the State Govt. incentive Scheme.

12) Employee Benefits:

a) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and short term compensated absences etc. are recognized in the period in which the employee renders the related service.

b) Post Employment Benefits

Defined Contribution Plan

The Company makes contribution in respect of selected employees to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

Defined Benefit Plans

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method. Actuarial gains / losses are immediately recognized in the Profit and Loss Account.

In respect of Provident Fund and Pension Fund, Contributions are made by the Company in accordance with the relevant rules and fully charged off to Profit and Loss Account.

The company provides for leave encashment based on valuations, as at the balance sheet date, made by independent actuaries.

13) Foreign Exchange Transactions:

All the foreign exchange transactions entered into during the current period are accounted at the exchange rate prevailing on the date of contract / documentation. Foreign Exchange fluctuations on transactions entered into during the period and received / paid during the period are accounted in the current financial year. The outstanding accounts in foreign currency are restated at the end of the year at the foreign currency rate prevailing on that date and any fluctuation on the same is recognized and accounted at the end of the period.

14) Miscellaneous Expenditure:

Preliminary and issue expenses, deferred revenue expenditure and R & D Expenditure have been written off over a period of 10 years.

15) Taxes on Income:

Income tax liability for the year is calculated in accordance with the relevant tax laws and regulations applicable to the Company.

Deferred tax is recognized on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

16) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

II. NOTES ON ACCOUNTS

(Amounts expressed in Indian Rupees & in lacs unless otherwise stated).

1. Contingent Liabilities: *(Rs. in lacs)*

		As at 31.03.2011	As at 31.03.2010
i)	Bank Guarantees given by Banks	292.3	292.3
ii)	Corporate Guarantee given for Loans taken by subsidiary	8952.0	6100.0
iii)	Claims by Customs & Sales Tax	437.4	437.4
iv)	Estimated amount of Contracts remaining to be executed on Capital account and not Provided for (net of advances)	3104.7	481.4

2. Preference Shares Series B:

(a) 1,66,49,119 number of Cumulative Redeemable Preference Shares of Rs. 5/- each fully paid up and carrying 0.01% rate of interest are redeemable at par in three equal annual installments of Rs. 1.66, Rs. 1.67 and Rs. 1.67 per share respectively commencing from the year 2013 – 14 and ending in the year 2015 – 16.

(b) 9,04,180 number of Cumulative Redeemable Preference Shares of Rs. 5/- each issued to I F C I on conversion of Funded Interest Term Loans and carrying interest rate of 0.01% are redeemable at par in 10 quarterly installments from 01.10.2013 to 01.01.2016.

(c) Dividend has been provided on the cumulative preference shares for the year 2010–11.

3. Secured Loans:

a) Term Loans by Axis Bank and IFCI Limited are secured by joint equitable mortgage by deposit of title deeds of all immovable properties and first charge by way of hypothecation of all movable properties both present and future.

b) Working Capital facilities sanctioned by State Bank of India, Axis Bank and State Bank of Patiala are secured by hypothecation of raw materials, stock in process, finished goods, stores and spares and book debts both present and future. These are further secured by way of second charge on the fixed assets of the Company.

c) The above loans as mentioned in (a) and (b) are guaranteed by a director of the company in his personal capacity.

4. Corporate Guarantee:

Corporate guarantee to the tune of Rs. 8952 lacs has been given to State Bank of India for Term Loans and Working Capital loans taken by its subsidiary M/s Pennar Engineered Building Systems Ltd (PEBSL). The company also provided a collateral security, a lien on fixed deposit of Rs. 200 lacs and pledge of shares of Pennar Engineered Building Systems Ltd to the extent of 61,50,000 shares amounting to Rs. 615 lacs.

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

5. The details of the disputed dues to Customs & Sales Tax are given below:

Sl no	Nature of the Statute	Nature of the dues	Forum where dispute is pending	Amount (Rs. in lacs)
1	Customs Act, 1962	Customs duty & Interest	The Commissioner of Customs (Exports)	62.3
2	Customs Act, 1962	Interest on Customs duty paid	The Commissioner of Customs (Appeals)	44.7
3	Customs Act, 1962	Customs duty & Interest	The Supreme Court of India	165.1
4	AP VAT Act	Entry Tax on Cix	The Supreme Court of India	218.6
Total				490.7

Of the disputed due amount of Rs. 218.6 lacs against Entry Tax on Cix, an amount of Rs. 53.3 lacs has been deposited. The unpaid amount is Rs. 165.3 lacs.

6. Dues to Micro, Small and Medium Enterprises

The amount due to Micro, Small and Medium Enterprises as defined in the " The Micro, Small and Medium Enterprises Development Act, 2006 " has been determined to the extent such parties have been identified on the basis of information available with the company.

The disclosures relating to Micro, Small and Medium Enterprises as on 31.03.2011 are as under –

S.No	Description	Year Ending on 31.03.2011	31.03.2010
1.	The principal amount remaining unpaid to suppliers as at the end of the year (included in item "a" Sundry Creditors Schedule 11)	–	–
2.	Interest due thereon remaining unpaid to the Supplier as at the end of the year	–	–
3.	The amount of interest paid in terms of Section 16 along with the payment made to the supplier beyond the appointed day during 2010 – 11	–	–
4.	Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.	–	–
5.	Interest accrued during the year and remaining Unpaid at the end of the accounting year (included in item "b" Other Liabilities Schedule 11)	–	–

7. Particulars of Managerial Remuneration

(Rs. in lacs)

Particulars	2010 - 11	2009 - 10
Directors Salaries & Allowances	132.4	75.0
Provident Fund & Superannuation	25.9	16.2
Other Perquisites	33.7	27.7
Commission	385.6	87.7
Total	577.6	206.6

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
Computation of net profits in accordance with Sections 198 & 309 (5) of the Companies Act, 1956 and commission payable to directors:		
Net Profit before tax	11269.7	8567.4
Add: Directors' Remuneration	195.0	118.9
Directors' Commission	385.6	87.8
Loss on Sale of Assets	13.5	–
Directors' Sitting Fees	2.0	1.4
Net Profit for Section 349 of the Companies Act, 1956	11865.8	8775.5

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
Commission payable		
Net Profit as above	11865.8	8775.4
Commission		
Executive Chairman @ 1.5% (previous year 1%)	178.0	87.8
Managing Director @ 1.0% (previous year nil)	118.7	–
Director – Projects @ 0.75% (previous year nil)	88.9	–
Total	385.6	87.8
Maximum Remuneration payable to whole time directors @ 10%	1186.6	877.6
Total remuneration restricted to	577.6	206.4

8. Auditors' Remuneration: (Excluding Service Tax)

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
Audit Fees	15.0	12.5
Tax Audit Fees	2.0	2.0
Certification & others	1.0	0.5
	18.0	15.0

9. Related Party Disclosures:

a) Names of Related Parties

i) Associate Companies
: Pennar Engineered Building Systems Limited
: Pennar Chemical Limited
: Pennar Aluminium Company Limited
: Saven Technologies Limited
: Pennar Building Systems Pvt Limited (Subsidiary of Pennar Engineered Building Systems Limited)
: Pennar Logistics Limited

ii) Key Management personnel
: Mr. Nrupender Rao
: Mr. Ch. Anantha Reddy
: Mr Aditya N Rao

iii) Relatives of Key Management Personnel
: Mrs J Rajya Lakshmi
: Mrs. Ch.Prabha

b) Aggregated related party transactions

(Rs. in lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Associate Companies		
Purchases made during the Year	753.5	269.2
Sales during the Year	986.4	1245.2
Other Services received	30.1	53.9
Other Services rendered	–	38.6
Closing Balance	788.8	123.3
Key Management Personnel		
Remuneration	566.8	199.4
Rent	10.8	7.2
Relatives of Key Management Personnel		
Rent	15.0	15.0
Other Services received	3.0	3.1

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

10. Finance Lease:

With regard to the finance lease entered into by the company, in respect of computer accessories, the minimum lease rentals outstanding is detailed below :

(Rs. in lacs)

	Total Minimum Lease Rentals Outstanding as on 31.03.2011	Future Interest on Outstanding Lease Payments as on 31.03.2011	Present Value of MLPs as on 31.03.2011
Within one year	Nil (15.3)	Nil (0.8)	Nil (14.5)
Later than one year but not more than 5 years	Nil (Nil)	Nil (Nil)	Nil (Nil)
Total	**Nil (15.3)**	**Nil (0.8)**	**Nil (14.5)**

Previous Year's figures are given in brackets.

11. Additional information pursuant to the provision of paragraphs 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956.

		Year ended 31.03.2011	Year ended 31.03.2010
a)	Licenced capacity:	Delicensed	Delicensed
b)	Installed capacity (as certified by the Management)		
	(i) Cold Rolled Steel Strips (Tonnes per annum)	110,000	110,000
	(ii) Cold Formed Metal Profiles & Pressed Components (Tonnes per annum)	113,000	105,000

		As on 31.03.2011		As on 31.03.2010	
		Quantity (Tonnes)	Value (Rs. lacs)	Quantity (Tonnes)	Value (Rs. lacs)
c)	Opening Stock of Finished Goods				
	(i) Cold Rolled Steel Strips	818	365.4	233	86.0
	(ii) Cold Formed Metal Profiles	1,976	1,502.8	410	174.7
		2,794	**1,868.2**	**643**	**260.7**
d)	Closing Stock of Finished Goods				
	(i) Cold Rolled Steel Strips	395	199.2	818	365.4
	(ii) Cold Formed Metal Profiles	2,458	1,641.8	1,976	1,502.8
		2,853	**1,841.0**	**2,794**	**1,868.2**

e) Production (Tonnes)

	Year ended 31.03.2011	Year ended 31.03.2010
(i) Cold Rolled Steel Strips	1,27,174	1,03,749
{Including captive consumption of 61,124 tonnes and jobwork of 1557 tonnes for Press Shop and Cold Formed Metal Profiles (Previous period 51,127 mt & 2002 mt respectively)}		
(ii) Cold Formed Metal Profiles and Pressed Components {including jobwork of 3457 tonnes (Previous period 1756 tonnes)}	98,623	86,760

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

		As on 31.03.2011		As on 31.03.2010	
		Quantity (Tonnes)	Value (Rs. lacs)	Quantity (Tonnes)	Value (Rs. lacs)
f)	Sales				
	i) Cold Rolled Steel Strips	64916	29769.1	50035	19269.0
	ii) Cold Formed Metal Profiles and Pressed Components	94684	71884.4	83438	54319.9
	iii) Transit Sale	1998	765.7	–	–
	iv) Product Scrap	–	3802.1	–	2413.4
	v) Conversion	–	988.1	–	1127.0
			107209.4		77129.3
g)	Raw Materials consumed	179,784	77547.8	152700	57591.0
h)	Raw Materials consumed	%		%	
	Imported	0.03	24.0	0.05	28.3
	Indigenous	99.97	77523.8	99.95	57562.7
		100.00	77547.8	100.00	57591.0

12. Employee Benefits under defined Benefit Plans

a) Gratuity

Actuarial data on Defined Benefit Plans :

(Rs. in lacs)

	31.03.2011
Change in present value of obligations :	
Present Value of Obligation at the beginning of the Year	345.0
Current Service Cost	34.7
Interest Cost	27.4
Actuarial (Gains) / Losses	(25.8)
Benefits paid	(4.2)
Present Value of Obligation at the end of the Year	377.1
Change in fair value of Plan Assets	
Fair Value of Plan Assets as at the beginning of the Year	146.2
Expected Return on Plan Assets	23.5
Employer's Contribution	218.9
Benefits Paid	(4.2)
Actuarial Gains	(5.0)
Fair Value of Plan Assets as at the end of the Year	379.4
Amounts Recognised in the Balance Sheet	
Present Value of Obligation at the end of the Year	377.1
Fair Value of Plan Assets as at the end of the Year	379.4
Funded Status	2.3
Net Asset (Liability) recognised in the Balance Sheet	2.3
Expense recognized in the P & L A/c	
Current Service Cost	34.7
Interest Cost	27.5

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

12. Employee Benefits under defined Benefit Plans

a) Gratuity

Actuarial data on Defined Benefit Plans : (Contd.) *(Rs. in lacs)*

	31.03.2011
Expected Return on Plan Assets	(23.5)
Net Actuarial (Gains)/Losses Recognised in the Year	(20.8)
Net Cost Recognised in the Profit & Loss Account	17.9
Assumptions	
Discount Rate	8%
Future Salary Increase	3%
Expected Rate of Return on Plan Assets	9.25%

b) Long Term Compensated Absences

During the year, an amount of Rs. 28.56 lacs has been provided towards Long Term Compensated Absences. The assumptions used for computing the long term accumulated compensated absences on actuarial basis are as follows -

(Rs. in lacs)

	31.03.2011
Assumptions for Actuarial Valuation	
Discount Rate	8%
Future Salary Increase	4%
Attrition Rate (Depending on Age)	1 – 3 %

c) Bonus

Salaries & Wages accounted during the year includes an amount of Rs. 21.21 lacs paid towards bonus for the previous year.

13. Segment Details

The company is engaged in manufacture of steel products, viz Cold Rolled Steel Strips (CRSS) and Cold Formed Metal Profiles which in the context of Accounting Standard -17 issued by the Institute of Chartered Accountants of India is considered as a single segment.

14. Foreign Currency Transactions *(Rs. in lacs)*

Sl No	Particulars	Year ended 31.03.2011	Year ended 31.03.2010
(a)	Outflow in foreign currency		
	i) Foreign Travel Expenses	15.6	7.3
	ii) Raw Material	20.9	19.6
	iii) Capital Equipment & Components	339.5	129.2
(b)	Inflow in foreign currency		
	i) FOB value of exports	30.9	85.1

15. Deferred Tax Liability *(Rs. in lacs)*

	31.03.2011	31.03.2010
a. Deferred Tax Liability		
On a/c of Depreciation	577.8	1272.0
Net Deferred Tax Liability	577.8	1272.0

Schedules forming part of the Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

16. Unsecured Loans

a. Fixed Deposits

During the year the company has paid the outstanding fixed deposits and the balance amount outstanding as on 31.03.2011 is nil.

b. Sales Tax Deferment Loan

During the year, the Company has availed an amount of Rs.214.8 lacs under sales tax deferment Scheme and the sales tax deferment availed till the current accounting period is due for repayment as under.

Sl. No.	Year of repayment	Rs. in lacs
1	2011-12	77.9
2	2012-13	76.9
3	2013-14	26.7
4	2018-19	258.4
5	2019-20	374.8
6	2020-21	392.7
7	2021-22	430.5
8	2022-23	297.6
9	2023-24	335.3
10	2024-25	214.8
	Total	**2485.6**

17. Earnings per Share

	31.03.2011	31.03.2010
1. Net Profit for basic EPS (Rs. In lacs)	6946.2	5007.0
2. Weighted Average No. of Shares	12,20,24,000	12,50,98,565
3. Annualised Basic Earnings per Share (Rs.)	5.7	4.0

18. Raw materials purchases includes carriage inwards of Rs. 138.0 lacs (previous year Rs. 69.3 lacs), material handling charges and clearing & forwarding charges of Rs. 38.9 lacs (previous year Rs. 37.1 lacs).

19. Confirmations are to be received in respect of amounts relating to some Debtors, Creditors and Loans & Advances.

20. The sundry debtors above 180 days receivables of Rs. 126.5 lacs (previous year Rs. 77.4 lacs) are from customers on whom legal action has been initiated.

21. Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest lacs with single decimal.

Signatures to Schedules 1 to 19

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

Ravi Rambabu
Partner
Membership No. 18541

Place : Hyderabad
Date : July 25, 2011

R Ravi
V.P. Finance and Company Secretary

For and on behalf of the Board
Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 20, 2011

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956, relating to Subsidiary Company

1.	Name of the Subsidiary Company	Pennar Engineered Building Systems Limited
2.	Financial year of the Subsidiary ended on	March 31, 2011
3.	Shares of Subsidiary Company held on the above date and extent of holding	
	i) Number of shares held	1,85,00,000
	ii) Extent of holding	74%
4.	Net aggregate amount of profits / (losses) of the Subsidiary for the above financial year so far as they concern members of Pennar Industries Limited:	
	i) dealt with in the Accounts of Pennar Industries Limited	NIL
	ii) not dealt with in the Accounts of Pennar Industries Limited	Rs. 650.3 lacs
5.	Net aggregate amount of profits / (losses) for previous financial years of the Subsidiary so far as they concern members of Pennar Industries Limited:	
	i) dealt with in the Accounts of Pennar Industries Limited	NIL
	ii) not dealt with in the Accounts of Pennar Industries Limited	Rs. 21.5 lacs

For and on behalf of the Board

Nrupender Rao	Ch. Anantha Reddy	Aditya N Rao	R Ravi
Chairman	*Managing Director*	*Director - Projects*	*V.P. Finance & Company Secretary*

Place : Hyderabad
Date : July 20, 2011

Additional information as required under Part-IV of Schedule VI to the Companies Act, 1956

Balance sheet abstract and Company's general business profile

I. Registration details

Registration numbers	1919	State Code	01
Balance Sheet Date	31 03 2011		

II. Capital raised during the year *(Rs. in thousands)*

Public issue	NIL	Rights issue	NIL
Bonus issue	NIL	Private placement	NIL

III. Position of Mobilisation and deployment of Funds *(Rs. in thousands)*

Total liabilities		Total assets	
Source of funds		Application of funds	
Paid-up capital	697886	Net fixed assets	1623435
Reserves and surplus	1947611	Investments	185027
Secured loans	933225	Net current assets	2117279
Unsecured loans	248562	Deferred tax asset	NIL
Deferred tax liability	98457	Miscellaneous Expenditure	NIL
Total	3925741	Total	3925741

IV. Performance of the Company *(Rs. in thousands)*

Net sales turnover (including other income)	10720940	Total expenditure	9393971
Profit / (loss) before tax	1126969	Deferred tax / fringe benefit tax / MAT	432344
Profit / (loss) after tax	694625	Earnings per share in Rs.	5.69
Dividend (%)			
Preference share	0.01%		
Equity share	25%		

V. Generic names of three principal products / services of Company *(as per monetary terms)*

Item code numbers (ITC Code)	Product description
72112350	Flat rolled products of width less than 600 mm
86079910	Parts of railways – Coach works of railway running stock
72165000	Other angles, shapes and sections, not further worked then hot-rolled, hot-drawn or extruded

Subsidiary accounts

(Pennar Engineered Building Systems Limited)

Corporate information

Board of Directors

Shri Nrupender Rao *(Executive Chairman)*

Shri A Krishna Rao

Shri Vijay Chandra Puljal

Shri Aditya Rao *(Director)*

Shri Manish Sabharwal *(Additional Director)*

Shri P Venkateswara Rao *(Executive Director)*

Chief Financial Officer

Shri D S Rishi N Murthy

Auditors

M/s Deloittee Haskins & Sells

Chartered Accountants,
1-8-384 & 385, 3rd Floor,
Gowra Grand,
S P Road, Begumpet,
Hyderabad - 500 003

Bankers

State Bank of India

Registered office

9th Floor, DHFLVC Silicon Towers
Madhapur Road,
Kondapur
Hyderabad - 500 084,India

Plant

Sy No 144, 145, Ankenpalli,
Chandrapur Village,
Sadashivpet,
Medak District, Andhra Pradesh

Directors' Report

Dear members

The directors are pleased to present the Annual Report along with the audited accounts for the year ended 31st March, 2011.

Financial results

The performance of the Company for the period under review is summarized below:

Particulars	Year ended March 31, 2011
Gross Sales	16586.58 lacs
Profit before Interest, Depreciation and Tax (EBIDTA)	1680.05 lacs
Profit before Tax (PBT)	967.89 lacs
Current Tax and Deferred Tax	317.55 lacs
Profit after tax (PAT)	650.34 lacs

Performance:

The company recorded sales of Rs.165 Crores during the financial year ending 31st march 2011.The value of the orders secured to date is in excess of Rs. 400 crores and order have been obtained from reputed customers across a wide number of sectors viz. Ultratech Cements, Dr. Reddy's Labs, Proctor and Gamble, My Home Cements, L&T, Godrej & Boyce, Schneider Electric, Bosch, ABB, ACCIL, HCC, Thermax, Indian Logistics etc. The company has also exported its products to Tanzania, Angola and Zambia in Africa.

With a strong team and excellent credentials, PEBS Pennar has bagged some of the most prestigious and complex projects in the country such as the 99 m (o/o) clear span building for Ultratech Cements Ltd, one of the first in the country with such a large clar span and the G+5 building for Bharat Biotech International Ltd. PEBS Pennar has also ventured into structural steel with orders from companies like Hindustan Construction Company for Aditya Birla Smelter Plant in Orissa. These projects stand as a testimony to PEBS Pennar's capabilities and core competencies.

The projects executed by the Company have been well accepted by the customers and the Company is confident of future growth in the first 12months operating period from April2011 to March 2012.

The Company has become a member of the Indian Green Building Council. Due to various factors such as inherent design optimization, special reflective roof panel coatings, decreased raw material usage and other factors the Company can offer LEED points under the Green Building Council's LEED© 2.0 rating system. The Company intends to offer turn-key green building solutions to our customers.

ISO 9001-2008 was obtained within six months from the start of implementation.

FM Approval – A quality approval system for Double Lok® roofing system was obtained.

IGBC Gold Rating – Indian Green Building Congress has audited our factory and awarded Gold Rating. Ours is the first factory in India to be rated under Gold category

Expansion:

The Company completed the expansion of capacity at Sadashivpet plant to 60,000MT. The company is in the process of extending the sales network all over India.

Future Outlook:

The Indian economy has experienced a decade of unprecedented growth. Current macro-economic indicators suggest that the impact of the global economic recession of 2008-2009 notwithstanding, several of the core sectors such as infrastructure, industry and logistics are poised to achieve high rates of growth over the next decade. Thus, the Company expects to see a continuing rise in the demand for pre-engineered building systems in India.

Credit Rating:

The Company has received a rating of 'CARE A (SO)', from Credit Analysis and Research Ltd. As per this rating, the long term bank facilities are considered to offer adequate safety for timely servicing of debt obligations and carry low credit risk.

Industrial Relations:

Industrial relations between the management and the employees were cordial for the period under review.

Directors:

Mr. PV Rao was appointed as the Executive Director with effect from 26th May 2010 with the consent of the members at the Annual general meeting held on July 1, 2010.

Mr. Manish Sabharwal was appointed as Additional Director with effect from 09th October 2010 and would hold office up to the conclusion of the ensuing Annual General Meeting. It is proposed to appoint Mr. Manish Sabharwal as the Company's Directors.

Mr. Aditya Rao and Mr. A K Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment

Dividend:

In order to conserve resources, the directors are decided not to recommend any equity dividend for the year under review.

Auditors:

M/s.Deloitte, Haskins & Sells are statutory auditors for the Company who retire at this Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if reappointed.

Director's Responsibility Statement:

The Board confirmed that all applicable accounting standards, norms, policies, have been followed in preparation of accounts for the year ended 31st March 2011. The Board has applied accounting policy consistently and made judgments and estimates which are reasonable and prudent and consequently give a true and fair view of the state of affairs of the company and of the business revenue and profit for this period. Care has been taken in maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1965 for safeguarding the assets of the company. The company has taken adequate measures to detect fraud and any other irregularities.

Personnel:

Your Directors place on record, their sincere appreciation for the Company's employees whose dedication and commitment is responsible for the Company's timely completion of the project.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in Annexure-I to the Director's Report.

The Directors would like to express their appreciation to State Bank of India – IFB, Pennar Industries Limited, our suppliers, customers, and all stakeholders of the Company for the invaluable service extended to the Company during the year under review.

For and on behalf of the Board

Place: Hyderabad
Date: July 19, 2011

Nrupender Rao
Chairman

Annexure I

Particulars of Employees – Information u/s. 217(2A)

Employee Name	Mr. P.V Rao
Designation	Executive Director
Age (Years)	52
Qualification	Civil Engineering
Experience (Yrs)	29
Remuneration (Rs.)	60,00,000
Date of Commencement of Employment	24/01/2008
Details of Last Employment	Chief Operating Officer – Tata Blue Scope

Pennar Engineered Building Systems Ltd

Form A

Particulars	April 1, 2010 to March 31, 2011
A. Power and Fuel consumption	
1. Electricity	
a. Purchased Units	1126045
Total Amount (Rs.)	53,24,226
Rate Per Units (Rs.)	4.73
b. Own Generation	
500 KVA units (KWH)	76860
Units per litre of diesel oil	0.340059849
Cost of Diesel per KWH (Rs.)	13.6
2. Diesel Oil	
Quantity (KL)	26,137
Total amount (Rs.)	10,45,480
Average Rate (Rs.)	40
B. Consumption Per Unit of Production	
Production	18020
Electricity (KWH) / MT	62.5
Diesel (ltrs) / MT	1.5
C. Solar Power Generation (units generated since commissioning in Sept'2010)	**20019**

Auditors' Report

To
The Members
Pennar Engineered Building Systems Limited
Hyderabad

1. We have audited the attached Balance Sheet of PENNAR ENGINEERED BUILDING SYSTEMS LIMITED ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows :
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books ;
   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
   (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011.
      (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells,
Chartered Accountants
Registration No. 008072S

Ganesh Balakrishnan
Partner
Membership No: 201193

Place : Hyderabad
Date : 19th July, 2011

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

Having regard to the nature of the Company's business / activities / result, clauses (vi), (vii),(x), (xii), (xiii), (xiv), (xv), (xix) and (xx) of CARO are not applicable.

(i) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) Some of the fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification, which, in our opinion, provides for physical verification of major fixed assets at reasonable intervals having regard to the size of the Company and nature of its assets. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) In respect of its inventory:

(a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.

(b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.

(v) In respect of contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1 956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the register maintained under the said Section have been so entered.

(b) Where each of such transaction is in excess of Rs. 5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard

Annexure to the Auditors' Report (Contd.)

to the prevailing market prices at the relevant time except in respect of certain purchases and job works for which comparable quotations are not available and in respect of which we are unable to comment.

(vi) In our opinion, the internal audit functions carried out during the year by a Company appointed by the management have been commensurate with the size of the Company and the nature of its business.

(vii) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Employee's State Insurance, Income-tax, Sales Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.

(c) No disputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty and cess as at March 31, 2011.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.

(ix) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

(x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.

(xi) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prima facie prejudicial to the interests of the Company.

(xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells,
Chartered Accountants
Registration No. 008072S

Ganesh Balakrishnan
Partner
Membership No: 201193

Place : Hyderabad
Date : 19th July, 2011

Balance Sheet As at 31st March 2011

(Rs. in '000)

Particulars	Schedule No	As at 31.03.2011	As at 31.03.2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	250,000	250,000
Reserves & Surplus	2	67,181	2,147
Loan Funds			
Secured Loans	3	568,959	431,858
Unsecured Loans	4	2,500	2,500
Deferred Tax Liability (net) (Refer note 9 of Schedule 18)		19,920	767
Total		908,560	687,272
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		506,348	409,501
Less : Depreciation & Amortisation		24,376	4,579
Net Block		481,972	404,922
Capital Work in Progress		2,761	989
(Includes Capital Advance of Rs. Nil 31.03.2010 - Rs. 89)		484,733	405,911
Current Assets, Loans & Advances			
Inventories	6	441,925	149,025
Sundry Debtors	7	256,744	71,154
Cash & Bank Balances	8	54,196	69,233
Loans & Advances	9	68,257	132,682
		821,122	422,094
Less : Current Liabilities & Provisions	10		
Liabilities		383,647	139,468
Provisions		13,648	1,265
		397,295	140,733
Net Current Assets		423,827	281,361
Total		908,560	687,272
Significant Accounting Policies & Notes on Accounts	17 & 18		
Schedules 1 to 18 annexed form part of accounts			

As per our report of even date attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Nrupender Rao
Chairman

P V Rao
Executive Director

Ganesh Balakrishnan
Partner

D S Rishi N Murthy
Chief Financial Officer

Aditya N Rao
Director

Place : Hyderabad
Date : July 19, 2011

Place : Hyderabad
Date : July 19, 2011

Profit & Loss Account For the year ended 31st March 2011

(Rs. in '000)

Particulars	Schedule No	Year Ended 31.03.2011	Year Ended 31.03.2010
INCOME			
Sales			
Domestic Sales		1,585,571	270,098
Export Sales		73,087	70,348
		1,658,658	340,446
Less : Excise Duty		150,096	22,666
Less : Sales Tax		47,369	8,630
Net Sales		**1,461,193**	**309,150**
Other Income	11	16,778	950
Total Income		**1,477,971**	**310,100**
EXPENDITURE			
Material Consumption	12	789,519	144,618
Personnel Costs	13	98,357	53,232
Other Manufacturing costs	14	277,381	50,601
Administrative & Selling Expenses	15	127,931	37,391
Financing Costs	16	67,905	16,198
Depreciation	5	20,089	4,615
		1,381,182	306,655
Profit before Tax		**96,789**	**3,445**
Taxes			
Current Tax		19,419	531
Deferred Tax		19,153	767
MAT Credit Entitlement		(6,817)	-
Profit after Tax		**65,034**	**2,147**
Profit brought Forward		**2,147**	**-**
Profit carried to Balance Sheet		**67,181**	**2,147**
Earnings per Share (Face Value Rs.10 each)			
- Basic & Diluted (Refer note 10 of Schedule 18)		2.60	0.16
Significant Accounting Policies & Notes on Accounts	17 & 18		
Schedules 1 to 18 annexed form part of accounts			

As per our report of even date attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : July 19, 2011

Nrupender Rao
Chairman

P V Rao
Executive Director

D S Rishi N Murthy
Chief Financial Officer

Aditya N Rao
Director

Place : Hyderabad
Date : July 19, 2011

Cash Flow Statement For the year ended 31st March 2011

(Rs. in '000)

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
Cash Flow from operating activities :		
Profit before Tax	96,789	3,446
Add : Depreciation & Amortisation	20,089	4,615
Interest expense	67,905	16,198
Loss on sale of Asset (net)	582	-
Provision for Bad debts	236	-
Less : Interest earned	(1,290)	(146)
Profit on sale of Assets (net)	-	(137)
Advance written back	(511)	-
Operating Profit before working capital changes	183,800	23,976
Adjustments for :		
Trade and other receivables	(185,826)	(71,154)
Inventories	(292,900)	(149,024)
Loans and Advances	69,817	(129,146)
Trade payables	244,007	132,028
Cash generated from operations	18,898	(193,320)
Less : Taxes paid	(8,347)	(284)
Net Cash from operating activities " A "	10,551	(193,604)
Net Cash from Investing activities :		
(Purchase) of fixed assets	(97,818)	(301,410)
Proceeds from Fixed Assets	590	-
Interest received	1,059	145
Net cash used in investing activities " B "	(96,169)	(301,265)
Cash Flow from financing activities		
Share Capital	-	143,300
Proceeds from short term borrowings (net)	157,101	2,500
Repayment of long term borrowings	(20,000)	428,711
Interest paid	(66,520)	(13,051)
Net Cash from financing activities " C "	70,581	561,460
Net (Decrease) / Increase in Cash and		
Cash Equivalents (A + B + C)	(15,037)	66,591
Cash and Cash Equivalents at the beginning	69,233	2,642
Cash and Cash Equivalents at the end *	54,196	69,233

* Includes restricted balance of Rs.26,616 as at 31.03.2011 (31.03.2010 Rs. 6,956)

As per our report of even date attached

For and on behalf of the Board of Directors

For Deloitte Haskins & Sells
Chartered Accountants

Ganesh Balakrishnan
Partner

Place : Hyderabad
Date : July 19, 2011

Nrupender Rao
Chairman

P V Rao
Executive Director

D S Rishi N Murthy
Chief Financial Officer

Aditya N Rao
Director

Place : Hyderabad
Date : July 19, 2011

Schedules forming part of the Balance Sheet

(Rs. in '000)

		As at 31.03.2011	As at 31.03.2010
SCHEDULE 1	**SHARE CAPITAL**		
AUTHORISED			
2,55,00,000	Equity Shares of Rs. 10/- each (31.03.2010 - 2,55,00,000 equity shares of Rs. 10/- each)	255,000	255,000
ISSUED, SUBSCRIBED & PAID UP			
2,50,00,000	Equity Shares of Rs. 10/- each (31.03.2010 - 2,50,00,000 equity shares of Rs. 10/- each)	250,000	250,000
(of the above 1,85,00,000 (Previous year: 1,85,00,000) equity shares are held by the holding company Pennar Industries Limited)			

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 2 RESERVES & SURPLUS		
Profit & Loss Account	67,181	2,147
	67,181	2,147

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 3 SECURED LOANS		
From Banks (Refer note 2 of Schedule 17		
Working Capital Loan	297,881	138,711
Term Loan	270,000	293,147
(Repayable within one year Rs.50,000)(31.03.2010-Rs.20,000)		
Vehicle Loan	1,078	–
(Repayable within one year Rs.208)(31.03.2010-Rs.Nil)		
	568,959	431,858

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 4 UNSECURED LOANS		
Loan from Eight Finance Private Limited (Repayable within one year Rs.2,500)(31.03.2010-Nil)	2,500	2,500
	2,500	2,500

SCHEDULE 5 FIXED ASSETS

Asset Group	Gross Block (At Cost)				Depreciation & Amortisation				Net Book Value	
	01.04.2010	Additions	Deletions	31.03.2011	01.04.2010	For the year	Deletions	31.03.2011	31.03.2011	31.03.2010
Tangible Assets										
Land	14,289	-	-	14,289	-	-	-	-	14,289	14,289
Buildings										
Factory	176,878	38,426	-	215,304	16	5,956	-	5,972	209,332	176,862
Others	4,371	3,831	-	8,202	18	117	-	135	8,067	4,353
Plant & Machinery	165,072	37,690	-	202,762	1,978	8,146	-	10,124	192,638	163,094
Electricals	-	9,558	-	9,558	-	48		48	9,510	-
Computers	14,291	3,321	-	17,612	953	2,583	-	3,536	14,076	13,338
Office Equipments	5,282	1,052	-	6,334	181	307	-	488	5,846	5,101
Furniture	14,302	1,582	-	15,884	863	1,379	-	2,242	13,642	13,439
Vehicles	1,466	1,559	1,466	1,559	238	142	294	86	1,473	1,228
Intangible Assets										
Licence Fee	13,552	1,292	-	14,844	334	1,411	-	1,745	13,099	13,218
	409,503	**98,311**	**1,466**	**506,348**	**4,581**	**20,089**	**294**	**24,376**	**481,972**	**404,922**
Previous Year	24,757	390,790	6,046	409,501	-	4,615	36	4,579	404,922	-

Schedules forming part of the Balance Sheet

(Rs. in '000)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 6 INVENTORIES (At lower of cost and net realisable value)		
Stores & Spares	35,704	15,802
Raw Material	251,827	82,074
Scrap	1,125	1,940
Work in Process	83,419	6,801
Finished Goods	69,850	42,408
	441,925	149,025

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 7 SUNDRY DEBTORS * (Unsecured)**		
Debts Outstanding for a period exceeding six months		
(a) Considered good *	43,249	-
(b) Considered doubtful	236	-
Others debts		
(a) Considered good **	211,311	71,154
	254,796	71,154
Less : Provision for Doubtful Debts	(236)	-
Un-billed Revenue	2184	-
	256,744	71,154

* Includes amount due from:
Pennar Industries Limited- the Holding Company Rs.931 (31.03.2010 Rs. Nil)

** Includes amount due from:
Pennar Industries Limited- the Holding Company Rs.354 (31.03.2010 Rs. 9,375)

*** Includes Rs.419 (31.03.2010 -Rs.Nil) which in accordance with the terms of the contract were not due for payment

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 8 CASH AND BANK BALANCES		
Cash in hand	14	28
Balances with scheduled banks		
In Current Accounts	27,566	62,249
In Margin Money Accounts *	26,616	6,956
* Includes restricted balance of Rs.26,616 as at 31.03.2011 (31.03.2010 Rs. 6,956)		
	54,196	69,233

Schedules forming part of the Balance Sheet

(Rs. in '000)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 9 LOANS & ADVANCES		
(Unsecured, considered good, recoverable in cash or in kind for value to be received)		
Advances to Suppliers & Others *	15,962	89,704
Deposits	9,407	4,803
Tax Deducted at Source (net of Provision for Tax - Rs. Nil) (31.03.2010 - Rs.532)	-	1,657
Balances with Excise & Sales Tax	33,548	35,065
Prepaid Expenses	2,212	1,374
MAT credit	6,817	-
Interest accrued on deposits	311	79
	68,257	132,682

* Includes amount due from Pennar Industries Limited- the Holding Company Rs.72 (31.03.2010 -Rs. Nil)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 10 CURRENT LIABILITIES & PROVISIONS		
Liabilities		
Sundry Creditors		
Dues to Small & Medium Enterprises	5,740	455
Others	151,926	45,427
Sundry Creditors for capital goods	3,976	1,710
Advances from Customers	164,462	73,377
Retention Money & Deposits	5,997	5,390
Short Term Compensated Absences	3,836	2,315
Other Liabilities	47,404	10,792
Interest accrued but not due on Loans	306	2
	383,647	139,468
Provisions		
Provision for Income Tax (Net of Advance Tax Rs.10,536)	10,496	-
Employee Benefits	3,152	1,265
	13,648	1,265
	397,295	140,733

Schedules forming part of the Profit and Loss Account

(Rs. in '000)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 11 OTHER INCOME		
Miscellaneous Income	14,977	667
Interest Income {inclusive of TDS of Rs.129 (previous year - Rs. 6)}	1,290	146
Profit on Sale of Assets	–	137
Advance written back	511	–
	16,778	950

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 12 MATERIAL CONSUMPTION		
Raw Material consumed		
Opening Stocks	82,074	-
Purchases	1,071,879	280,633
	1,153,953	280,633
Less: Material consumption capitalised	(9,362)	(2,792)
	1,144,591	277,841
Less : Closing Stocks	(251,827)	(82,074)
Raw Material consumed	892,764	195,767
(Increase) in Stocks (other than raw material)		
Opening Stocks		
Work in Progress	6,801	-
Finished Goods	38,261	-
Scrap	1,940	-
	47,002	-
Closing Stock		
Work in Process	83,419	6,801
Finished Goods	65,985	38,261
Scrap	1,020	1,940
	150,424	47,002
(Increase) / decrease in Stocks	(103,422)	(47,002)
(Increase) / decrease in Excise Duty	177	(4,147)
	789,519	144,618

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 13 PERSONNEL COSTS		
Salaries & Wages	93,656	58,650
Contribution to Provident & other Funds	6,132	3,470
Workmen & Staff Welfare Expenses	2,917	1,195
	102,705	63,315
Less : Capitalised	(4,348)	(10,083)
	98,357	53,232

Schedules forming part of the Profit and Loss Account

(Rs. in '000)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 14 OTHER MANUFACTURING COSTS		
Sub Contract Expense	127,233	16,014
Consumption of Stores & Spares	142,441	31,759
Power & Fuel	6,988	2,315
Repairs & Maintenance - others	448	77
Miscellaneous	1,426	436
	278,536	50,601
Less : Capitalised	(1,155)	-
Total	277,381	50,601

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 15 ADMINISTRATIVE & SELLING EXPENSES		
Insurance	3,320	896
Travelling & Conveyance	14,361	6,064
Rentals (Net)	8,464	6,680
Rates & Taxes	8,011	2,125
Communication Expenses	2,547	1,840
Legal & Professional	7,250	4,754
Printing & Stationery	2,122	664
Office Maintenance	2,939	2,541
Security charges	1,460	766
Advertisement & Sales Promotion	1,168	956
Freight Outward	49,070	4,325
Marketing & Export Expenses	23,231	12,087
Loss on Exchange Fluctuation (net)	1,341	6
Provision for Doubtful Debts	236	-
Loss on Sale of Assets (net)	582	-
Miscellaneous Expenses	1,912	979
	128,014	44,683
Less : Capitalised	(83)	(7,292)
	127,931	37,391

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 16 FINANCING COSTS		
Interest on Term Loans	30,405	19,287
Interest on Working Capital	17,615	865
Interest others	1,080	-
Bank Charges	18,805	7,453
	67,905	27,605
Less : Capitalised	-	(11,407)
Total	67,905	16,198

Schedules forming part of the Accounts

SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

1) Accounting Conventions:

The financial statements have been prepared under the historical cost conventions on accrual basis and in accordance with accounting principles generally accepted in India and as per applicable accounting standards notified by the Companies (Accounting Standards) Rules, 2006.

2) Revenue Recognition:

Revenue from the sale of goods is recognized when the significant risks and rewards in respect of ownership of products have been transferred to the buyer. Sale is inclusive of Excise Duty.

Revenue from works contracts is recognized by reference to the completion of the contract activity at the reporting date and where the contract activity is extended beyond the reporting date, on the basis of percentage of completion method.

Other Income is recognized when there is reasonable assurance that the Company will comply with the conditions attached to industrial investment policy and the monies will be received.

3) Fixed Assets:

Tangible fixed assets are stated at cost of acquisition (Net of Cenvat & VAT) less depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight, borrowing costs and other incidental expenses related to the acquisition and installation of the respective fixed assets. Assets valued at less than Rs. 5,000/- are fully depreciated in the year of purchase.

Intangible fixed assets are at cost less amortization.

4) Depreciation & Amortization :

Depreciation on fixed assets has been provided on a straight-line method at the rates specified in the Schedule XIV to The Companies Act, 1956. Intangible Fixed Assets are amortized over their useful economic lives of ten years on a straight line basis.

5) Inventories:

The cost is determined as under:

i)	Raw materials	:	Weighted average method.
ii)	work-in-progress	:	At material cost on weighted average method and includes appropriate overheads.
iii)	Finished goods	:	At material cost on weighted average method and includes appropriate overheads

Stores and spares are valued at weighted average cost. Other Inventories are valued at the lower of cost and net realizable value.

6) Employee Benefits:

The company has done actuarial valuation on account of accruing liability towards group gratuity policy and privilege Compensated Absences as per Accounting Standard – 15 Employee Benefits.

The Liability on account of sick and casual leave is treated as short term compensated absences and is accounted for as and when earned by employee.

Company's contribution towards provident and pension fund are charged to profit and loss account.

7) Foreign Exchange Transactions:

All the foreign exchange transactions are accounted at the exchange rate prevailing on the date of transaction and the exchange gain or loss on settlement during the year are charged to profit & loss account. The monetary assets and liabilities

Schedules forming part of the Accounts

SCHEDULE 17 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

denominated in foreign currency are restated at the end of the year at the foreign currency rate prevailing on the balance sheet date and any fluctuation arising is recognized in the profit and loss account.

8) Taxes
Current tax is determined as the amount of tax payable in respect of taxable income of the year.

Deferred tax is recognized subject to the consideration of prudence in respect of deferred tax asset, on timing difference being the difference between taxable income and accounting income that originate in period and are capable of reversal in one or subsequent periods.

Deferred tax assets arising on account of unabsorbed depreciation and carry forward tax losses are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future tax income is available against which such deferred tax asset can be realized.

9) Borrowing Costs
Borrowing cost that are attributable to the construction or acquisition of the qualifying asset are capitalized till the date the asset is put to use. Other borrowing costs are charged off to the profit & loss account.

10) Earnings Per Share
The basic earnings per equity share are arrived at by dividing the net profit earned before appropriations by the weighted average number of shares.

11) Operating Leases
Leases that do not transfer substantial all of the risks and rewards of ownership are classified as Operating Leases. Lease payments under an operating lease are recognized as an expense in the statement of Profit or Loss Account on a straight line basis over the lease term.

12) Provisions and contingent Liabilities:
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and if it is probable that these liabilities can be properly estimated at the period end. Contingent liabilities are not recognized but are disclosed in the notes as an item where, substantial estimation is dependent on the happening of another event which cannot be adequately judged during the period end.

13) Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operation during the year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant accounting estimates which are susceptible to change as more information becomes available include lower of cost or net realizable value charges and other provisions for inventory, accrued liabilities, valuation of deferred tax and useful lives of fixed assets.

14) Impairment
The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of time value of money and risk specific to asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Schedules forming part of the Accounts

SCHEDULE 18 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

II. NOTES ON ACCOUNTS

(Amounts expressed in Indian Rupees & in Thousands (Rs'000) unless otherwise stated).

1. Contingent Liability
   - Estimated amount of Contracts remaining to be executed on Capital account and not provided for (net of advances) as on 31st March 2011is Rs. Nil (as on 31st March 2010 is Rs.1,221)
   - Entity is providing 10 years leak proof warranty for certain customers who opt for Double lock roofing system, the technology developed by NCI Group. As these warranties are backed by NCI group, no warranty provision has been created.

2. Secured Loans:
   a) Term Loans are secured by in pari-passu charge on immovable properties of the Company both present and future and are also secured by pari-passu charges on the movable properties of the Company both present and future.
   b) Working Capital facilities from Bank are secured first charge on fixed assets, inventories and book debts both present and future.
   c) Vehicle Loan sanctioned by hypothecation.
   d) The loans as mentioned in (a) & (b) are further secured by personal guarantee of two directors of the Company and corporate guarantee given by Pennar Industries Ltd. The loans are collaterally secured by 61,50,000 shares of the company issued to Pennar Industries Ltd.

3. Dues to micro, small and Medium Enterprises

   This information regarding micro, small and medium enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

   Discloses as required under the Micro, Small and Medium Enterprises Development Act, 2006 are given under:

(Rs. in '000)

Particuars	2010-11	2009-10
i) The Principal amount remaining unpaid at the end of accounting year	5,740	-
ii) Interest paid during the year	-	-
iii) Interest accrued and unpaid at the end of the year	-	-
Total (i, ii & iii)	5,740	-

4. Related Party Disclosures:
   a) Names of Related Parties and nature of relationship

i) Holding Company	:	Pennar Industries Ltd
ii) Companies in which directors are holdin more than 20%	:	Pennar Management Services Limited (formerly Pennar Chemicals Limited)
iii) Key Management personnel	:	Nrupender Rao
	:	P V Rao
	:	Aditya N Rao
iv) Relatives of Key Management Personnel	:	J. Rajya Lakshmi wife of Nrupender Rao
	:	Avanti Rao & Ch. Arathi
	:	Daughters of Nrupender Rao
	:	Usha Ramani wife of PV Rao
	:	D. Sudeepta Rao wife of Aditya N Rao

Schedules forming part of the Accounts

SCHEDULE 18 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

b) Related party transactions:

(Rs. in '000)

Sl No	Particulars	2010-11			2009-10		
		Pennar Industries Limited	Pennar Chemicals Limited	Key Management personnel	Pennar Industries Limited	Key Management personnel	Relatives of Key Management personnel
1	Purchases made	94,768	-	-	46,132	-	-
2	Job works	3,885	-	-		-	-
3	Purchase of Tangible Assets	-	-	-	82,226	-	-
4	Sales made	76,178	-	-	21,344	-	-
5	Re-imbursement of Rent – Income	248	266				
6	Sale of Tangible Assets	-	-	-	7,290	-	-
7	Share Capital	-	-	-	185,000	15,310	37,550
8	Balance payable as at year end	79,530	-	-	11,781	-	-
9	Balance Receivable as at year end	1,357	50				
10	Amount outstanding against Guarantees given	794,400	-	794,400	459,351	459,351	-
11	Guarantees Given	895,200		895,200	610,000	610,000	-
12	Remuneration	-		5,977	-	-	-

c) Pennar Industries Limited has given corporate guarantee to Bank for term loan and working capital limits availed by the company. Out of 18,500,000 equity shares issued to Pennar Industries Limited., 6,150,000 shares have been pledged with the bank as collateral security.

5. Lease Details as per "AS -19 – Accounting for Leases"

a) Description of Leasing Arrangement:

The company has taken Office Premises on operating lease. The leasing arrangements are cancellable range between 31 to 60 months generally, and are as usually renewable by mutual consent on mutually agreed terms.

b) Total of Minimum Lease pay for non cancellable lease

(Rs. in '000)

Particulars	2010 - 11	2009 - 10
Due within 1 year of the Balance Sheet Date	5,233	5,407
Due in a period between 1 and 5 years	7,727	3,154
Due after 5 years	12,960	8,561

c) Lease payment recognized in statement of Profit and Loss for the year Rs.8,978 (2009-10 Rs. 6,680)

d) Aggregate lease payment received under operating lease amount to Rs.514 (2009-10 Rs. Nil) has been net off with rentals. The total of future minimum sublease payments expected to be received under non-cancellable sublease Rs.4,592.

Schedules forming part of the Accounts

SCHEDULE 18 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

6. Gratuity:

6.1 Disclosures required in accordance with the Accounting Standard – 15 Employee Benefits are set out in the table below:

(Rs. in '000)

Particulars	2010 - 11		2009 - 10	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Present Value of Obligation at beginning of the year	819	446	543	285
Interest Cost	70	62	43	23
Payments Made	-	(73)	-	-
Past Service Cost	309	-	-	-
Current Service Cost	883	621	635	115
Actuarial Losses / (Gains) on Obligations	(251)	264	(402)	23
Present Value of Obligation at end of the year	1,832	1,320	819	446

6.2 Expenses recognized in Statement of Profit /Loss

(Rs. in '000)

Particulars	2010 - 11		2009 - 10	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Current Service Cost	883	621	635	115
Interest Cost	70	62	43	23
Actuarial Losses / (Gains) recognized in the year	(249)	(21)	(402)	308
Past Service Cost	309	-	-	-
Payments made	-	-	-	-
Expenses recognized in the Statement of Profit/loss	1013	662	277	446

6.3 Movement in Balance Sheet

(Rs. in '000)

Particulars	2010 - 11		2009 - 10	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Opening Net Liability	819	658	-	-
Expenses as above	1,013	662	277	446
Closing Fund / Provision at the end of the year	1,832	1,320	819	658

Schedules forming part of the Accounts

SCHEDULE 18 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

6.4 Actuarial Assumptions

Particulars	2010 - 11	2009 - 10
Discount Rate	8.5%	8%
Escalation	5%	5%
Mortality	LIC 1994 /96	LIC 1994 /96

The estimates of future salary increases considered in actuarial valuation takes account of inflation, seniority promotion and other relevant factors such as supply and demand factors in the employment market .

6.5 Asset Information

As the scheme is unfunded, other disclosures under Accounting Standard 15 Employee benefits have not been included.

7. Additional information pursuant to the provision of paragraphs 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956.

a) Licensed Capacity: Not applicable as per Government Notification 477 (E) Dated July 25, 1991

b) Capacities & Production

Particulars	2010 - 11		2009 - 10	
	Installed Capacity	Actual Production	Installed Capacity	Actual Production
	Quantity in MT			
Pre Engineered Building / Supply of Steel structures & Components	22,000	20,947	7,500	5,492

c) Turnover and Closing Stocks

(Rs. in '000)

Particulars	2010 - 11		2009 - 10	
	Quantity in MT	Rs.	Quantity in MT	Rs.
Sales – Domestic				
Pre Engineered Building / Steel Structures & components	19,577	1,563,911	3,886	267,078
Scrap sale	-	21,660	-	3,020
Total Domestic	20,548	1,585,571	3,886	270,098
Sales – Exports				-
Pre Engineered Building/ Steel Structures & components	882	73,087	921	70,348
Total Exports	882	73,087		70,348
Total Sales	20,459	1,658,658	4,807	340,446
Closing Stock				-
Pre Engineered Building at Factory	667	41,386	378	23,040
In transit /at site	506	28,464	307	19,368

Schedules forming part of the Accounts

SCHEDULE 18 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

d) Consumption of Raw Material

(Rs. in '000)

Particulars	2010 - 11		2009 - 10	
	Quantity in MT	Rs.	Quantity in MT	Rs.
HR Plates	16,327	802,665	3,101	93,273
Angles & Sections	4,509	27,966	863	36,114
Others	2,465	62,132	1,819	66,380
Total	23,300	892,763	5,783	195,767

e) Consumption of directly imported and indigenously obtained Raw Materials, Stores & Spares.

(Rs. in '000)

Particulars	2010 - 11		2009 - 10	
	Quantity in MT	Rs.	Quantity in MT	Rs.
Imported Raw Material	343	17,353	6	11,732
Stores & Spares	-	19,372	-	7,782
Indigenous Raw Material	22,957	8,75,410	5777	184,035
Stores & Spares	-	123,069	-	23,977
Consumed	23,300	931,958	5783	227,526

f) CIF Value of Imports

(Rs. in '000)

Particulars	2010 - 11	2009 - 10
Raw Material	17,353	11,242
Stores & spares and Capital Goods	21,416	63,276

g) Expenditure in Foreign Currency (Cash Basis)

(Rs. in '000)

Particulars	2010 - 11	2009 - 10
Foreign Travel	349	1,437

h) Earnings in foreign Currency (accrual basis)

(Rs. in '000)

Particulars	2010 - 11	2009 - 10
FOB Value of Exports	66,417	69,775

8. **Segment Details:**

The company is engaged in manufacture and erection of steel products, i.e., pre engineered buildings, which in the context of Accounting Standard -17 issued by the Company's Accounting (Standard) Rules, 2006 is a single segment.

Schedules forming part of the Accounts

SCHEDULE 18 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

2010-11

Particulars	Segment Revenue		Segment Assets		Cost of Addition to (Tangible & Intangibles)	
	Rs.	%	Rs.	%	Rs.	%
Tanzania	67,187	4.0%	-	-	-	-
Others	5,900	0.4%	-	-	-	-
Outside India	73,087	4.04%	-	-	-	-
Within India	1,585,571	95.96%	1,305,855	100%	98,311	100%
Total	**1,658,658**	**100%**	**1,305,855**	**100%**	**98,311**	**100%**

2009-10

Particulars	Segment Revenue		Segment Assets		Cost of Addition to (Tangible & Intangibles)	
	Rs.	%	Rs.	%	Rs.	%
Tanzania	65,171	19%	398	0.05%	-	-
Others	5,177	2%	-	-	-	-
Outside India	70,348	21%	398	0.05%	-	-
Within India	270,098	79%	827,606	99.95%	390,790	100%
Total	**340,446**	**100%**	**828,004**	**100%**	**390,790**	**100%**

9. Deferred Tax

(Rs. in '000)

Particulars	2009 - 10	Movement during the year	2010 - 11
A) Deferred Tax Liability			
- Depreciation	7,767	14,497	22,264
B) Deferred Tax Asset			
- Unabsorbed Business Loss	5,894	5,894	-
- Provision for Doubtful Debts	-	-77	77
- Retirement Benefits	1,106	-1,161	2,267
Total	7,000	4,656	2,344
Deferred Tax Liability (Net)	767	19,153	19,920

10. Earnings Per Share

Particulars	2010 - 11	2009 - 10
Profit after Tax (Rs. in '000)	65,034	2,147
Weighted average number of equity shares outstanding	25,000,000	13,708,712
Earnings per share (Rs.)		
(face Value of Rs.10 each)		
- Basic	2.60	0.16
- Diluted	2.60	0.16

Schedules forming part of the Accounts

SCHEDULE 18 ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

11. Managerial Remuneration*

(Rs. in '000)

Particulars	Amount
Salary & Allowances	5,535
Contribution to Provident Fund & Others	442

* The above does not include contribution towards gratuity as separate figures are not available.

12. Auditors' Remuneration (excluding service tax):

(Rs. in '000)

Particulars	2010 - 11	2009 - 10
Audit Fees	750	600
Out of Pocket Expenses	21	–

13. Note on Investment:

The Board of Directors at their Board Meeting dated July 28, 2010 passed a resolution for incorporation of a subsidiary company. The same was incorporated on August 2, 2010 as Pennar Building Systems Private Limited. As per the Memorandum and Articles of Association of the incorporated company, the Company is a subscriber to the shares of the new entity. As at March 31, 2011, the company has not subscribed or remitted the share application money amounting to Rs. 99,990 being 9,999 shares of Rs. 10 each and as such, no shares have been allotted to the company.

14. Included in Other Income are the following
    a) Interest on fixed deposit is Rs. 1,290 (2009-10 Rs.146)
    b) Incentive on Sales Tax paid as per Industrial Investment promotion policy Rs. 13,577 (2009-10 Rs. Nil).

15. a) Figures for the previous year have been regrouped / reclassified / recast wherever necessary.
    b) Figures have been rounded off to the nearest thousands.

Signatures to Schedules 1 to 18

For and on behalf of the Board

	Nrupender Rao *Chairman*	P.V. Rao *Executive Director*
Place : Hyderabad Date : July 19, 2011	D S Rishi N Murthy *Chief Financial Officer*	Aditya N Rao *Director*

Consolidated Auditors' Report

To
The Board of Directors
Pennar Industries Limited
Hyderabad

1. We have audited the attached Consolidated Balance Sheet of PENNAR INDUSTRIES LIMITED and its subsidiary (collectively referred to as the Group) as at 31st March 2011 and the Consolidated Profit and Loss Account and Consolidated Cash Flow statement for the period ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding the components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

3. We did not audit the financial statements of the subsidiary whose financial statements reflect total assets of Rs. 13058.55 lakhs as at 31st March, 2011, total revenue of Rs. 14779.71 lakhs and net cash flows amounting to Rs.-150.37 lakhs for the period ended 31st March, 2011. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements as notified by the Companies (Accounting Standards) Rules, 2006

5. Based on our audit as aforesaid, and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting policies generally accepted in India

   a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March 2011;

   b) in the case of Consolidated Profit and Loss Account, of the Profit of the Group for the year ended on that date; and

   c) in the case of Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

Ravi Rambabu
Partner
Membership No: 18541

Place : Hyderabad
Date : 25th July, 2011

Consolidated Balance Sheet As at 31st March 2011

(Rs. in lacs)

S.No	Particulars	Schedule No	As at 31.03.2011	As at 31.03.2010
I	SOURCES OF FUNDS			
1	Shareholders' Funds			
a	Share Capital	1	6,978.9	6,978.9
b	Reserves & Surplus	2	19,893.0	14,525.5
2	Minority Interest		824.7	655.6
3	Loan Funds			
a	Secured Loans	3	15,021.8	16,887.4
b	Unsecured Loans	4	2,510.6	2,354.2
4	Deferred Tax Liability		1,183.8	414.4
	Total of 1 - 4		46,412.8	41,816.0
II	APPLICATION OF FUNDS			
1	Fixed Assets	5		
a	Gross Block		34,524.6	32,281.4
b	Less : Depreciation		14,195.0	14,241.5
c	Net Block		20,329.6	18,039.9
d	Add : C W I P		684.7	872.9
e			21,014.3	18,912.8
2	Investments	6	0.3	0.3
3	Current Assets, Loans and Advances			
a	Inventories	7	14,808.5	13,296.3
b	Sundry Debtors	8	16,609.6	12,239.4
c	Cash & Bank Balances	9	1,686.5	1,787.3
d	Loans & Advances	10	2,446.9	2,569.2
			35,551.5	29,892.2
	Less : Current Liabilities & Provisions	11		
a	Current Liabilities		8,776.1	5,838.6
b	Provisions		1,377.2	1,197.6
			10,153.3	7,036.2
	Net Current Assets		25,398.2	22,856.0
5	Miscellaneous Expenditure	12		46.9
	(to the extent not written off / adjusted)			
	Total of 1 - 5		46,412.8	41,816.0
6	Notes on Accounts	19		
	Schedules 1 to 19 annexed form part of accounts			

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

For and on behalf of the Board
Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Ravi Rambabu
Partner
Membership No. 18541

R Ravi
V P Finance and Company Secretary

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 25, 2011

Place : Hyderabad
Date : July 20, 2011

Consolidated Profit & Loss Account For the year ended 31st March 2011

(Rs. in lacs)

S.No	Particulars	Schedule No	Year Ended 31.03.2011	Year Ended 31.03.2010
1	INCOME			
a	Sales			
	Domestic Sales & Processing charges		136,318.4	88,226.9
	Export Sales		762.1	784.8
			137,080.5	89,011.7
	Less : Excise Duty		12,091.4	6,511.4
	Sales Tax		4,173.7	2,753.0
	Net Sales		120,815.4	79,747.3
b	Other Income	13	269.5	49.8
	Total Income		121,084.9	79,797.1
2	EXPENDITURE			
a	Raw Material Consumed	14	85,528.7	56,037.5
b	Personnel Cost	15	4,178.5	3,108.0
c	Other Manufacturing costs	16	10,012.9	5,561.1
d	Administrative & Selling Expenses	17	6,091.0	3,913.2
			105,811.1	68,619.8
3	Profit before Interest, Depreciation & Tax		15,273.8	11,177.3
a	Financing Costs	18	1,708.0	1,299.0
b	Depreciation		1,316.4	1,285.1
c	Preliminary Expenditure written off		46.9	36.6
			3,071.3	2,620.7
4	Profit before Tax		12,202.5	8,556.6
5	TAXES			
a	Deferred Tax Liability		769.3	1,279.7
b	MAT Credit Entitlement		(68.2)	
c	Income Tax		3,939.8	2,293.7
6	Net Profit after Tax		7,561.6	4,983.2
	Less: Minority Interest		169.1	5.6
	Net of Minority Interest		7,392.5	4,977.6
7	Profit / (Loss) brought Forward - Minority Interest		4,461.4	2,003.7
8	Profit available for Appropriations		11,853.9	6,981.3
9	APPROPRIATIONS			
a	Equity Dividend		1,525.3	1,531.8
b	Preference Dividend		0.1	0.1
c	Dividend Distribution Tax		246.3	260.3
d	General Reserve		700.0	505.0
e	Capital Redemption Reserve		-	222.7
f	Profit carried forward		9,382.2	4,461.4
			11,853.9	6,981.3

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

For and on behalf of the Board
Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Ravi Rambabu
Partner
Membership No. 18541

R Ravi
V P Finance and Company Secretary

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 25, 2011

Place : Hyderabad
Date : July 20, 2011

Consolidated Cash Flow Statement For the year ended 31st March 2011

(Rs. in lacs)

S.No	Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
A	Cash Flow from operating activities :		
a	Net Profit before Interest & Depreciation		
	(EBIDT)	15,273.8	11,177.3
b	Loss from Sale of Fixed Assets	19.4	-
c	Provision for Bad Debts	2.4	-
d	Interest earned	(12.9)	-
e	Advance Written back	(5.1)	-
e	Operating Profit before working capital changes	15,277.6	11,177.3
	Adjustments for :		
e	Trade and other receivables	(4,236.8)	(2,653.4)
f	Inventories	(1,512.2)	(6,028.1)
g	Loans and Advances	51.7	125.9
h	Trade payables	2,799.9	4,024.6
		(2,897.4)	(4,531.0)
i	Cash generated from operations	12,380.2	6,646.3
j	Less: Income Tax	(3,782.9)	(2,142.4)
k	Less: Interest paid on Working capital	(988.8)	(1,267.6)
l	Net Cash from operating activities " A "	7,608.5	3,236.3
B	Net Cash from Investing activities :		
a	(Purchase) / Sale of fixed assets	(3,659.2)	(5,909.2)
b	Interest received	10.6	-
c	Net cash used in investing activities " B "	(3,648.6)	(5,909.2)
C	Cash Flow from financing activities		
a	Share Capital / Share Premium	-	(622.2)
b	Proceeds from short term borrowings	1,571.0	312.8
c	Proceeds from long term borrowings - (Net of payments)	(3,280.2)	6,177.3
d	Interest on Term Loans paid	(705.3)	-
e	Dividends paid	(1,778.7)	(2,201.6)
f	Net Cash used in financing activities " C "	(4,193.2)	3,666.3
D	Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)	(233.3)	993.4
	Cash and Cash Equivalents at the beginning	1,304.9	311.5
	Cash and Cash Equivalents at the end	1,071.6	1,304.9

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

For and on behalf of the Board
Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Ravi Rambabu
Partner
Membership No. 18541

R Ravi
V.P. Finance and Company Secretary

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 25, 2011

Place : Hyderabad
Date : July 20, 2011

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

		As at 31.03.2011	As at 31.03.2010
SCHEDULE 1 SHARE CAPITAL			
AUTHORISED			
Equity			
15,00,00,000	Equity Shares of Rs. 5/- each (previous year 15,00,00,000 equity shares of Rs. 5/- each)	7,500.0	7,500.0
255,00,000	Equity Shares of Rs. 10/- each (previous year 25500000 equity shares of Rs. 10/- each)	2,550.0	2,550.0
Preference			
Series - A : 5,00,000	Cumulative Redeemable Preference Shares of Rs. 100/- each (previous year 5,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each)	500.0	500.0
Series - B : 4,00,00,000	Cumulative Redeemable Preference Shares of Rs. 5/- each (previous year 4,00,00,000 Cumulative Redeemable Preference Shares of Rs.5/- each	2,000.0	2,000.0
		12,550.0	12,550.0
ISSUED, SUBSCRIBED & PAID UP			
Equity			
12,20,24,000	Equity Shares of Rs. 5/- each (previous year 12,64,77,479 equity shares of Rs. 5/- each)	6,101.2	6,323.9
Less : Buyback of 44,53,479 shares of Rs. 5/- each		-	222.7
12,20,24,000 Equity Shares of Rs. 5/- each			
		6,101.2	6,101.2
Preference - Series B			
1,75,53,299 Cumulative Redeemable Preference Shares of Rs. 5/- each		877.7	877.7
Total		6,978.9	6,978.9

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 2 RESERVES & SURPLUS		
I. Reserves		
a. Share Premium	5,310.4	5,310.4
b. Profit on forfeiture of shares	6.2	6.2
c. General Reserve	1,705.0	1,005.0
d. Capital Redemption Reserve	222.7	222.7
e. Profit & Loss Account	9,382.2	4,461.4
Sub Total - 1	16,626.5	11,005.7
II. Revaluation Reserve	3,266.5	3,519.9
Total	19,893.0	14,525.6

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 3 SECURED LOANS		
Term Loans		
Axis Bank	358.4	1,772.6
IFCI	166.6	218.0
SBI	2,700.0	2,931.5
	3,225.0	4,922.1
Cash Credit from Banks		
State Bank of India	8,580.4	8,285.6
Axis Bank	2,238.2	2,512.0
State Bank of Patiala	967.4	1,153.2
	11,786.0	11,950.8
Vehicle Loan	10.8	-
Lease Liability on assets	-	14.5
Total	15,021.8	16,887.4

SCHEDULE 4 UNSECURED LOANS

	As at 31.03.2011	As at 31.03.2010
Fixed Deposits	-	16.3
Sales Tax Deferment Loan	2,485.6	2,270.8
Unsecured Loans - Others	25.0	67.1
Total	2,510.6	2,354.2

SCHEDULE 5 FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	Gross Block as on 01.04.2010	Additions 2010 - 11	Deletions/ Adjustments 2010 - 11	Gross Block as on 31.03.2011	Acc Dep as on 01.04.2010	Dep. for the Year 2010-11	Deletions/ Adjustment 2010-11	Acc Dep as on 31.03.2011	Net Block as on 31.03.2011	Net Block as on 31.03.2010
Freehold Land	1,015.6	24.2	-	1,039.8	-	-	-	-	1,039.8	1,015.6
Roads	199.3	207.2	-	406.5	12.8	3.2	-	16.0	390.5	186.5
Buildings	6,507.6	1,730.3	22.0	8,215.9	1,518.0	214.2	-	1,732.2	6,483.7	4,989.6
Plant & Machinery	21,480.6	1,232.3	1,622.6	21,090.3	11,553.8	1,087.7	1,611.8	11,029.7	10,060.6	9,926.8
Factory Equipments	1,852.8	490.7	-	2,343.5	768.5	138.0	-	906.5	1,437.0	1,084.3
Office Equipments	253.6	47.1	-	300.7	113.0	8.5	-	121.5	179.2	140.6
Computers	504.7	103.7	-	608.4	174.7	106.6	-	281.3	327.1	330.1
Furniture & Fittings	202.7	67.0	-	269.7	51.4	15.3	-	66.7	203.0	151.3
Vehicles	88.5	41.7	28.8	101.4	19.0	9.1	4.4	23.7	77.7	69.5
License Fee	135.5	12.9	-	148.4	3.3	14.1	-	17.4	131.0	132.2
Sub Total-1	**32,240.9**	**3,957.1**	**1,673.4**	**34,524.6**	**14,214.5**	**1,596.7**	**1,616.2**	**14,195.0**	**20,329.6**	**18,026.5**
Leased Assets	40.4	-	40.4	-	26.9	13.5	40.4	-	-	13.5
(Computer Accessories)										
Grand Total	**32,281.3**	**3,957.1**	**1,713.8**	**34,524.6**	**14,241.4**	**1,610.2**	**1,656.6**	**14,195.0**	**20,329.6**	**18,040.0**
Previous Year	26,403.2	5,878.1	-	32,281.3	12,703.3	1,538.4	0.3	14,241.4	18,039.9	13,699.9

Note : Deletions during the year includes an amount of Rs. 1,604.6 lacs, being the value of Machinery given on lease. During the year the value of such leased assets as well as the accumulated depreciation amount is being written down from the gross block of fixed assets.

Depreciation for the year includes an amount of Rs. 253.4 lacs on revalued value of the fixed assets and has been debited to Revaluation Reserve A/c.

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 6 INVESTMENTS		
Unquoted (at Cost)		
2689 Equity Shares of Rs. 10/- each fully paid in Patancheru Enviro-Tech Limited	0.3	0.3
Total	0.3	0.3

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 7 INVENTORIES (As valued and certified by Management)		
Raw Material	4,804.5	3,365.2
Stores & Spares	2,970.0	2,879.4
Work in Progress	4,376.5	4,674.1
Finished Goods	2,539.5	2,290.3
Scrap	118.0	87.3
Total	14,808.5	13,296.3

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 8 SUNDRY DEBTORS (Unsecured and considered good)		
Outstanding for more than 6 mths	773.5	209.6
Outstanding for less than 6 mths	15,836.1	12,029.9
Total	16,609.6	12,239.5

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 9 CASH AND BANK BALANCES		
Cash & Cheques in hand	5.9	9.8
Bank Balances with scheduled banks		
In Current Accounts	354.8	685.9
Collection Accounts	444.8	539.7
Margin Money Accounts	681.0	351.9
Fixed Deposits	200.0	200.0
Total	1,686.5	1,787.3

Schedules forming part of the Consolidated Balance Sheet

(Rs. in lacs)

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 10 LOANS & ADVANCES		
(Unsecured, considered good, recoverable in cash or in kind for value to be received)		
Loans & Advances to Staff	5.6	7.9
Advances to Suppliers	1,463.8	1,802.1
Advances to Others	82.2	81.6
Deposits with Excise & Sales Tax	335.5	350.6
Other Deposits	466.4	313.3
Prepaid Expenses	22.1	13.7
MAT credit	68.2	-
Int Accrued on Investment	3.1	-
Total	2,446.9	2,569.2

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 11 CURRENT LIABILITIES & PROVISIONS		
a. Current Liabilities		
Sundry Creditors	6,659.2	4,641.3
Unclaimed Dividend	34.3	23.3
Other Liabilities	2,082.6	1,174.0
	8,776.1	5,838.6
b. Provisions		
Provision for Income Tax	6,062.1	3,218.3
Less: Prepaid Taxes	(5,780.2)	(3,104.1)
Employee Benefits	31.5	12.6
Provision for Equity Dividend	915.2	915.2
Provision for Preference Dividend	0.1	0.1
Provision for Dividend Distribution Tax	148.5	155.5
	1,377.2	1,197.6
Total	10,153.3	7,036.2

	As at 31.03.2011	As at 31.03.2010
SCHEDULE 12 MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
a. Preliminary & Share Issue Expenses		
Opening Balance	15.3	18.3
Less : Written off during the year	15.3	3.0
	-	15.3
b. Deferred Revenue Expenditure		
Opening Balance	31.7	65.2
Less : Written off during the year	31.7	33.6
	-	31.6
Total	-	46.9

Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 13 OTHER INCOME		
Miscellaneous Income	167.1	20.7
Advance written back	5.1	
Rent received {Gross, inclusive of TDS of Rs. 1.1 lacs (previous year - Rs. 1.9 lacs)}	12.1	11.7
Interest Income {Gross, inclusive of TDS of Rs. 30.7 lacs (previous year - Rs. 1.5 lacs)}	73.4	17.3
Gain on Exchange Fluctuations	11.8	0.1
Total	269.5	49.8

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 14 RAW MATERIAL CONSUMED		
(a) Raw Material consumed		
Opening Stocks	3,365.2	1,068.0
Add : Purchases	87,043.7	61,370.0
	90,408.9	62,438.0
Less : Closing Stocks	4,804.5	3,365.2
Less : Raw material Capitalized	93.6	27.9
Raw Material consumed - (1)	85,510.8	59,044.9
(b) (Increase) / Decrease in Stocks (other than raw material)		
Opening Stocks		
Work in Progress	4,674.1	3,747.7
Finished Goods	2,250.8	260.6
Scrap	85.4	36.0
	7,010.3	4,044.3
Closing Stocks		
Work in Progress	4,376.4	4,674.1
Finished Goods	2,500.9	2,250.8
Scrap	116.9	85.3
	6,994.2	7,010.2
(Increase) / Decrease in Stocks - (2)	16.1	(2,965.9)
(Increase) / Decrease in Excise Duty (2)	1.8	(41.5)
Total Material consumed	85,528.7	56,037.5

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 15 PERSONNEL COST		
Salaries & Wages	3,419.9	2,677.1
Contribution to PF & Sup. Annuation	455.1	240.2
Staff Welfare Expenses	347.0	291.5
Less: Expenses Capitalized	(43.5)	(100.8)
Total	4,178.5	3,108.0

Schedules forming part of the Consolidated Profit and Loss Account

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 16 OTHER MANUFACTURING EXPS		
Sub Contract Expenses	2,664.3	1,347.3
Stores & Spares	5,933.8	3,154.5
Power	965.6	723.3
Repairs & Maintenance		
Buildings	115.6	77.5
Plant & Machinery	106.6	149.2
Others	97.4	10.4
Miscellaneous manufacturing expenses	141.1	98.9
Less: Expenses Capitalized	(11.5)	-
Total	10,012.9	5,561.1

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 17 ADMINISTRATIVE & SELLING EXPENSES		
Insurance	39.7	14.4
Travelling & Conveyance	500.6	359.6
Rent	108.6	92.5
Rates & Taxes	127.2	33.9
Advertisement & Sales Promotion	117.4	112.3
Sales Commission	254.7	517.5
Communication Expenses	76.2	54.5
Bank Charges	700.5	447.4
Freight Outward	2,694.3	1,515.6
Export Expenses	232.3	120.9
Technical, Legal & Professional	270.0	216.0
Managerial Remuneration	577.6	206.6
Directors' Fees & Expenses	7.2	6.5
Printing & Stationery	60.0	32.6
Bad Debts written off	18.1	13.6
Loss on sale of Fixed Assets	19.4	-
Auditors' Remuneration	25.5	21.0
Miscellaneous Expenses	262.5	221.2
Less: Expenses Capitalized	(0.8)	(72.9)
Total	6,091.0	3,913.2

	Year ended 31.03.2011	Year ended 31.03.2010
SCHEDULE 18 FINANCING COST		
Interest on Term Loans	344.2	444.0
Interest on Working Capital	1,165.0	894.6
Interest Others	10.8	-
Bank Charges	188.0	74.5
Less: Borrowing Costs Capitalized	-	(114.1)
Total	1,708.0	1,299.0

Schedules forming part of the Consolidated Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

1) Accounting Conventions:

The financial statements have been prepared under the historical cost conventions in accordance with the generally accepted accounting principles in India including the Accounting Standards notified by the Government of India and issued by the Institute of Chartered Accountants of India, as applicable, and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

2) Use of Estimates:

The preparation of the financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period like provision for employee benefits, provision for doubtful debts/advances/contingencies, allowances for slow/non moving inventories, useful lives of fixed assets, provision for taxation, etc. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results may vary from these estimates.

3) Basis of Consolidation:

The Consolidated Financial Statements relate to Pennar Industries Limited (the Company) and its subsidiary company Pennar Engineered Building Systems Limited (Pebs) where in the Company holds 74% share as on 31.03.2011.

The consolidated financial statements of the company and its subsidiary have been prepared by adding together the book values of like items of assets, liabilities, income and expenses. All intra group transactions, balances and unrealized profits/losses on transactions have been fully eliminated in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements".

Minority Interest's share of net profit for the year is identified and adjusted against the profit in order to arrive at the net profit attributable to the shareholders of the company.

Minority Interest's share of net assets of subsidiary is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the company's shareholders.

All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

4) Revenue Recognition:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from Works Contracts is recognized by reference to the completion of the contract activity at the reporting date, where the contract activity extended beyond the reporting date, on the basis of percentage of completion method.

Dividend income on investments is accounted for when the right to receive the payment is established.

5) Expenditure:

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

6) Fixed Assets:

Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation. All costs including financial costs up to the date of commissioning and attributable to the fixed assets are capitalized apart from taxes, freight and other incidental expenses related to the acquisition and installation of the respective fixed assets and exclude duties and taxes to the extent recoverable from tax authorities.

Fixed Assets which are revalued are stated at the amounts revalued as reduced by the depreciation.

Schedules forming part of the Consolidated Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

7) Depreciation:

Depreciation on Fixed Assets including on the additions on account of revaluation has been provided on a straight-line method at the rates specified in the Schedule XIV to the Companies Act, 1956.

Depreciation on the additional value due to revaluation has been charged to the Revaluation Reserve account.

8) Impairment of Assets:

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets. The recoverable amount of such assets is estimated. Where the carrying amount of the asset exceeds the recoverable amount, the impairment loss is recognized in the profit and loss account.

9) Investments:

Long term Investments are stated at cost. Provision, if any, is made for permanent diminution in the value of investments. Current investments are stated at lower of cost or market value.

10) Inventories:

Inventories have been valued as under:

i) Raw materials, work-in-progress and stores and spares have been valued at cost. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable

ii) Due allowance is made for slow / non moving items, based on Management estimates

iii) Finished goods have been valued at cost or net realizable value whichever is lower. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.

iv) Excise duty on closing stock of finished goods has been provided in the accounts and considered for valuation of closing stock. A corresponding liability is created for the same amount.

11) Leases:

Where the Company is the Lessee:

Operating Lease

Lease rentals in respect of assets taken on operating lease are charged to the profit and loss account.

Finance Lease

Assets acquired on finance lease which transfer risk and rewards of ownership to the Company are capitalized as assets by the Company at the lower of fair value of the leased property or the present value of the related lease payments. Amortization of the capitalized leased assets is computed on the straight line method over the primary lease period. Lease rentals payable is apportioned between principal and finance charges. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability.

12) Sales Tax Deferment Loan:

The Sales tax collected on domestic sales of Company's products from eligible units is treated as interest free sales tax loan from Govt. of A P in accordance with the State Govt. incentive Scheme.

13) Employee Benefits:

a) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages and short term compensated absences etc. are recognized in the period in which the employee renders the related service.

b) Post Employment Benefits

Defined Contribution Plan

The Company makes contribution in respect of selected employees to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India. The Company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contributions as an expense in the year incurred.

Schedules forming part of the Consolidated Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

Defined Benefit Plans

The Company makes annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The Company accounts its liability for future gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC using the Projected Unit Credit method. Actuarial gains / losses are immediately recognized in the Profit and Loss Account.

In respect of Provident Fund and Pension Fund, Contributions are made by the Company in accordance with the relevant rules and fully charged off to Profit and Loss Account.

The company provides for leave encashment based on valuations, as at the balance sheet date, made by independent actuaries.

14) Foreign Exchange Transactions:

All the foreign exchange transactions entered into during the current period are accounted at the exchange rate prevailing on the date of contract / documentation. Foreign Exchange fluctuations on transactions entered into during the period and received / paid during the period are accounted in the current financial year. The outstanding accounts in foreign currency are restated at the end of the year at the foreign currency rate prevailing on that date and any fluctuation on the same is recognized and accounted at the end of the period.

15) Miscellaneous Expenditure:

Preliminary and share issue expenses, deferred revenue expenditure and R & D Expenditure have been written off over a period of 10 years.

16) Taxes on Income:

Income tax liability for the year is calculated in accordance with the relevant tax laws and regulations applicable to the Company.

Deferred tax is recognized on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

17) Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

II. NOTES ON ACCOUNTS

(Amounts expressed in Indian Rupees & in lacs unless otherwise stated).

1. Contingent Liabilities:

(Rs. in lacs)

		As at 31.03.2011	As at 31.03.2010
i)	Bank Guarantees given by Banks	292.3	292.3
ii)	Claims by Customs & Sales Tax	437.4	437.4
iii)	Estimated amount of Contracts remaining to be executed on Capital account and not Provided for (net of advances)	3104.7	493.6
iv)	Subsidiary company is providing 10 years leak proof warrant for certain customers who opt for Double Lock roofing System, the technology developed by NCI group. As these warranties are backed by NCI group, no warranty provision has been created.		

Schedules forming part of the Consolidated Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

2. Preference Shares Series B:
   a) 1,66,49,119 number of Cumulative Redeemable Preference Shares of Rs. 5/- each fully paid up and carrying 0.01% rate of interest are redeemable at par in three equal annual installments of Rs. 1.66, Rs. 1.67 and Rs. 1.67 per share respectively commencing from the year 2013–14 and ending in the year 2015–16.
   b) 9,04,180 number of Cumulative Redeemable Preference Shares of Rs. 5/- each issued to I F C I on Conversion of Funded Interest Term Loans and carrying interest rate of 0.01% are redeemable at par in 10 quarterly installments from 01.10.2013 to 01.01.2016.
   c) Dividend has been provided on the cumulative preference shares for the year 2010-11.

3. Secured Loans:
   a. Term Loans by Axis Bank, IFCI & SBI are secured by joint equitable mortgage by deposit of title deeds of all immovable properties and first charge by way of hypothecation of all movable properties both present and future.
   b. Working Capital facilities sanctioned by SBI, Axis Bank, State Bank of Patiala are secured by hypothecation of raw materials, stock in process, finished goods, stores and spares and book debts both present and future. These are further secured by way of second charge on the fixed assets of the Company.
   c. Corporate guarantee was provided by holding company to secure the loans sanctioned to subsidiary. Holding company also provided a collateral security by way of lien on fixed deposit of Rs. 200 lakhs and 61.5 lacs shares of subsidiary amounting to Rs. 615 lacs.
   d. The above loans as mentioned in (a) and (b) are guaranteed by a director of the company in his personal capacity.
   e. Vehicle Loans are secured by hypothecation of the vehicles acquired with the said loans.

4. The details of the disputed dues to Customs & Sales Tax are given below:

Sl no	Nature of the Statute	Nature of the dues	Forum where dispute is pending	Amount (Rs. in lacs)
1	Customs Act, 1962	Customs duty & Interest	The Commissioner of Customs (Exports)	62.3
2	Customs Act, 1962	Interest on Customs duty paid	The Commissioner of Customs (Appeals)	44.7
3	Customs Act, 1962	Customs duty & Interest	The Supreme Court of India	165.1
4	AP VAT Act	Entry Tax on Cix	The Supreme Court of India	218.6
			Total	490.7

Of the disputed due amount of Rs. 218.6 lacs against Entry Tax on Cix, an amount of Rs. 53.3 lacs has been paid. The unpaid amount is Rs. 165.3 lacs.

5. Dues to Micro, Small and Medium Enterprises:

   The amount due to Micro, Small and Medium Enterprises as defined in the “The Micro, Small and Medium Enterprises Development Act, 2006 “ has been determined to the extent such parties have been identified on the basis of information available with the company.

Schedules forming part of the Consolidated Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

The disclosures relating to Micro, Small and Medium Enterprises as on 31.03.2011 are as under –

(Rs. in lacs)

Sl No	Description	Year ended 31.03.2011	Year ended 31.03.2010
1.	The principal amount remaining unpaid to suppliers as at the end of the year (included in item "a" Sundry Creditors Schedule 11)	57.4	-
2.	Interest due thereon remaining unpaid to the Supplier as at the end of the year	-	-
3.	The amount of interest paid in terms of Section 16 along with the payment made to the supplier beyond the appointed day during 2010 – 11	-	-
4.	Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under this Act.		
5.	Interest accrued during the year and remaining Unpaid at the end of the accounting year (included in item "b" Other Liabilities Schedule 11)	-	-

6. Particulars of Managerial Remuneration:

(Rs. in lacs)

Particulars	2010 - 11	2009 - 10
Directors Salaries & Allowances	187.7	75.0
Provident Fund & Superannuation	30.3	16.2
Other Perquisites	33.7	27.7
Commission	385.6	87.7
Total	**637.3**	**206.6**

7. Auditors' Remuneration (Excluding Service Tax):

(Rs. in lacs)

	Year ended 31.03.2011	Year ended 31.03.2010
Audit Fees	22.5	18.5
Tax Audit Fees	2.0	2.0
Certification & others	1.0	0.5
	25.5	**21.0**

8. Related Party Disclosures:

a) Names of Related Parties

i) Associate Companies
: Pennar Engineered Building Systems Limited
: Pennar Chemical Limited
: Pennar Aluminum Company Limited
: Saven Technologies Limited
: Pennar Building Systems Private Limited
: (Subsidiary of Pennar Engineered Building Systems Limited)
: Pennar Logistics Limited

ii) Key Management personnel
: Mr. Nrupender Rao
: Mr. Ch. Anantha Reddy
: Mr. Aditya N Rao
: Mr. P V Rao

iii) Relatives of Key Management Personnel
: Mrs.J.Rajya Lakshmi
: Mrs. Ch. Prabha

b) Aggregated related party transactions:

(Rs. in lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Associate Companies		
Purchases made during the Year	753.5	269.2
Sales during the Year	986.4	1245.2
Other Services received	30.1	53.9
Other Services rendered	-	38.6
Closing Balance	788.8	123.3
Key Management Personnel		
Remuneration	626.6	199.4
Rent	10.8	7.2
Relatives of Key Management Personnel		
Rent	15.0	15.0
Other Services received	3.0	3.1

Subsidiary sales includes an amount of Rs. 12.9 lacs to Holding Company and the same was not recognized by the holding company as the material sold by subsidiary was not yet certified by the holding company.

9. Lease:

a. Finance Lease:

With regard to the finance lease entered into by the company, in respect of computer accessories, the minimum lease rentals outstanding as on 31.03.2011 is detailed below:

(Rs. in lacs)

	Total Minimum Lease Rentals Outstanding as on 31.03.2011	Future Interest on Outstanding Lease Payments as on 31.03.2011	Present Value of MLPs as on 31.03.2011
Within one year	NIL (15.3)	NIL (0.8)	NIL (14.5)
Later than one year but not more than 5 years	NIL (NIL)	NIL (NIL)	NIL (NIL)
Total	**NIL (15.3)**	**NIL (0.8)**	**NIL (14.5)**

Previous Year's figures are given in brackets.

b. Others:

The subsidiary has taken office premises on operating lease from JST Reality Private Limited.

The Leasehold buildings one part is registered during the last financial year for a period of 31months and the second part being registered during the current financial year for a period of 60 months.

(Rs. in lacs)

Particulars	Year ended 31.03.2011	Year ended 31.03.2010
Due within 1 year of the Balance Sheet Date	52.3	54.1
Due in a period between 1 and 5 years	77.3	31.5
Due after 5 years	129.6	85.6

Schedules forming part of the Consolidated Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

10. Employee Benefits:

Gratuity and Long Term Compensated Absences has been provided on the basis of actuarial valuation.

11. Segment Details:

The holding company is engaged in manufacture of steel products, viz. Cold Rolled Steel Strips (CRSS) and Cold Formed Metal Profiles and the subsidiary company (PEBS) is engaged in manufacture of pre engineered buildings which in the context of Accounting Standard -17 issued by the Institute of Chartered Accountants of India is considered as a single segment.

12. Deferred Tax Liability:

(Rs. in lacs)

		31.03.2011	31.03.2010
a.	Deferred Tax Liability		
	On a/c of Depreciation	800.4	1349.7
	Net Deferred Tax Liability	800.4	1349.7
b.	Deferred Tax Asset		
	Unabsorbed Business Loss	-	58.9
	Provision for Doubtful Debts	0.8	-
	Provision for Leave Encashment & Gratuity	22.7	11.1
		23.5	70.0
	Net Deferred Tax Liability	776.9	1279.7

13. Unsecured Loans:

a. Fixed Deposits

No fresh deposits were accepted during the year. During the year the company has paid the outstanding fixed deposits and the balance amount as on 31.03.2011 is nil.

b. Sales Tax Deferment Loan

During the year, the Company has availed an amount of Rs. 214.8 lacs under sales tax deferment Scheme and the sales tax deferment availed till the current accounting period is due for repayment as under.

Sl. No.	Year of repayment	Rs. in lacs
1	2011-12	77.9
2	2012-13	76.9
3	2013-14	26.7
4	2018-19	258.4
5	2019-20	374.8
6	2020-21	392.7
7	2021-22	430.5
8	2022-23	297.6
9	2023-24	335.3
10	2024-25	214.8
	Total	2485.6

Schedules forming part of the Consolidated Accounts

SCHEDULE 19 ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

14. Note on Investment:

The Board of Directors of subsidiary at their Board Meeting dated July 18, 2010 passed a resolution for incorporation of a subsidiary company. The same was incorporated on August 2, 2010 as Pennar Building Systems Private Limited. As per the Memorandum and Articles of Association of the incorporated company, the Subsidiary Company is a subscriber to the shares of the new entity. As at March 31, 2011 the company has not subscribed or remitted to the share application money amounting to Rs. 99,990/- being 9,999 shares of Rs. 10/- each and as such, no shares have been allotted to the subsidiary company.

15. Earnings per Share:

		31.03.2011	31.03.2010
1.	Net Profit after tax (after adjusting Minority Interest & Preference Dividend) as per Profit and Loss Account for basic EPS. (Rs. in lacs)	7392.4	4977.5
2.	Weighted Average No. of Shares	122024000	125098565
3.	Annualized Basic Earnings per Share (Rs.)	6.1	4.0

16. Confirmations are still to be received in respect of the amounts relating to Debtors, Creditors and Loans & Advances.

17. The sundry debtors above 180 days receivables of Rs.126.5 lacs (previous year Rs. 77.4 lacs) are from customers on whom legal action has been initiated.

18. Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest lacs with single decimal.

Signatures to Schedules 1 to 19

As per our report of even date
For Rambabu & Co.,
Chartered Accountants
Registration No. 002976S

For and on behalf of the Board

Nrupender Rao
Executive Chairman

Ch. Anantha Reddy
Managing Director

Ravi Rambabu
Partner
Membership No. 18541

R Ravi
V.P. Finance and Company Secretary

Aditya N Rao
Director - Projects

Place : Hyderabad
Date : July 25, 2011

Place : Hyderabad
Date : July 20, 2011

Pennar

Pennar Industries Limited

Regd. Office: Floor -1, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500084 A.P. India

NOTICE OF THE 35th ANNUAL GENERAL MEETING

Notice is hereby given that the 35th Annual General meeting of PENNAR INDUSTRIES LIMITED will be held at 10.30 A.M on Monday, September 12, 2011 at The Federation of Andhra Pradesh Chamber of Commerce and Industry (FAPCCI), K.L.N.Prasad Auditorium, 3rd Floor, House No. 11/6/841, Red Hills, Hyderabad 500014, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the report of the Directors, the Balance sheet as at March 31, 2011 and the Profit and Loss Account for the year ended March 31, 2011 and the report of the auditors' thereon.
2. To declare dividend on Preference shares.
3. To confirm the payment of Interim Dividend on Equity Shares for the year 2010-11 and to declare Final Dividend for the year 2010-11 on Equity Shares.
4. To appoint a Director in place of Mr. A Krishna Rao, who retires by rotation and offers himself for re-appointment.
5. To appoint a Director in place of Mr. C Parthasarathy, who retires by rotation and offers himself for re-appointment.
6. To appoint a Director in place of Mr. B Kamalaker Rao, who retires by rotation and offers himself for re-appointment.
7. To appoint M/s. Rambabu & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on such remuneration and out-of-pocket expenses as may be fixed by the Board of Directors of the Company.

Special Business

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

   "RESOLVED that Mr. Manish Sabharwal, who was appointed by the Board of Directors as an Additional Director of the Company with effect from April 22, 2011, and who holds office up to the date of this meeting as per Section 260 of the Companies Act, 1956 ("the Act") and Article 107 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, who shall be subject to retire by rotation."

9. To consider and, if thought fit, to pass with or without modifications, the following resolution as an ordinary resolution:

   "RESOLVED that Mr. J Ramu Rao, who was appointed by the Board of Directors as an Additional Director of the Company with effect from April 22, 2011, and who holds office up to the date of this meeting as per Section 260 of the Companies Act, 1956 ("the Act") and Article 107 of the Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, who shall be subject to retire by rotation."

10. To consider and, if thought fit, to pass with or without modifications, the following resolution as special resolution:

    "RESOLVED that pursuant to the provisions of section 163 and other applicable provisions, if any, of the Companies Act, 1956, the Register of members and index of members, in respect of Shares/Securities issued by the Company, be kept at the office of the Registrar and Share Transfer Agents."

By Order of the Board
For Pennar Industries Limited

Place: Hyderabad
Date: July 20, 2011

R. Ravi
V. P Finance & Company Secretary

Notes:

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll instead of himself / herself. A proxy need not be a member of the Company. The instrument appointing Proxies to be valid must be deposited at the Registered Office of the Company, not less than 48 hours before commencement of the meeting.

(b) Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board resolution authorising their representative to attend and vote on their behalf at the meeting.

(c) An Explanatory Statement pursuant to Sec.173 (2) of the Companies Act, 1956 relating to the special business to be transacted at the meeting is annexed hereto.

(d) The Register of Members and the Share Transfer Books of the Company will remain closed from September 8, 2011 to September 10, 2011 (both days inclusive).

(e) Dividend as recommended by the Board of Directors, if declared at the meeting, will be paid to those members whose names appear on the register of members as on Saturday, September 10, 2011 and to beneficial owners, as at the end of business hours on Wednesday, September 7, 2011 as per the details furnished by NSDL and CDSL in respect of shares held in electronic form.

(f) Members are requested to bring duly filled in Attendance Slips sent herewith for attending the meeting.

(g) Relevant documents and registers will be available for inspection by the members at the registered office of the Company.

(h) Members are requested to address all correspondence with regard to change of address, dividend matters to the Registrar and Share Transfer Agents, Karvy Computershare Private Limited, Plot-No. 17 to 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad, Andhra Pradesh – 500 081 in respect of shares held in physical mode and to their depository participants in respect of shares held in dematerialized form.

(i) The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies and has issued Circular on April 21, 2011 stating that the service of documents can be made through electronic mode. In view of the circular issued by MCA, the Company proposes to henceforth deliver documents like the Notice calling the Annual General Meeting/Audited Annual Accounts/Report of the Auditors/Report of the Directors etc, in electronic form to email address provided by the shareholders.

(j) Shareholders are requested to furnish their e-mail id's to enable the Company to forward all the requisite information in electronic mode. In case of shareholders holding shares in demat form, the email IDs of the shareholders registered with the DP and made available to the Company shall be the registered email ID unless communication is received to the contrary.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item No. 8:

The Board of Directors in its meeting held on April 22, 2011, approved the appointment of Mr. Manish Sabharwal, as an Additional Non-Executive Independent Director of the Company.

As per the provisions of Section 260 of the Companies Act, 1956, Mr. Manish Sabharwal will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.

Notice under Section 257 of the Act, was received from a member proposing the appointment of Mr. Manish Sabharwal as the Company's Director, along with the requisite deposit.

Mr. Manish Sabharwal, an MBA from The Wharton School, is the Chairman and co-founder of Teamlease Services, India's largest temporary staffing firm, which has over 70,000 employees in 770 cities/ towns across India.

Mr. Manish Sabharwal is a member of the Prime Ministers Council on Skill Development and has served on the Planning Commission steering committee on labour and employment for the Eleventh five year plan (2007-12). He is a member of the CII core group on labour reforms and also serves as an adviser on labour and employment issues to the State Governments of Rajasthan, Gujarat and Karnataka. He is also a columnist for Financial Express, Economic Times and Mint.

Mr. Manish Sabharwal is an investor and board member of ICAP India (a joint venture with ICAP plc and India's largest foreign exchange and fixed income brokerage), Gaja Capital (a private equity firm focused on the India's domestic market) and India Insure (India's largest institutional insurance brokerage firm).

His induction on the Board would be of immense benefit to the Company.

Names of companies in which the person also holds the directorship and the membership of Committees of the Board is provided in the Additional information on Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting

Mr. Manish Sabharwal does not hold any shares in the Company.

The Board of Directors recommends the resolution for your approval.

None of the Directors except Mr. Manish Sabharwal is interested or concerned in the resolution.

Item No. 9

The Board of Directors in its meeting held on April 22, 2011, approved the appointment of Mr. J Ramu Rao, as an Additional Non-Executive Director of the Company.

As per the provisions of Section 260 of the Companies Act, 1956, Mr. J Ramu Rao will hold office till the ensuing Annual General Meeting and is eligible for re-appointment.

Notice under Section 257 of the Act, was received from a member proposing the appointment of Mr. J Ramu Rao as the Company's Director, along with the requisite deposit.

Mr. J Ramu Rao, aged 25 years is an Engineering Graduate with specialization in Electronic & Electrical Engineering (EEE) and has done post-graduation in MSc. Global Business Management from Manchester Business School, United Kingdom with specialization in Business Management. He is a member of the promoter family group of My Home Industries Group, Hyderabad.

His induction on the Board would be of immense benefit to the Company.

Names of companies in which the person also holds the directorship and the membership of Committees of the Board is provided in the Additional information on Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting

Mr. J Ramu Rao does not hold any shares in the Company.

The Board of Directors recommends the resolution for your approval.

None of the Directors except Mr. J Ramu Rao is interested or concerned in the resolution.

Item No. 10

As per Section 163(1) of the Companies Act, 1956, certain Registers and Documents which are normally required to be kept at the Registered Office of the Company could be kept at a place other than the Registered Office of the Company, provided such other place has been approved by the Members by way of a Special Resolution.

With a view to enabling the Registrars and Share Transfer Agents to carry out their duties expeditiously, it is considered desirable to keep the Register of members and index of members in respect of Shares/Securities issued by the Company, at the office of the Registrars and Share Transfer Agents appointed by the Board of Directors from time to time.

Hence, the approval of the members is sought in terms of Section 163(1) of the Companies Act, 1956 for keeping the aforementioned registers and documents at the office of the Depository Registrar and Share Transfer Agent as stated in the resolution.

The Board of Directors recommends the resolution for your approval.

None of the Directors is interested or concerned in the resolution.

By Order of the Board
For Pennar Industries Limited

Place: Hyderabad
Date: July 20, 2011

R. Ravi
V. P Finance & Company Secretary

Additional information on Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting

Particulars	Mr. A Krishna Rao	Mr. C Parthasarathy	Mr. B Kamalaker Rao	Mr. Manish Sabharwal	Mr. J Ramu Rao
Date of birth	February 16, 1928	July 07, 1955	March 27, 1949	December 29, 1969	July 30, 1986
Date of appointment	December 19, 2005	October 30, 2008	January 30, 2008	April 22, 2011	April 22, 2011
Qualification	BA (Hons.)-Economics/ B.L./ P.G. Diploma- Personnel Management	B.SC./ LL.B./ F.C.A. (Fellow Member of Institute of Chartered Accountants of India)/ F.C.S.(Company Secretary)	B.Tech., IIT Delhi/ M.B.A, Faculty of Management Studies, Delhi University	MBA from The Wharton School	MSc. Global Business Management B.E (Bachelor of Engineering),
Expertise	Experience in various fields of management for the past four decades	Experience in fields of management	Experience in fields of Industrial and managerial for more than two decades	Experience in fields of management	Experience in fields of management
List of Companies in which outside directorship held on July 20, 2011	Pennar Engineered Building Systems Limited	Karvy Computershare Private Limited Karvy Comtrade Limited Karvy Consultants Limited Karvy Global Services Limited Karvy Global Services Inc. USA Karvy Inc. USA Karvy Insurance Broking Limited Karvy Investor Services Limited Karvy Data Management Services Limited Karvy Infrastructure Resources Pvt Ltd. EPR Pharmaceutical Private Limited Nova Consultants Limited AIP Power Private Limited	Feno Plast Limited	Pennar Engineered Building Systems Limited ICAP India Private Limited ICAP Institutional Stock Exchange of India Limited	My Home Industries Limited My Home Power Limited J.B.M. Exports Private Limited Madhubala Resorts and Developers Private Limited My Home Holdings Private Limited 22nd Century Agrotech Private Limited J.R.R. Exports Private Limited BSR Agros Private Limited BSR Horticulture Private Limited Vinod Agrotech Private Limited Vinod Horticulture Private Limited

Additional information on Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting

Particulars	Mr. A Krishna Rao	Mr. C Parthasarathy	Mr. B Kamalaker Rao	Mr. Manish Sabharwal	Mr. J Ramu Rao
		Ocean Sparkle Limited Karvy Stock Broking Limited Sri Saisairam Projects Limited Granules India Limited Financial Intermediaries Association of India Multidimension Entertainments Pvt Ltd TMI e2E Academy Private Limited			
Chairman/member of the committee of other companies on which he is a director as on July 20, 2011.	Nil	Nil	Nil	Nil	Nil
No of Shares held by them in the Company as on July 20, 2011	Nil	Nil	10,900	Nil	Nil

"We are what we repeatedly do.
Excellence, then,
is not an act, but a habit."

– Aristotle

Pennar

Pennar Industries Limited

Regd. Office: Floor -1, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084

PROXY FORM

Regd. Folio No:	No. of Shares held :
*DP. Id.:	*Client Id :

I/We____of

____being

a member / members of Pennar Industries Limited hereby appoint ____of

_______________________________or failing him/her____of

____ as my/our proxy to vote for me/us on my/ our behalf, at the 35th Annual General Meeting of the Company to be held on Monday, the 12th day of September, 2011 at 10.30 a.m. or at any adjournment thereof.

Signed this ______________day of _________2011

Affix Revenue Stamp

• Applicable for investors holding shares in electronic form.

Note

I. The proxy form should be signed across the stamp as per the specimen signature registered with the Company.

II. The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.

III. The proxy need not be a member of the Company.

Pennar

Pennar Industries Limited

Regd. Office: Floor -1, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084

ATTENDANCE SLIP

Please fill this attendance slip and hand it over at the entrance of the meeting. Only members or their proxies are entitled to be present at the meeting.

Regd. Folio No:	No. of Shares held :
*DP. Id.:	*Client Id :

Name and address of the Shareholder ____

I certify that I am a registered shareholder / Proxy for the Registered Shareholder of the Company. I hereby record my presence at the 35th Annual General Meeting held on Monday, the 12th day of September, 2011 at 10.30 a.m. at the The Federation of Andhra Pradesh Chamber of Commerce and Industry (FAPCCI), K.L.N.Prasad Auditorium, 3rd Floor, House No. 11/6/841, Red Hills, Hyderabad 500014.

Signature of the Shareholder/Proxy

• Applicable for investors holding shares in electronic form

Note: Member(s)/ Proxies are requested to bring their copies of Annual Report to the meeting.

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Disclaimer

In this annual report, we have disclosed forward-looking information to help investors comprehend our business prospects and thus take informed investment decisions. This report is based on certain 'forward-looking statements' that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The performance of the company is subject to various risks, uncertainties and inaccuracies in assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

A TRISYS PRODUCT
info@trisyscom.com

www.kalajyothi.com

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Pennar Industries Limited

Floor - 1, DHFLVC Silicon Towers,
Madhapur Road, Kondapur,
Hyderabad - 500 084, India
www.pennarindia.com