



Pennar Industries Limited

Annual Report 2012-13



PEBS Pennar Factory

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Mr. P V Rao
MD, PEBSL

Mr. Suhas Baxi
President & CEO, PIL

Mr. Nrupender Rao
Chairman

Mr. Aditya Rao
Vice Chairman

Mr. Shreepad Purkar
President & CEO, PEL

Board of Directors

Mr. Nrupender Rao, Chairman
Mr. C Parthasarathy
Mr. Ravi Chachra
Mr. B Kamalaker Rao
Dr. G Vivekanand
Mr. C Rangamani
Mr. Manish Sabharwal
Mr. J Ramu Rao
Mr. Vishal Sood
Mr. Varun Chawla, Additional Director
Mr. Ch Anantha Reddy
Mr. Aditya Rao, Vice Chairman

Management Team

Mr. Suhas Baxi, President & CEO, PIL
Mr. P V Rao, MD, PEBSL
Mr. Shreepad Purkar, President & CEO, PEL

Vice President & Company Secretary

Mr. 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. : 3, DHFLVC Silicon Towers,
Madhapur Road, Kondapur,
Hyderabad - 500 084, India

Registrars and Share Transfer Agents

Kavy Computershare Pvt. Ltd.,
Plot No.: 17-24, Vithalrao Nagar,
Madhapur, Hyderabad - 500 081

Plants

Patancheru Unit

IDA, Patancheru - 502 319,
Medak (Dist), A.P.

Isnapur Unit

Isnapur Village - 502 307
Medak (Dist), A.P.

Chennai Unit

Kannigaipair Village,
Uthukottai Tq Thiruvellore Dist,
Tamil Nadu - 601 102

Tarapur Unit

J-72, MIDC, Tarapur, Maharashtra - 401 506

Hosur Unit

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

PEBS Pennar

Chandapur village,
Sadasivpet Mandal, Medak,(Dist)

Pennar Enviro Limited

186/A & 188/A, IDA Mallapur,
RR (Dist) 500076





FROM THE CHAIRMAN

Dear Shareholders,

Twenty five years ago, the Pennar Group took birth with the establishment of Pennar Steel. My dream in establishing Pennar Steels was modest and I believed that as an entrepreneur I could build an institution that could in a small manner cater to the needs of a growing India. My ambition was to create a company that would provide employment and livelihood to hundreds of families.

In the first year of operation, Pennar generated ₹ 8 Crores in sales. Twenty five years later, Pennar has evolved into a diversified engineering company with ₹ 1500 Crores in sales, representing a 25% compounded annual growth rate. Over 2000 employees and over 400 engineers are employed by the company. Pennar Industries and its subsidiaries have seven manufacturing facilities and 35 sales offices across India.

Pennar is now present in a diverse range of verticals providing solutions in custom designed green building systems, environmental technology, auto components, solar power, railway coach and wagon components and engineering design. It is with great pride that I look back at the past two and a half decades and on the journey we have traversed together.

I am very happy that Mr Suhas Baxi has joined your company as the President & CEO in December 2012. Mr Baxi has rich experience in managing companies and is very well suited to lead the company in its transformation. Mr Baxi has worked out a well-defined strategy with focused medium term objectives and a clear long term direction.

As you are aware, the last year was a very challenging year for the Indian Industry and your company had to operate in a macro-economic environment that was experiencing a slowdown, rising inflation that resulted in higher material and energy costs, a high interest rate regime and an environment that was not conducive to new investment in manufacturing.

In this difficult environment, Pennar has delivered, creditable consolidated results in FY 13, with Gross Revenue of ₹ 1274 Crores, EBIDTA of ₹ 116.5 Crores and PAT of ₹ 42 Crores, The company has generated positive cash flow of ₹ 54 Crores, during the year. While the slowdown in the manufacturing and infrastructure sectors is expected to continue for one more year, we believe that due to our efforts in the past financial year, we are well placed to put the company on a robust growth path.

We have sown the seeds for a new Pennar and have set ourselves an ambitious goal to transform your

company into an eminent engineering company in the next five years. Ten years ago, in response to difficult market conditions, we had to change and evolve by putting our faith in the idea that only a company that embraced continual value addition could remain relevant in a world with breakneck technological advancement. The logical synthesis of that idea has now developed into our growth plan which will transform us into an engineering institution with over a Billion USD in sales, a three fold increase in our revenues over the next five years.

Pennar's transformation started a few years back when Aditya Rao joined the board with a vision to create Pennar's leadership in Pre-engineered buildings. In a very short span of time, Pennar's building subsidiary (PEBS) has emerged as a technically proficient and financially strong company enabling it to become a leading player in the country with sales of ₹ 325 Crores in FY13. PEBS has many firsts to its credit by building the first Gold Rated Green Factory in India, by constructing the largest clear span building (99 meters) in India, and by setting up the largest warehouse in India (10 million sq ft).

Mr. P V Rao, the Managing Director of PEBSL has built a highly capable, motivated and empowered management team. PEBS is confident that in the next five years, the explosive growth it has experienced will continue. Our efforts have been supported by NCI, Inc-our technical collaborator in the US and access to their technology and product line has allowed us to establish the company as a leading PEB player in India. A private equity firm Zephyr Peacock, a leading private equity company has recently taken a significant stake at a premium in the company.

The second subsidiary of Pennar Industries, Pennar Enviro (PEL) manufactures and markets fuel additives and water treatment chemicals. It has diversified by providing cohesive solutions in the design and construction of clear water and waste water treatment plants. The company has a technical collaboration with Tech Universal of UK, who have vast experience in designing and executing water projects. The CEO of Pennar Enviro Limited has rich experience in the field of water and has acquired a talented and motivated team with capabilities in estimation, design, detailing, supply chain and project management. The company has received orders from Amtech Auto, L&T, My Home Construction, Ranbaxy and AGI Glaspac.

The vast market opportunity and the strong capabilities of the PEL team make me very optimistic of the subsidiary's future.

I have always believed in the potential for the growth of Pennar with its engineering skills and manufacturing capabilities. We need to create a new organization structure which has operational flexibility that will enable different manufacturing verticals to flourish and develop into vibrant independent businesses. The company has now been divided into four Strategic Business Units (SBU): Systems and Projects, Industrial Components, Precision Tubes and Steel Products as each of these businesses have their own distinct markets, capital assets, and customers. We have added prestigious customers like Thermax, BGR Energy, VE Commercial, Gabriel, ABB, Larsen & Toubro, Tata Power Solar, Schneider Electric and Lanco.

Mr. Suhas Baxi has been instrumental in laying the groundwork for the transformation of your company and substantial progress has been made in acquiring the best talent for various levels of management. Mr. Baxi has put in place the architecture for the SBUs, revamped our IT and ERP infrastructure, is planning to invest in high margin engineering verticals and is building a senior management team that is capable of making our vision a reality.

We are planning to build new products in the segments that we are already present, and will set up manufacturing facilities to address new geographies and expand the footprint to cover international markets. Our strategic initiatives are aimed at growing the top line to US\$ 1 Billion by 2018, while graduating to be in the top three companies by market share in all segments of our business in India. We aim to be one of the most profitable companies in our industry, while we create a greener and safer work environment, and become one of the best workplaces in India.

I am confident that the creation of the strategic business units, the growing strength of our subsidiaries, our sound financial health, the capabilities of our management and technical team, and the support of all of you shareholders, will ensure that Pennar Industries growth story continues unhindered.

Thanking you,

Nrupender Rao
Chairman
Pennar Industries



FROM THE VICE CHAIRMAN

Dear Stakeholders,

Ten years ago Pennar Industries started down a path by which it would transition from being a manufacturer of commodity steel to a provider of engineered products and services. While we chose this path for many reasons the primary rationale was our belief that our business model could no longer serve to deliver our growth, profitability and liquidity targets. We started this process in 2002 and the transition was painful and arduous. The management of the company had to make difficult decisions over the next several quarters. In our attempts to reinvent the company, however, we discovered the vastness of the opportunities available to companies such as ourselves that were willing to invest in core-engineering capabilities and high end manufacturing technology.

Pennar Industries has grown by 2000% over the past ten years and has positioned itself as a key provider of value added engineering services for our customers in the automotive, railways, infrastructure and engineering sectors. We realised the potential for growth in several of our divisions such as building components, automotive components and railway products among

others. However, we were uncertain as to how we would go about creating an organization structure that would be flexible enough to chase down and capitalize on market opportunities as well as retain the essential strengths and character that define Pennar Industries as a company.

In 2008, we solved this conundrum by incorporating Pennar Engineered Building Systems (PEBSL) the first subsidiary and independent profit centre for Pennar Industries. Created during the height of the Global Economic Recession, PEBSL commenced commercial operations in 2010 and over a short span of a little over three years, the subsidiary has grown to over ₹ 3.25 Billion in Revenue. Lead by Mr. P V Rao, the structuring of this business into a cohesive business unit with independent management and operational teams gave it the potential to build scale rapidly. The company has also raised funds through a private equity investment firm Zephyr Peacock. With our strong capabilities in structural engineering and design, our best-in-class project management, our cutting edge manufacturing capabilities and with Zephyr as our partner, we believe we have created a strong foundation to unleash explosive growth in PEBSL

In the financial year ended 2013, Pennar has created another subsidiary – Pennar Enviro (PEL). This subsidiary will look to capitalize on the massive opportunities in the water and waste water treatment and energy sectors. The company has a technical collaboration with Tech Universal of UK, which is one of the leading global players in the water treatment industry. Pennar Enviro's CEO Mr. Shreepad Purkar is committed to delivering quick growth and intends to evolve the company into one of the major providers of solutions in the water treatment, environment and energy sectors.

The organization structure, engineering capabilities and human capital that has allowed us to transform ourselves and achieve ₹ 14 Billion in sales over 10 years will no longer serve us for what lies ahead. The transformation that we will have to go through over the next few years has precedent, in Pennar's own transition ten years ago in far more difficult conditions from a commodity steel company to a value added engineered products manufacturer. There is also historical precedent in the work of Ludwig Wilhelm Erhard and the 'Wirtschaftswunder'. Wirtschaftswunder literally translates to 'Economic Wonder' in English, which illustrates the impact of Erhard's policies.

For almost a decade after World War II, the German economy was struggling on account of its indebtedness to the newly formed United Nations. As the Minister of Economics, Erhard was the key to the reforms that followed, championing tough decisions such as the institution of the Deutschmark, removal of restrictive economic trade practices and bringing balance to the German currency. Later elected as the Chancellor, he led the country's coal and steel revolution that changed the economy forever and transforming Germany into the eminent industrial and technological powerhouse it is today.

Under our new CEO - Mr. Suhas Baxi, Pennar Industries has made strong beginnings over the past two quarters in remaking itself anew. We have made several strong additions to our senior management and engineering talent. The company has segregated itself into four operational SBUs viz. Steel Products, Tubes, Engineered Components and Project & Systems. We have also started evaluating opportunities in solar power, high rise steel buildings, standardized water treatment plants, hydraulic systems and warehousing solutions among others.

It is our hope that this restructuring - combined with a cohesive enhancement of our capabilities in design, engineering, manufacturing and project execution - will allow us to unleash another decade of rapid growth for Pennar Industries and its subsidiaries.

The financial year that ended in March 2013 has been one of the most challenging one we have faced in the recent past. We ended the year with de-growth in revenues, EBIDTA and net income as compared to the financial year ended March 2012. Our core segment in value added steel products have been under relentless margin pressure due to the emergence of leaner competitors with the advantages of a lower capital base and lower overhead costs. Our fixed costs have had to increase significantly in order to retain the talent we needed to service our customers. The slowdown in the infrastructure, automotive and railways sectors has had a disproportionate impact on operations at Pennar Industries with increases in operating costs, inflating working capital costs and operating cycles and delays in order book execution. The cumulative impact of these factors has been the reduction of our net profit to a level last seen in the financial year 2009.

In spite of these concerns, in a very challenging macro-economic environment, Pennar Industries along with its subsidiaries, is well poised to deliver growth, liquidity and profitability. The tremendous growth seen in the Solar (Systems & Projects), Tubes and PEBS divisions illustrates the potential for our business divisions to rapidly become self-sustaining profit centres.

We face the financial year 2014 with enthusiasm and we are confident that the aggressive targets we have set for ourselves are achievable. Together with the senior management team of Pennar Industries we will strive to ensure that the next few years herald the greatest chapter in the history of this company. I look forward to your support as we implement our plans.

Best,

Aditya Rao
Vice Chairman
Pennar Industries



Dear Shareholders

It is indeed a privilege and honour to be a part of Pennar family.

This is my first communication with you; and I will take this opportunity to talk about the broad framework of strategic initiatives that our company is taking.

Before I dwell in to our medium term strategy, let me share with you the status of '100 Day Plan' that I initiated within a few weeks of joining Pennar. The 100 day plan was titled "Power@Pennar" and was aimed at unleashing the latent energy and potential that our company possesses.

We undertook a total of 21 change initiatives with an idea of scoring some quick wins while charting out a few medium and long term projects aimed at transforming the way we conduct our business. I am pleased to inform you that 10 out of the 21 projects have already been completed and the work on other 11 has reached an advanced stage of completion.

Reorganizing the business of our parent company- Pennar Industries was one of the major change projects. We now have four business units within Pennar Industries with clearly identified product areas, markets, teams and strategies. This structure will help us create a higher level of market and customer focus to drive the business growth.

Transformation of the type that we are making needs people with experience in areas that are key to our strategic initiatives. We have inducted new leaders with rich experience capable of shaping our dream of becoming a technology-driven engineering firm with a global presence. The new leadership team at Pennar Industries is at the core of this transformation process.

Manufacturing business is as much about processes, as it is about product and technology. Some of the key initiatives taken by us as a part of "Power@Pennar" were about Process Improvement. We initiated three major projects to transform our operating processes. Total Productive Maintenance (TPM), Continuous Process Improvement (CPI) and LEAN are being implemented

in various parts of our business to ensure cost effective and customer focused processes. We have seen some early successes here; however all these initiatives are essentially a part of transforming Pennar in to a modern manufacturing company that can set standards for quality management and customer centricity.

Our medium term strategy for the company is thus based on the work initiated through "Power@Pennar" transformation initiative and the goals related to Growth, Market Share, ROCE; along with an aim to create an organization that is valued by the customers and employees alike. I would like to elaborate the four pillars of our mid-term strategy:

Global: Pennar Industries would like to generate 10% of its revenue through International operations within 3 year period. To give wings to this dream we have set up an International Business Cell that will focus on Asia and Africa as markets. Our International plan will be centred on exports as well as creating operations outside India. Simultaneously, the process improvement initiative that we have undertaken is also having clear milestones that will allow us to satisfy the needs of global customers in the area of quality and reliability.

Acquire: Pennar's roadmap for becoming an engineering company will involve acquisition of technology, talent and businesses to supplement our current business. We will add businesses to our current portfolio so that we move up the value chain by adding technology driven products, services and solutions; provide a larger bouquet of related offerings to our existing customers and grow as a multi-product engineering company.

Triple: Pennar Industries is working on tripling the turnover of all our existing businesses over the next

five year span. This organic growth will be driven by New Product Development and Geographical Expansion. Application Engineering and Product Development teams have been strengthened and the four business units are targeting opportunities to expand in to Northern India where our presence is limited. We are also expanding our product portfolio in all the businesses and targeting 10% revenue growth through new products every year.

Excel: Business and Operational processes aimed at Customer Centricity Superior Quality and Optimum Cost are at the core of our strategic initiative titled "Excel @ the House of Pennar". This house is being built with pillars signifying process excellence we aim to achieve. Along with TPM, CPI and LEAN; we have now added initiatives in the area of Learning & Development, Energy Efficiency and Environment/ Health & Safety. We are confident that these initiatives will help us create a globally competitive organization that is able to deliver and grow in some of the most competitive businesses.

Global, Acquire, Triple, Excel (GATE); at Pennar we are opening the GATE to move towards a potentially rewarding future. A GATE which will lead us to a higher level of stakeholder satisfaction.

Team Pennar is excited to begin this journey of transformation and growth.

Best,

Suhas Baxi
CEO
Pennar Industries



The TIE that Binds: Transforming, Innovating, Empowering

As Pennar celebrates its Silver Jubilee in 2013, it is infused with energy and ready to transform itself. Transform, like the chrysalis into the butterfly, to take on the new challenges of the Indian and the global business environment and to keep growing. Innovate, from the building blocks of steel processing to the more sophisticated spaces of engineering and technology. Empower ourselves to move into new businesses and take on new projects. Use this TIE to bind our organisation with a new culture that is able to achieve this dream, like a butterfly, to take wing.

Our initiatives are being recognised. In February 2013, the Council of State Industrial Development and Investment Corporations of India conferred the prestigious "Outstanding Entrepreneur Award" on your Chairman. Earlier, the Hyderabad Management Association awarded him as "Entrepreneur of the Year". He was also the recipient of IIT Kharagpur Alumnus award for the year 2011, which was

presented by the Hon'ble Prime Minister of India. He also received the "Nayudamma Gold Medal" for his contribution to Industrial Development in Andhra Pradesh. Pennar's story is one of continuous innovation and consistent growth, evolving from a cold rolled steel products manufacturer into a multi-location, multi-product engineering group.

In our continuing endeavours to keep up with and outpace, market trends, we are now looking at adding new businesses, transforming our business processes and breaking our traditional geographical boundaries in the South of India to become a pan-India and a global entity. To lead this transformation, Pennar also has a new leadership team in place, led by the CEO Suhas Baxi and the SBU heads with the skills and experience we need.

And this is only the beginning.

How will the new TIE work?

Your Company has set itself six goals:

- To be in the top three companies in India by market share in all our businesses
- To become the most profitable company in our industry based on ROCE
- To create a greener and safer work environment
- To be one of the best places to work in India
- To be the benchmark for delivery and quality
- To become a \$1 billion group by 2018

We also have a strategy to make it all work, which is aptly called ' GATE '

- Global: achieve 10% of our revenue outside India within the next three years
- Acquire: obtain/procure new technology, relationships and enterprises so as to add ₹ 1,000 Crores in revenue by 2018
- Triple: Add new products and markets to triple the revenue from existing businesses by 2018

- Ten: save 10% in cost of operations year on year
- Excel: implement the Pennar operating system for performance, productivity, quality & safety improvement

And how do we implement this strategy? How do we convert some of the lofty and ambitious goals in to action on the ground; in to measurable results?

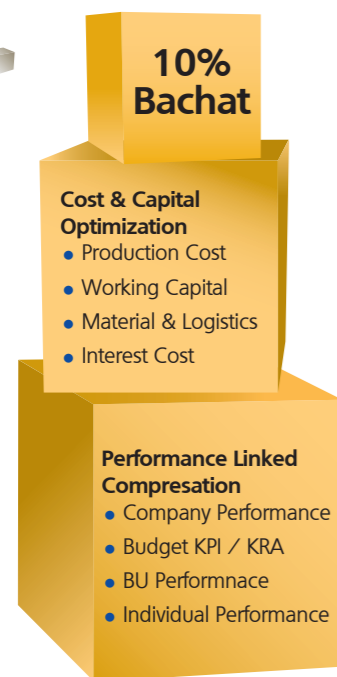
We have found a unique way to get all team members motivated about the strategic action plan.

Hyderabad is famous for Badminton. We have thus created a set of 21 projects for 2013-14. These 21 projects in a way represent the game of 21 points (badminton). And to win this game of 21 points, i.e. to successfully implement all 21 projects, we are playing the game in five phases. Each one of the phases has a unique strategic intent like a Saina Nehwal or Pulela Gopichand will have during different stages of the game. Together these five phases represent our Strategy 2014.

1. High 5 of 2014: This is the aggressive, high energy go to market plan with five separate initiatives aimed at adding ₹ 150 Crores revenue in 2014
2. House of Pennar as an operating system: Pennar is putting in place a good foundation of business processes and practices aimed at enhancing value that we deliver to the customers and keeping our customers at the centre of our business processes



3. Continental Plan: Pennar Industries will start operations in Asia and Africa.
4. Doubles Play: During the year 2014, Pennar Industries will add two new businesses, both aimed at moving up the value chain towards our stated goal of becoming a technology company.
5. 10% Bachat: Pennar has initiated across the board efficiency enhancement measures aimed at reducing the cost of operations by 10%.



The Pennar Operating System (POS) will ensure top quality at the lowest cost, in the shortest lead time, with energy efficiency, benchmark productivity, standardised work; on-time delivery in full, and continuous improvement through modern manufacturing, material control and elimination of waste.

Total Plant Maintenance (TPM) involves eight activities eliminate waste; safety, hygiene, environment; office

TPM; quality maintenance; development management; education and training; planned maintenance; Jishu Hozen and Kobetsu Kaizen.

At Pennar we have adapted continuous process improvement methodology called APRS which is based on Dr Deming's principles. Our processes starting with customer interface to final product delivery and customer support are being aligned to ensure fulfillment of customer expectations. Customer Centricity is the clear aim of all our business processes and APRS will help us transform Pennar in to a process driven organization.

In the industry which is changing rapidly, the skill and competency of Pennar's employees will always be a key differentiator. We are now in the process of setting up Pennar Skill Development Centre (PSDC). This will ensure that all employees have excellent skills across functions, with upgraded knowledge in technical, operational, managerial and other areas. This will empower them for sustainable growth for themselves and the Company, and create a competent and talented pool through continued enhancement of their skillsets across the organization.

We have engaged in Mercuri Goldmann, the world's largest customer interaction, management training and consulting organisation, to supplement PSDC's efforts. This will teach each employee to become a customer first.

Pennar had also implemented an online performance management system.

And a company where so much is happening cannot be without its own internal communications platform. Pennar has recently launched its internal house magazine, SPHOORTI, for its employees - forging bonds among them.

Say Hello to the vibrant new Pennar!

Vision

Our vision is to be a globally reputed engineered metal products company. We strive to maintain 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 a quarter century of experience to provide high-quality and cost effective metal products to our customers. We are committed to ensure a rewarding experience for our customers. We work closely with all our stakeholders - shareholders, suppliers, customers and employees - to ensure that everyone gets a good economic return.

While the parent company PIL is undertaking growth and process improvement strategy, new bright stars like Pennar Engineered Building Systems (PEBS Pennar) have emerged in the Pennar Group.

PEBS Pennar was set up as a subsidiary of Pennar Industries in 2009 with a state-of-the-art manufacturing facility at Sadashivpet near Hyderabad. It is into design, manufacture, supply and installation of pre-engineered steel buildings. The three-year-old company has already started taking giant strides which will take the Group to even greater heights as it gets into diversified segments.

PEL, even younger, marks the renaissance of the old Pennar Chemical. It has an all-new mandate of providing EPC solutions and O&M services for Water and Waste Water Treatment Plants. These are growing

markets and the Company is in a great position to gain from them.

Environment

At Pennar, we are passionate about our responsibility towards our environment and community.

Being a responsible corporate citizen, we put safety, health and environment at the forefront of our activities.

Your Company conforms to all the norms with regard to water and air pollution. We have also put up a waste-water recycling plant to conserve water.

As a responsible corporate citizen, we have taken a number of social and environmental initiatives for the betterment of our community and the world at large.



Mr. Nrupender Rao receiving FAPCI award for Best Allround Performance - Pennar Industries



Mr. P V Rao, MD, PEBSL, wins Manager of the Year award from Hyderabad Management Association

Our core principles of 'reuse', 'recycle' and 'replenish' are aimed at:

- Pollution control
- Minimising waste
- Reduced effluent discharge

We are the best in maintaining employee and industrial relations. We have also given a helping hand to the neighbouring villages near our manufacturing locations.

Core Competencies

1. Professional Management Team: The Company has continued its focus on professional management and has created a very strong leadership team at the senior and mid management level to execute an ambitious plan.
2. Technology-driven: The Company is investing in technologies that will allow a natural progression from metal processing to other value added engineering streams.
3. Value-added products: The Company has increased the proportion of value-added products in its revenue mix from 50.8% in 2006-07 to 78% in 2012-13, resulting in a higher margin-accretive product mix and improved realisations.
4. Quality focus: The Company is committed to provide quality products to customers. All manufacturing units are ISO 9001:2008-certified, resulting in a high-quality discipline. The Tubes manufacturing plant has received TS 16949:2009 certification.
5. High-growth markets: The Company focuses on high-growth sectors of the Indian economy, such as infrastructure, railways, construction and automobiles, which the government has prioritised for increased investments.
6. Blue-chip clients: The Company has a blue-chip client roster, which includes TATA Motors, L&T, Ashok Leyland, ABB, Moser Baer, Schneider Electric, Tata BP Solar, among others. The building subsidiary developed prestigious customers like L&T, Ultratech Cement, Dr. Reddy's Labs, My Home Group, Reliance Retail and others.
7. Diversified product mix: The Company's portfolio comprises over 1,000 products, across diverse sectors like railways, automobiles, general engineering, building and construction among others, thus derisking the business.
8. People strengths: The Company has over 1,450 employees with a cumulative experience of over a million person-days, resulting in expertise in different fields.
9. Strong financials: The Company possesses a strong balance sheet with low gearing, providing it room for additional borrowing whenever needed.
10. Replacement cost: The Company's replacement cost is estimated at ₹ 700 Crores, considerably higher than its gross block of ₹ 360 Crores, which is an adequate hedge against greenfield competition.



Six Business Segments

Growth strategy for all businesses need a clear identification of growth areas and a focus on efforts needed to drive growth. Pennar Group has structured its business in to three separate companies. While the parent company- Pennar Industries focuses on the core business, the diversification efforts are managed by subsidiary companies Pennar Engineered Building Systems and Pennar Enviro Ltd.

Your company felt the need to set up growth units within Pennar Industries to drive top line growth. For a focused approach to this, we created four verticals to drive the businesses as separate Strategic Business

Units (SBUs). Thus, the company now focuses on six business segments; four through the parent company and 2 through subsidiary companies.

- PEBS Pennar
- Pennar Enviro Ltd
- Pennar Industries Ltd
 - Steel Products
 - Systems & Projects
 - Tube Products
 - Industrial Components

PEBS Pennar

(Pennar Engineered Building Systems Ltd.)

Pennar Engineered Building Systems Limited, a subsidiary of Pennar Industries Limited, provides design, manufacture, supply and installation of custom designed metal buildings, building components and structural steel. PEBSL also provides structural EPC solutions for Solar power plants. The services provided by the company find diversified applications such as Factory buildings Warehouses, Power plants, Commercial centres, High-rise buildings, Aircraft hangars, Defence installations, Sports stadia, Industrial racking systems, Cold-form structures for school building low cost housing etc.

The company has a 29,000 sq. m, world-class manufacturing facility on a 33 acres plot near Hyderabad with a total production capacity after expansion to 90,000 MT per annum. This is one of the best plants in India, with modern technology and high-precision equipment sourced from leading suppliers across the world. The factory received the prestigious "GOLD RATING" from the INDIAN GREEN BUILDING COUNCIL (IGBC) by incorporating several sustainable features like Solar PV system, Sewage Treatment Plant, energy efficient designs for the building, drought tolerant species for landscaping among many others, thus becoming the first manufacturing facility in the country to receive this honour. The success so achieved helps the company propagate the Green Building paradigm by suggesting several parameters on which certification can be availed and thus becoming a pioneer in the Green Building movement.

The company has technical association with NCI Group of USA for 100% leak proof Double Lok® roofing system.

The company provides solutions under two product segments PRIME BUILD and VALUE BUILD. PRIME BUILD offers Double Lok® roofing system with a 10 year warranty and VALUE BUILD focuses on standard and economical options.

Business highlights

| | Revenue (₹ Crores) | EBITDA (₹ Crores) | Margins (%) |
|------|-----------------------|----------------------|----------------|
| FY13 | 287 | 35.5 | 12.4% |

The company has registered profits from the very first year of its operations. Today the company can claim to be in the top four in India in the pre-engineered buildings segment. This year it has achieved annual sales of ₹ 325.8 Crores, with a 16.7% growth.

Achievements

PEBS Pennar started commercial production in January 2010 and since then the company has grown in strength. PEBS Pennar has worked with several major Fortune 500 companies. These customers are geographically and sectorally diverse. Several customers are the leaders in the fields of Pharmaceuticals, Cement, Engineering, Power, Textile, Automotive, Electrical & Electronics, Logistics and Retail. Some of the prominent clientele that the Company have worked with include UltraTech Cement Ltd. L&T, HCC, P&G, Godrej, Dr. Reddy's Laboratories, ABB, JSW, Schneider Electric, Reliance Retail, ACC, IOT Infrastructure & Energy Services Ltd, Schindler, Volvo and several others.

Landmark Projects

PEBS Pennar has a strong engineering team which has designed some landmark projects. PEBS Pennar has the distinction of being the first company in India to execute a 99m clear span building for UltraTech Cement Ltd.

The Company has is currently executing ONGC OPAL's warehouse building for IOT Infrastructure & Energy Services Ltd. It is approximately 1 km long, the longest building by a PEB company in India, within area of 1,32,000 sq. m.

A seven-storied building for Bharat Biotech near Hyderabad is also another land mark achievement.

Manufacturing Facility for
Schneider Electric,
Bangalore, Karnataka



National Distribution Center for
Reliance Retail,
Pune, Maharashtra



99m Clear Span Building for
UltraTech Cement Ltd.,
Kotputli, Rajasthan



PEBS Pennar has also bagged the order from L&T for Hyderabad Metro for a wagon workshop.

Other major projects include a building for LNV Technologies that has two 100 MT cranes running in tandem, Reliance Retail's National Distribution Centre with an area of about 4 lakh sft, a multi-storied, ground +10, building for Jayabheri Properties Pvt. Ltd. in Hyderabad. The Company has also executed structural steel projects for Toyota, HCC, Asian Colour Coated Ispat Ltd. and UltraTech Cement Ltd.

Ongoing Projects

- A factory building for Schindler in Pune: the total area is 25,435 sq.m.
- A limestone and additive storage building for UltraTech: Rajshree Cements at Malked Village, Gulbarga District, Karnataka. The total area of the building is 45,000 sq.m.
- An additive storage building for UltraTech: Vikram Cements, near Neemuch, Madhya Pradesh. The total area of the building is 11,500 sq.m.
- A limestone storage building for UltraTech: White Cement near Gothan, Jodhpur District, Rajasthan. Area: 25,000 sq.m.
- Structural EPC projects in Solar for a total of 15 MW in AP and 2 MW in Rajasthan

Core Competencies and Competitive Advantage

PEBS Pennar's edge lies in its exceptional engineering design capabilities. The Company intends to grow this capability further into competitive advantage with automated engineering, and energy-efficient buildings. The Company intends to set up a manufacturing plant

in North India to further augment its capabilities and local presence.

PEBS Pennar has diversified into new segments such as Cold Form Structures and Structural Steel. The Company also has a Solar division which offers Structural EPC solutions for Solar power plants. The division provides design, manufacture, supply and installation services for Solar. In the Solar segment the services offered are Fixed Structures, Tracking Systems, Rooftops, Canal Tops, Solar Car Parks. The Company also has plans to provide end to end solutions for customers who are interested in Green Building Certifications.

Growth Strategy

The Company wants to build on the excellent performance over the past few years so as to become the leader in the industry. Apart from its prime focus on pre-engineered buildings market the Company also works on exploring new markets and new product avenues. The Company plans to expand to international markets and will be setting up Sales offices in East Africa and Middle East. Focus will be on new segments like structural steel, multi-storied buildings, industrial racking systems and space frames. By 2015, the Company also plans to set up a components manufacturing unit in East Africa.

Also Zephyr Peacock, a global private equity firm, has acquired a significant minority stake in Pennar Engineered Building Systems Ltd (PEBSL) at a premium with an investment of ₹ 50 Crores. Zephyr's investment will help PEBS Pennar target ₹ 1000 Crores in sales in the next three years, a CAGR of over 40%. PEBSL proposes to achieve this through its aggressive growth plans in international emerging markets, solar, infrastructure, high rise commercial buildings and cold form building systems.



Pennar Enviro Limited (PEL)

Pennar Enviro Limited, a subsidiary of Pennar Industries Limited, operates in the field of Fuel Additives, Water Treatment Chemicals and EPC services for Water Treatment Projects. The Company has been operating in the field of Fuel Additives and Water Treatment Chemicals for more than 15 years. The Company has obtained technical knowhow from Total of France for the manufacture of fuel additives.

The water treatment sector in India offers huge opportunities in industrial and municipal water and waste-water treatment. Currently the total size of the water treatment market in India is estimated to be around Rs. 20,000 Crores.

Today the portfolio of Pennar Enviro Limited (PEL) includes the following:

Additives: The manufacture and sale of Liquid Fuel Additives, Coal & Solid Fuel Additives and a range of water treatment chemicals for pre-treatment, cooling tower applications, boiler applications and for UF/RO plants

Standard Plants: The design and manufacture of standardized packaged water treatment plants.

Turnkey Water Treatment Plants: The engineering and commissioning of turnkey water and waste water treatment plants.

PEL has a manufacturing unit in Hyderabad, for the manufacture of fuel additives and standardized plants.

Fuel Additives

PEL is a pioneer in the manufacture and supply of fuel additives with a technical collaboration with TOTAL. Fuel additives are used for a wide variety of industrial applications including the following:

- Additives for Heavy Fuel Oils
- Storage Stability Additive
- Additive for Light oils

- Additive for Solid Fuels
- Other Products (Industrial and Agro Products)

Water Treatment Chemicals:

PEL has made a strong entry into the supply and treatment of water treatment chemicals. The Company possesses the knowhow to design and provide schemes for cooling water treatment, boiler water treatment, raw water and effluent treatment. The Company's range of treatment chemicals include:

- Cooling Water Treatment Chemicals
- Boiler Water Treatment Chemicals
- Raw Water and Effluent Treatment Chemicals
- Chemicals for MF, UF & RO Plants

WTP / ETP / Standard Packaged Plants:

Modular packaged water treatment plants offer many advantages over conventional water treatment for smaller volume requirements. The pre-engineered modular components in packaged treatment plants, allow for significant efficiencies in time and cost. Pre-engineered modular components such as diffused air blowers, aeration tanks, sludge holding tanks, wastewater clarifiers, and disinfection units allow for the package wastewater treatment plants to be sized specifically for the customer's application. They can be designed to handle a variety of influent flow rates and BOD loadings to meet discharge requirements. Our standard plants capabilities allow us to provide:

- Fabricated structures / skids for UF/RO
- Pressure Vessels & it's internals (PSF/MGF/DM)

EPC + O&M of Clear & Waste Water Treatment Plants

PEL deals with Water & Environment Infrastructure business to provide turnkey solutions viz., Water Treatment Plants (WTPs), Sewage Treatments Plants (STPs), Effluent Treatment Plants (ETPs), Effluent recycling Plants (ERPs), Zero Liquid Discharge Plants (ZLDs) among others. The Company uses various advanced & environmental friendly technologies in Industrial



and Municipal Segments besides Sea/Brackish Water Desalination and plans to enter into MSW and HWM Processing and Treatment Solutions using advanced and environmentally friendly technologies.

The segments we deal with are:

- Municipal – Drinking Water and Sewage
- Industrial – Oil & Gas, Power Generation, Cement, Chemicals, Steel, Sugar, Pulp & Paper, Breweries, Distilleries, Food Processing, Tanneries, Slaughterhouses, Beverage, Metal & Mineral Processing, Large Township & Retail outlets.
- Container RO units
- Container UF units
- Container RO/UF/DM (EDI) units

Our Technology Collaboration

Tech Universal

PEL has signed a technology collaboration agreement with M/s. Tech Universal, UK on an exclusive basis. M/s. Tech Universal, UK is a 30 year old reputed EPC & technology provider, with 200+ major references on brackish/sea desalination, ETP & STP solutions to the tune of 100 MLD. Tech Universal specializes in the field of desalination water / sewage and industrial effluent treatment plant and has supplied many plants throughout Europe and the Middle East.

Total France

PEL has obtained the technology and knowhow to manufacture fuel additives from TOTAL. We are an authorized manufacturer of Elf fuel oil additives in collaboration with TOTAL, France (the fourth largest petroleum Company in the world). Total France is a global leader in the fuel additives and petroleum refining market.

Achievements

The net sales recorded a growth of 9% as compared to the previous year. The overall net sales of the Company has been growing by 10% for the past two years.

This growth was mainly due to the sale of solid fuel additives and water chemicals. As part of a strategic initiative, the Company entered into water EPC projects. We built a team of 50 plus engineers in business development, engineering, project management and other verticals.

Pennar Enviro has bagged orders from several reputed companies for Water Treatment projects. Some of the major clientele include L&T Metro Rail Project - Hyderabad, My Home Industries Limited, AGI Glaspac (an SBU of HSIL Limited), PARK CETP – Tamil Nadu and others.

Core Competencies and Competitive Advantage

Pennar Enviro Limited has the distinctive advantage in having an experienced and competitive team in place to cater to the Fuel Additives market and the booming EPC market in the Water segment. The Company's manufacturing facility coupled with the expertise built upon through technical collaborations with global leaders like Tech Universal and Total France help in delivering superior quality products and services to our customers.

Growth Strategy

The Company intends to explore further growth through promoting the new product lines & EPC activity for clear and waste water. Future growth in the additives business is estimated to come from coal additives and water treatment chemicals segment. With new products and new areas both the chemicals are expected to grow @ 25% per year. PEL is developing three more derivatives for applications related to coal piles and coal feed in power plant applications.

PEL's entry into new segments for Standard Packaged units and acquisition of new customers for Bio Toilet, Packaged RO units, Packaged Softener units and Packaged STP will be a significant growth driver. The Company will also focus on expanding its base in the water treatment EPC business, O&M – Clear / Waste water plants and OEM spares business.



Pennar Industries Limited

Steel Products

The Steel Products SBU consists of Cold Rolled Steel Strips (CRSS) which includes special steels, Cold Rolled Formed Sections (CRFS) used for building products, infrastructure and auto profiles, road safety systems and sheet piles. Currently, this is the largest SBU in terms of revenues (50%) and operates from four plants.

The Steel Products SBU services some of the major customers in the industry such as Lloyds Insulation Ltd, Alstom Projects India Ltd, Lanco Infratech India Ltd, F L Smidth, Thermax, Johnson Lifts, Adani Power, VECV, L&T, Ashok Leyland and many others.

Business highlights

| | Revenue (₹ Crores) | EBITDA (₹ Crores) | Margins (%) |
|------|-----------------------|----------------------|----------------|
| FY13 | 485.5 | 38.4 | 7.9% |

Achievements

- A major order for sheet piles for Delhi Metro
- Metal crash barriers for 30 km length road in Vijayawada
- Deck sheets for power projects

Core Competencies and Competitive Advantage

Cold rolling is a great strength for creating value-added products. Pennar was one of the first companies in the country to venture into narrow cold rolling. We were also the first to enter the profiles

business, and we are market leaders in terms of tonnage and variety of profiles.

The company is a one-stop shop for most customers for a variety of products as it has its own tool room to serve customers in the shortest lead time and an in-house engineering and design strength to create value for the customer. Over 100 loyal customers using our dedicated services for the past three decades is testimonial to this fact.

Growth Strategy

Steel Products is the most matured business. It has limited scope with the existing products, so there are plans to expand its portfolio by venturing into intricate profiles for elevators, door frames, roofing, special steels for auto applications, etc. The manufacturing units will also be strengthened with more equipment to gear up for the region's demand. The regional sales force will be empowered to drive the respective units to achieve the goals of the SBU.

This SBU has projected a revenue of ₹ 603 Crores for the current year, which includes additional sales of ₹ 25 Crores from new markets.

By 2015, we will become a pan-India player. At present where we are predominantly present in Southern and Western markets, with footprints in Middle East and South East Asia and Africa. We will venture into the export markets for ESP electrodes and building/infrastructure products.

Steel Products Division has drawn a roadmap to reach ₹ 1,000 Crores by 2018.



Systems & Projects

Systems & Projects includes Pennar's railways and Solar business. This SBU registered a drop in sales in the last quarter of 2012-13 because Indian Railways cut back on its volume offtake, primarily due to lower coach and wagon manufacturing plans announced by the Railway Board. The good news, however, is that EBITDA margins were maintained. The Solar business maintained its growth trend.

Business highlights

| | Revenue (₹ Crores) | EBITDA (₹ Crores) | Margins (%) |
|------|-----------------------|----------------------|----------------|
| FY13 | 190.7 | 25.2 | 13.2% |

Achievements

The Solar business maintained its sales levels, in spite of stiff competition and stagnating opportunities. Currently we have a market share of about 35% in this business segment.

Systems & Projects would continue its focus on Solar mounting structures and railways products, both for coaches and wagons. The division has initiated strong marketing efforts to consolidate the market share it enjoys in both the segments.

Our main clients for Solar includes L&T, Tata Power Solar, Navalakha, Lanco Solar, ABB, Schneider Electric, Solarsis.

Our main clients for Railways include Integral Coach Factory, Chennai, Southern Railways, Texmaco, Besco.

Systems & Projects which is currently focussed in Andhra Pradesh, Tamil Nadu, West Bengal and Maharashtra, will have a pan India presence in 2013-14.

Core Competencies and Competitive Advantage

The cold roll formed profiles and fabricated structures that are used in the manufacture of railway wagons

have superior strength to weight ratio. For the new generation Stainless Steel wagons, Pennar has developed and supplied various Stainless Steel sections with the required dimensions. For coaches Pennar has been supplying several sections including some heavy fabrication parts. Pennar has had the market share 35% in Solar Module Mounting Structures. Apart from the policies under JNNSM, several states like Tamil Nadu, Rajasthan, UP and MP coming with respective policies that will add to the demand. Pennar has existing manufacturing locations in Tamil Nadu, Maharashtra and Andhra Pradesh, has active plans to expand in the North. This would mean there would be a strategic advantage for the company in terms of service delivery. As the markets are maturing, Pennar is focussing on delivering some new age designs and technologies keeping in view the customers requirements.

Growth Strategy

The railways business is expected to gain new potential from wagons. Pennar will also focus on Stainless Steel coaches and Metro Rail segment.

The division aims for almost 30% growth in 2013-14 from new products and markets in Solar, Infrastructure and Warehousing. We have also started extending our geographical and segmental reach to acquire a higher market share in the existing businesses.

The Solar business will focus extensively on enhancing its reach into new territories including Uttar Pradesh, Punjab and Kerala. Serious study and efforts are also on to enter the business of Solar structures with tracking systems. Aggressive efforts are on to standardise the Solar mounting structures to crunch the delivery lead times and offer speedy solutions to customers.

Warehousing solutions: Pennar has deep expertise in structural steel and pre-engineered buildings. As an extension of our product offering, we are entering the warehousing solutions space. Pennar will provide storage solutions that include Industrial racking and shelving systems, Mezzanine systems and Cantilever systems.



Tubes

The Tubes SBU manufactures four broad categories of products for various industrial segments. The products manufactured are of different shapes and dimensions. The standard products includes

- Electric Resistance Welded (ERW) pipes
- Cold Drawn Welded (CDW) tubes
- Air Pre-heater (APH) tubes
- Indian Boiler Regulations (IBR) tubes

The segments that the division caters to include Automobile, Power, Manufacturing, Structural and General Engineering and several others.

We are present predominantly in Tamil Nadu, Karnataka and Maharashtra.

We serve several automobile companies directly or indirectly. Some of the major customers include Mahindra, VECV (Volvo-Eicher commercial vehicles), Hyundai , TVS , Tata Motors and Ashok Leyland.

In the power sector our products are used by several major players in the power sector like Thermax, BGR, Paharpur, Cethar, KCP, Airco Fin among others.

Our products are also used by the Cement plant equipment manufacturers, Sugar plant equipment manufacturers, etc.

Business highlights

| | Revenue (₹ Crores) | EBITDA (₹ Crores) | Margins (%) |
|------|-----------------------|----------------------|----------------|
| FY13 | 99.2 | 7.2 | 7.3% |

Achievements

The Tubes' Divisions current market share is 4% in ERW and 2% in CDW. Overall business grew by 67% as compared with 2012

During 2012-13, the plant started utilising 80% of the capacity; got TS 16949: 2009 certification; and got approved to manufacture IBR products. We stabilised quality systems and developed a strong team of personnel who have rich industry experience.

Core Competencies and Competitive advantage

The two mills work to produce tubes of multiple dimensions. The auto controlled pollution free wet-process plants also have a bright annealing furnace.

Stringent quality systems are in place. A strong team of personnel who have rich industry experience are in place to take the business forward

Growth Strategy

Tubes' Division aim is to achieve 8% of the ERW market and 5% of CDW market by 2014-15, from our present shares of 4% and 2%, respectively.

The Tubes SBU has substantial orders to keep the plant fully loaded over the next quarter. The majority of the demand is from Auto customers.

Two additional tube mills will be put up at Isnapur (A.P.) and Chennai to generate additional revenue.

In 2013-14, Tubes has targetted gross sales of Rs.150 Crores, which will be 27% higher than in 2012-13.

For CDW, the aim is to double the volume. The margins will also be better with high-grade, higher-thickness products.

The division also plans to get into more value added tubular products. It will take up in house processing of G.P coil as backward integration. The focus will be more on special grade ERW/CDW products covering high strength low alloy steel (HSLA), roll-over protection parts (ROPS) and hydraulic cylinders for earth-moving equipment

The strategy is to consolidated in the Western region and penetrate into newer regions like Kerala certain regions in Northern India. The other major strategy is to focus on export markets.



Industrial Components Division

This SBU operates in a segment where the market size is estimated to be around ₹ 5,000 Crores. ICD has been supplying pressed steel components for various sectors such as Automobiles, White Goods, and others.

The products offered include

- A/C compressorshells
- 4 wheeler parts such as car seating system assembly
- Parts for two wheelers such as disc brakes
- Parts for heavy vehicle filters

The major clientele that we service include several prominent companies such as

- Tecumseh Products
- Emerson Climate Technologies
- Endurance Technologies
- India Nippon Electricals
- IFB Automotive Pvt Ltd.
- Fleetguard Filters
- WBACO India
- Brakes India

With 55% of our business coming from South India and 45% from the West, we have a 2% market share in our business segment.

Business highlights

| | Revenue (₹ Crores) | EBITDA (₹ Crores) | Margins (%) |
|------|-----------------------|----------------------|----------------|
| FY13 | 72.7 | 10.0 | 13.8% |

Achievements

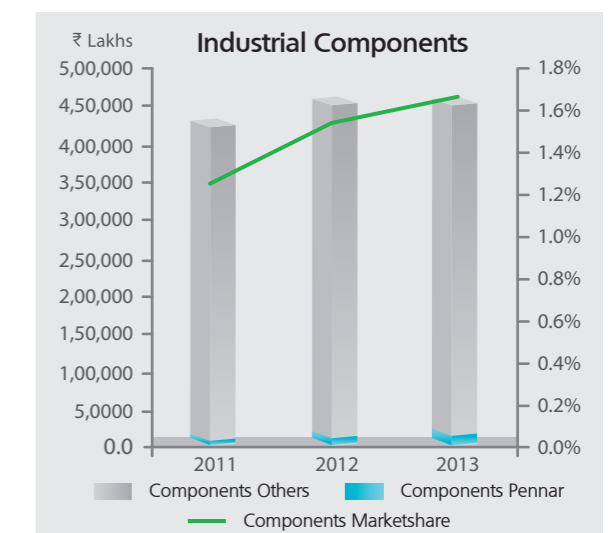
The biggest success of the division lies in the ability to get repeat orders from several of its customers. The major factors for repeat business are excellence in quality and reliable customer service. Also in recognition of our commitment to quality and total customer satisfaction, the Industrial Components Division has been accorded ISO-9001:2000 certification by M/s. RWTUV.

Core Competencies and Competitive Advantage

The ICD Division is equipped with a state-of-the-art Press Shops with plants located in Patancheru, Chennai & Hosur. It has tool maintenance facilities that ensure high-precision quality products and supported by centralized CNC tool-room to take care of new tool manufacturing needs of ICD. With the customer as the focal point of all the endeavours, the dedicated personnel of ICD strive to achieve excellence in every product manufactured. Rigid quality control is practiced at every stage of the manufacturing process, right from the selection of raw materials to the finished stage.

Growth Strategy

The strategy is to add five new customers and 10 new components every year; launch or acquire industrial products business by 2015 in sectors like automotive, aviation, defence and railways; create business of after-market products. The goal is to increase the SBU's revenue to Rs.150 Crores by 2014-15 and Rs.500 Crores by 2018, with an overall market share of 10%. We envisage moving from parts to sub-assembly and product manufacturing. The strategy is to create an exclusive manufacturing facility in Chennai for exports and upgrade our manufacturing infrastructure to meet global standards to have a market split of 85% domestic and 15% exports in 3 years' time.



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 37th Annual Report along with the audited accounts for the year ended March 31, 2013. The financial highlights of the Company are as follows:

(₹ Lakhs)

| Particulars | Consolidated | | Standalone | |
|--|--------------|----------|------------|---------|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| Gross Turnover | 1,27,437 | 1,38,148 | 97,213 | 110,662 |
| Operating profit (PBIDT) | 11,830 | 14,848 | 8,172 | 11,925 |
| Profit before tax (PBT) | 6,900 | 10,055 | 4,709 | 8,509 |
| Income Tax and Deferred Tax | 2,337 | 3,586 | 1,595 | 3,083 |
| Profit after tax (PAT) | 4,186 | 6,199 | 3,114 | 5,426 |
| Profit brought forward from previous year | 13,766 | 9,382 | 12,564 | 8,966 |
| Surplus available for appropriation | 17,952 | 15,594 | 15,678 | 14,392 |
| Appropriations | | | | |
| Dividend | 1,220 | 1,220 | 1,220 | 1,220 |
| Corporate tax on proposed dividend | 207 | 198 | 207 | 198 |
| Transfer to General Reserve | 236 | 410 | 236 | 410 |
| Transfer to Capital Redemption Reserve | - | - | - | - |
| Balance of profit carried to Balance Sheet | 16,289 | 13,766 | 14,015 | 12,564 |

Performance

The year under review witnessed reduced demand from customers due to slow down in Business verticals which the company services. Increase in sales of Tubes and solar power segment helped in offsetting the decline in Cold Rolled Steel Business. Profits were affected due to increase in input costs and reduced margin as a result of competition. Policy delays affected demand from infrastructure and capital goods sectors. The recovery in Automobile and Railway segments is awaited.

Subsidiary companies

Pennar Engineered Building Systems Limited (PEBSL)

Your Company's subsidiary, Pennar Engineered Building Systems Limited (PEBSL), one of the leading providers of pre-engineering building solutions in India, recorded annual sales of ₹ 325.8 Crores representing a 16.7% growth compared with last year. PEBSL recorded an operating profit (PBIDT) of ₹ 35.5 Crores and a net profit of ₹ 14.4 Crores, representing a 22.8 % and 38.2 % growth, respectively as compared to last year. PEBSL continued to build a strong order book including significant repeat orders from existing customers which demonstrates the trust that the Company has built in the short period of time. Your company holds 74% stake in PEBSL. As at March 31, 2013, PEBSL had an order book of ₹ 230 Crores.

Pennar Enviro Limited (PEL)

Pennar Enviro Limited (PEL) became the subsidiary of Pennar Industries Limited with effect from November 30, 2012. Pennar Industries Limited holds 51% stake in Pennar Enviro limited. This investment is in line with the Company's strategy of entering new areas of engineering services. Pennar Enviro Ltd is engaged in water and waste water treatment, Fuel Additives, Water treatment chemicals and Water treatment projects. PEL has a manufacturing unit at Mallapur in Hyderabad.

It produces Fuel Additives for industrial furnace fuels with a "know-how" provided by M/s. TOTAL, France, the fourth largest Oil/Gas Company in the World. PEL also has a technical collaboration with Tech Universal, which specialises in the field of desalinated water, sewage and industrial effluent treatment plants.

Consolidated Result

The consolidated financial statements presented by the Company include financial information of its subsidiaries prepared in compliance with applicable Accounting Standards. The Ministry of Corporate Affairs, Government of India vide its Circular No. 5/12/2007-CL-III dated 8th February, 2011 has granted general exemption under Section 212(8) of the Companies Act, 1956, from attaching the balance sheet, statement of profit and loss and other documents of the subsidiary companies to the balance sheet of the Company, provided certain conditions are fulfilled. Accordingly, annual accounts of the subsidiary companies Pennar Engineered Building Systems Limited and Pennar Enviro Limited and the related detailed information will be made available to the holding and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at its Head Office in Hyderabad and that of the subsidiary companies concerned. Details of the subsidiaries of the Company are covered in this Annual Report.

Liquidity

The operating efficiencies and prudent working capital management by the company resulted in its maintaining a conservative debt profile with consolidated net debt of ₹ 122.52 Crores and a debt to equity ratio of 0.36 x and net debt to EBITDA ratio of 1.05 x as of March 31, 2013. Your Company continues to focus on generating strong cash flows to meet its future growth plans from internal accruals. The Company is comfortable with its current liquidity position and foreseeable funds requirement.

Listing of equity shares

The Company's equity shares are listed at the Bombay Stock Exchange Limited, the National Stock Exchange of India Limited and MCX Stock Exchange Limited. The company has obtained listing approval from MCX Stock Exchange and the shares are listed from May 3, 2013.

Change of address of registered office of the Company

With effect from May 10, 2013, the address of the Registered Office of Pennar Industries Limited has been changed to Floor No. 3, DHFLVC Silicon Towers, Kondapur, Hyderabad-500084.

Dividend

Your Directors recommended a dividend of 20% i.e., ₹ 1 per equity share of ₹ 5 each. Directors have also recommended a dividend on cumulative redeemable preference shares of ₹ 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, 2013, 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 reaffirmed the 'CARE A' (Single A) rating assigned to the long term bank facilities of Pennar. This rating is applicable to facilities having tenure of more than one year. Instruments with 'CARE A' rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Further, CARE has also reaffirmed the 'CARE A1' (A One) rating assigned to the short term bank facilities. This rating is applicable to facilities having a tenure upto one year. Instruments with 'CARE A1' rating are considered to have very strong degree of safety regarding timely payment of financial obligations and carry lowest credit risk.

Directors

Mr. Varun Chawla a management graduate from Cornell University and having rich experience in Investment Banking, was inducted into the Board of Pennar Industries as an Additional Director with effect from November 9, 2012, and would hold office up to the conclusion of the ensuing Annual General Meeting. It is proposed to appoint Mr. Varun Chawla as the company's Director.

Mr. C Parthasarathy, Mr Manish Sabharwal and Mr. J Ramu Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board of Directors of the Company at its meeting held on November 9, 2012, accepted the request of Mr. A. Krishna Rao to resign from the directorship of the Company. The board is thankful to Mr. A. Krishna Rao for his guidance and support to the company during his Directorship.

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 have confirmed their eligibility and willingness to accept the office, if re-appointed.

Cost Auditor

The Products classified as "Iron & Non-Alloy steel (Chapter 72) and Steel Products (chapter 73)" are subjected to Cost Audit in terms of Sec.233B of the Companies Act read with the Central Government Rules.

M/s.DZR & Co., Cost Accountants have been reappointed as the Cost Auditors for the year ending 31st March 2014 having been appointed for the FY 2011-12 & 2012-13.

The Cost Audit Report for the year ended 31st March 2012 was reviewed by the Audit Committee at their meeting held on 23rd July 2012 and has been filed on 31/01/2013 well within the due date of 28th February 2013.

The Cost Audit for the year ended 31st March 2013 is in progress and the Cost Audit Report will be filed within the stipulated time.

Directors' Responsibility Statement

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

- In the preparation of the annual accounts, the applicable accounting standards were followed.
- 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 2012-13.

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 has no amount outstanding towards public deposit as on March 31, 2013.

Key Developments

Mr. Suhas Baxi joined the company as President & CEO from December 2012. Mr. Baxi, aged 46, has a diverse experience of over 24 years in different industries and geographies including India, North America and Asia Pacific.

Corporate Social Responsibility

Your Company has been involved in the Corporate Social Responsibility (CSR) activity over the past few years. You will be happy to know that the company has supported education and sanitation in schools in villages near our factory. At Govt High School,

Ankanapalli Village, Sadashivpet. Pennar had provided water pipe line villages in the backward regions of the Andhra Pradesh State. Following are the activities undertaken at a few villages in the State

1. Protein supplement to a few Government schools for their Mid Day Meals to the students
2. Pension to old aged people and widows
3. Developmental works like sanitation works and construction of toilets in the Schools
4. Providing drinking water pipelines in the villages.

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.

Awards and Recognitions

During the year under review, Mr. Nrupender Rao, Chairman, was conferred with the prestigious "Outstanding Entrepreneur Award" by the Council of State Industrial Development and Investment Corporations of India.

Particulars of Employees

The information required under Section 217(2A) read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are to be set out in the Annexure to the Directors' report. Having regard to the provisions of Section 219(1)(b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitles thereto. Any member interested in obtaining such particulars may write to the Company Secretary for a copy.

Appreciation

Your directors take this opportunity to express their appreciation for the co-operation to all the suppliers, customers, distributors, sales channel and business partners who have been associated with the Company as partners of growth. The Directors would also like to take this opportunity to thank the financial institution, banks, regulatory and government authorities as well as the shareholders for their continued co-operation and support. The directors also wish to place on record their appreciation of the devoted and dedicated services rendered by all employees of the Company.

For and on behalf of the Board

Place: Hyderabad
Date: 10th May 2013

Nrupender Rao
Chairman

ANNEXTURE TO THE DIRECTOR'S REPORT

| PARTICULARS | For the year ended 31-03-2013 | For the year ended 31-03-2012 |
|--|----------------------------------|----------------------------------|
| A POWER & FUEL CONSUMPTION | | |
| 1 Electricity: | | |
| a Purchased Units | 18,233,718 | 23,076,912 |
| Total Amount (₹) | 133,709,064 | 101,341,801 |
| Rate per Unit (₹) | 7.33 | 4.40 |
| b Own Generation | | |
| Through Diesel Generator | | |
| 1000 KVA Units (KWH) | 2,540,826 | 1,790,250 |
| Units per litre of diesel oil | 3.25 | 3.30 |
| Cost of diesel per KWH (₹) | 14.4 | 13.2 |
| 2 COAL : | | |
| Quantity (Tonnes) | 988.36 | 1,233.00 |
| Total Amount (₹) | 3,988,700 | 4,097,777 |
| Average Rate (₹) | 4,036 | 3324 |
| 3 Diesel Oil : | | |
| Quantity (KL) | 853 | 641 |
| Total Amount (₹) | 40,770,699 | 27,693,832 |
| Average Rate (₹) | 47,793 | 43,218 |
| 4 C IX Oil : | | |
| Quantity (MT) | 1,252 | 1,449 |
| Total Amount (₹) | 47,797,392 | 48,434,554 |
| Average Rate (₹) | 38,186 | 33,425 |
| B CONSUMPTION PER UNIT OF PRODUCTION: | | |
| a Product | | |
| Unit | | |
| Electricity (KWH) | 135 | 193 |
| Coal (Kgs) | 12 | 15 |
| Diesel (Ltrs) | 0.24 | 0.70 |
| C IX (Kgs) | 14.10 | 17.70 |
| b Product | | |
| Unit | | |
| Electricity (KWH) | 94.86 | 90.50 |

Research and Development (R&D)

R&D initiatives will be crucial for the success for any company. Pennar also believes in this philosophy and thus through reaserch and development it aims to take up several activities that will optimise the cost, improve the the quality, customer satisfaction, safety and environment .

Some new initiatives were taken up during the financial year 2012-13 for creation of new and special grades of material for the following customer.

- For IFB Industries, Bengaluru, special grades of 16mm CR5, C-15 and C-60 were developed.
- For Venus Engineering, Enamel grade was developed. A total of 200 MT was supplied to the customer for this product.
- For Daechung Auto QSTE 500 : HSLA grade trial samples have been supplied. The process of evaluation of the product is underway.

The following activities have been taken up for improving customer satisfaction.

- The quality of Pickling process has been stabilised for the material that is being used by the Industrial Components Division CD (800 MT/month). The consumption of scratch bite has been reduced to a great extent and there by ensuring the availability of machinery for other processes.
- Anaar project was undertaken to improve the quality of material that was being supplied to LUK INDIA. The main purpose of the project was to improve the customer satisfaction levels.
- New implementations such as 1S and 2S methodologies have been initiated in the Quality Assurance Lab.
- The other initiatives have been the improvement in the packing quality for panels being supplied to Prabha. This process was initiated to reduce the damages during transit.
- To improve the satisfaction levels of one of our major clients Eicher (VOLVO) for whom Chassis Component(VOLVO) is being delivered, paint process was stabilised to avoid the problem of paint peel off.
- Several new equipments such as HYDRO TESTER AND NDT were installed at our manufacturing plant in Isnapur.

- A new 60 MT UTM machine was added in ISNAPUR. The machine will be used by the Tubes Division.

The following business development activities have been carried out during the year.

- A rain gutter profile was developed for Tata Marcopolo.
- Flywheel cups have been developed for INEL
- Car Door parts were delivered for IFB.
- Disc Brake for Endurance were developed.
- For Alf Engineering Tube Body Frame Parts were delivered.
- Developed CDW applications for Automobiles.

Focus was on taking up new initiatives to create a cleaner and greener environment. Some of the new steps taken:

- Setting up of Sewerage Treatment Plant at Chennai manufacturing unit has been initiated.
- Oil Recovery Systems have been initiated at our manufacturing units in Patancheru and Isnapur.
- New MEE systems were installed to treat rejects of RO plant and material with high TDS.
- A new RO plant was established at the manufacturing unit in Isnapur. A similar unit has been established at Patancheru as part of Clean and Green programme.

New facilities at various manufacturing plants have been installed to improve the overall quality of production. Some of the major initiatives include:

- New forming mills have been installed at manufacturing units in Tarapur, Chennai and Isnapur. These would be for precision components, light weight profiles for Solar and specialised Electro Static Precipitators.
- A new 1010 KVA DG has been set up at Chennai for power security.
- EOT Cranes in the manufacturing unit for CDW Tubes have been put up at Isnapur to improve the handling facility.

- Installation of Auto Trimming machine for the Industrial Components Division to improvement of productivity and quality.
- Installed 300 Ton Hydraulic press at Tarapur for manufacturing automobile panels.

Some concrete plans have been chalked out for our future products and solutions. Some of the initiatives that will be taken up in the immediate future are:

- Developing Elevator profiles for all the major lift manufacturers.
- Developing special grades of steel for Auto Applications.
- Creating CDW Tubes that will find some special applications.
- The auto parts for Alf will be developed from the manufacturing unit in Chennai.
- New projects are already underway to cater to the new emerging concepts in the field of Solar. New age structures such as Screw piles are actively being provided as per customers specifications.
- Single Axis tracking systems as a complete structural solution for the megawatt scale solar power plants will be provided this would be done keeping in tune with the customers requirements and developments in the Solar market.
- Manufacturing of Solar Structures will also be localised at various manufacturing units so as to cater to the regional demand. This will also help in reducing the cost, increasing the speed of delivery and thus improving the overall customer satisfaction.
- Warehousing solutions will be one of the new products and services that will be launched. Special racking and shelving solutions as a new product offering will be done this year. The target customers will be in the industrial, commercial, retail space through out the country also targeting the middle eastern markets and Africa.
- Mezzanine and cantilever storage is the new offering being done this year to cater to the ever growing sectors of automobiles, automobile components, white goods, bulk drugs, ware housing companies.
- Catering to a new class of vertical warehousing as the current conventional storage requires huge

floor space and land has become a premium in the country.

- Keeping in tune with the market requirements of the railway market, development of SS 304 and other grades of Railway coach frames, side and top bodies will be taken up.
- Modular toilet blocks for the icons of Indian Railways such as Rajadhani and Shatabdi trains will be taken up.
- Development of engine front cones and motor bodies for the suburban trains, EMUs and DEMUs will be taken up for the Integral Coach Factory.
- Increasing the capability and capacity of the existing manufacturing facility at Chennai to cater to the ever increasing demand from the Railway coach & wagon factories in the country.
- A full-fledged Engineering & design team at Hyderabad and Chennai is being put in place.
- A dedicated team of new product development is being put in place in Hyderabad and Chennai to cater to the ever growing demand for new products and support the different business units to augment market share and increasing the present offering to the customers.
- A dedicated team of design & engineering professionals being put in place in Hyderabad to standardise and augment the present processes and product portfolio. The responsibilities of the team will include:
 - To bring in new technologies and add new offerings to the existing portfolio.
 - To bring in new manufacturing capability and improve the product offering.
 - A new business team in place at Hyderabad to look at various acquisitions, additional business which in turn increases the turnover and better bottom and top line.
 - Development of ESP (Electro Static Precipitator) technology as power industry is going through a boom and which will bring in substantial revenues.
 - Development of new businesses to cater to the construction & mining industry like batching, screening, concrete mixing plants and high capacity conveyor systems for the mining industry.

MANAGEMENT AND ANALYSIS DISCUSSION AND REPORT

1. Industry overview, Opportunities and Outlook

The global economic scenario in the recent past has been witnessing some mixed trends. Though the developed economies have shown signs of regaining the momentum, some members of the EU are still facing the heat of the downturn. While the economists are still debating to choose between austerity and public spending, the global economic growth rate has dipped to 2.5 % in 2012. It is expected that the growth rate of the world economy will hold steady at 2.6% in 2013, but one must say that there is some distance to travel before the growth stories become certain.

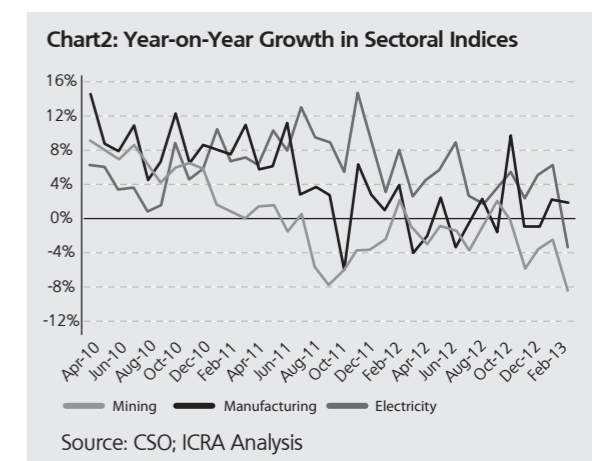
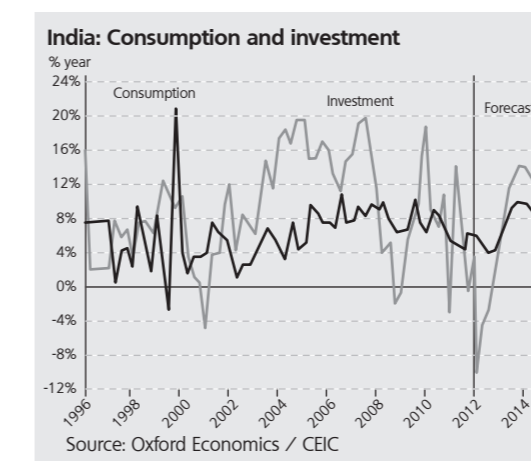
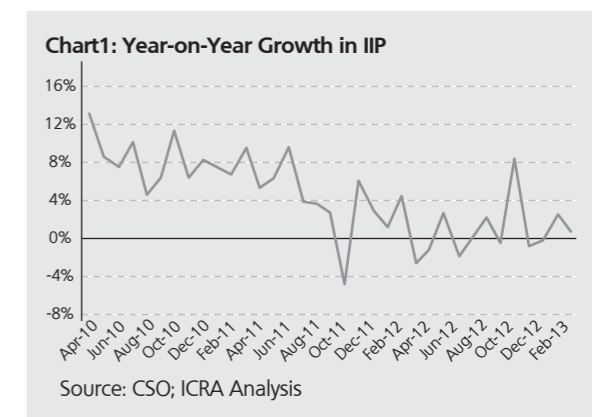
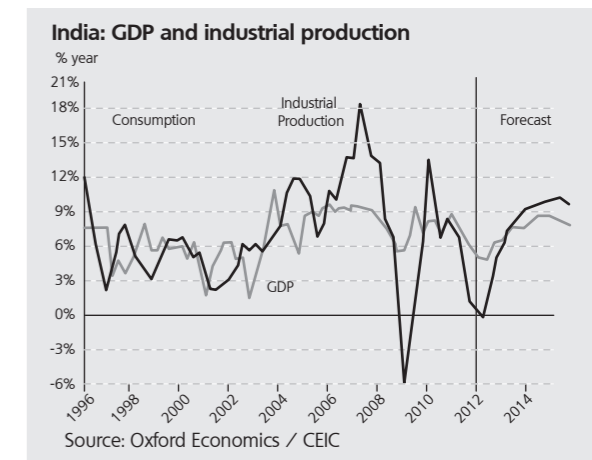
The Indian economic scenario was no different from the global outlook. The growth rate of GDP in the last quarter of FY13 was 4.8% and the entire year stood at 5.0%. Several factors such as policy inaction, fiscal deficit, inflationary pressures, depreciating rupee value, tight monetary and fiscal policy among others have affected the overall growth prospects. The key input sectors in the economy have been underperforming for some time now. A decline in mining output in the past two years has adversely affected power generation, which in turn is impacting other sectors of the economy. In 2012-13,

manufacturing output grew by merely 1 per cent, on the back of a mild 4.4 per cent growth in 2011-12. Slowing private consumption growth and weak exports too hurt the manufacturing sector. The non-performance of manufacturing sector over the last few years has resulted in the dwindling of its share in the total GDP. For FY13 the manufacturing sector was 15.2 % of the total GDP whereas in FY 2012 it was 15.7 %.

Moreover, prices of most of these inputs continue to rise, driving up input costs for various industries. When inputs are scarce and costly, the rate of return on investment falls, deterring the private sector to undertake new investment. In 2012-13, fixed investment growth slowed to 1.7 per cent from 4.4 per cent in the previous year. A key factor so far has been a loss of confidence in the government's ability to invest in infrastructure and enact necessary institutional reforms. In addition, the government's reliance on domestic funds to finance its large budget deficit has raised the cost of borrowing for firms, crowding out private investment. This definitely calls for immediate measures to drive up the investment sentiment.

Global Economic community however continues to rate Potential output of Indian Economy to rise by 7.5% p.a over the next 10 years, a slightly lower rate than in the previous decade. The main contribution to growth in potential output over the coming decade comes from expanding total factor productivity.

The early signs of recovery could be seen from the Index of Industrial Production (IIP), of which the manufacturing sector, which constitutes over 75 per cent. The IIP grew by 3.2 per cent in March as against a decline in output by 3.6 per cent in the same month of 2012.



2. Pennar's Key Market Segments

For Pennar, the performance of economy has always been a guiding parameter. Traditionally it has been catering to the several sub sectors such as automobile, power, cement, steel, transport and several other infrastructure segments.

Pennar shares an active interest in the Indian automotive industry. The Indian automobile industry which manufactures over 1.1 Crores of vehicles and exports about 15 lakhs each year has been called as a 'sunrise sector' in the Indian economy. The commercial vehicles and three-wheelers share about 9% between them. But the Indian automobiles industry witnessed a moderation in demand in 2012, after the double-digit growth in sales recorded in the preceding three years. The way forward seems to be that the Indian small and light commercial vehicle segment is expected to more than double by 2015-16 and grow at 18.5 per cent compound annual growth rate (CAGR) for the next five years, according to a report titled, 'Strategic Assessment of Small and Light Commercial Vehicles Market in India' by Frost & Sullivan. The growth rate in the sectors will have a direct bearing on the performance of several of our products that are being used in the auto sector. Pennar continues to view the automotive segment with great interest as it is the main driver for our steel products and components business.

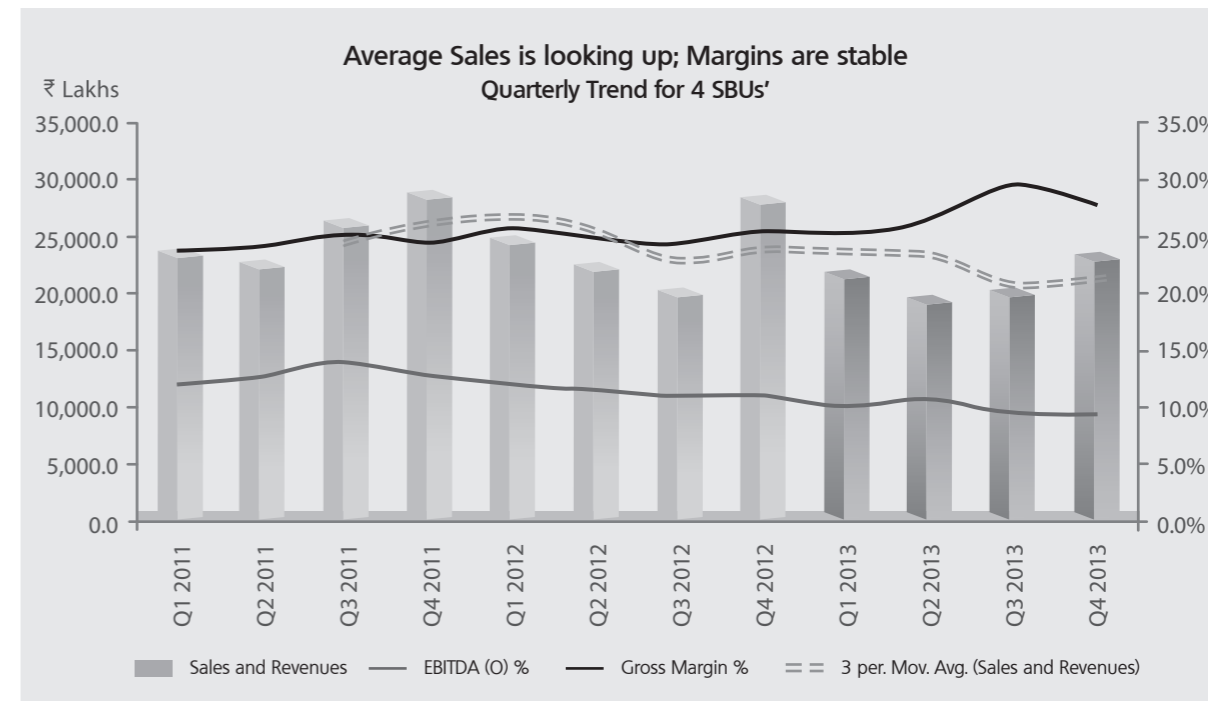
Railways which is the one the largest networks in the world has been a driver for the growth of the company. But over the last few years the sector hasn't witnessed the expected momentum. Some of the tenders issued in 2012 are yet to be realised. But the year 2013 could see some new initiatives with the proposal of launching around 70 new trains and also the setting up of new rail coach factory in Sonapat in Haryana. At macro level, the pace of development

in Delhi- Mumbai freight corridor, a few other major freight corridors on the drawing board, progress in metro rail infrastructure bodes well for the long term future of this sector. In the long run we continue to remain confident of growth for Pennar's business in the railways segment.

Pennar has been playing a leadership for the solar segment by having a major share in the Solar structural market. The business of PV based solar power generation has reached a point of techno-commercial viability which allows it to compete successfully with other more proven forms of alternate power generation. Though FY13 has seen a relative lull, FY14 is expected to see a flurry of activity from the Central and State governments. It is expected that nearly 1300-1400 MW will be added in the coming financial year and Pennar will be in a great position to play an active role. The Solar segment is expected to play an important role in our growth plan. The technology leap including the viability of Roof Top solar in distributed generation mode bodes well for our business.

3. Business and Operational Overview

The slowdown in the economy and the core sectors has impacted the demand for steel, engineering and infrastructure products in the last one year. However, we view this as an opportunity to prepare ourselves for the upturn in the economy and demand. Among other goals, your Company is targeting to be among the top three players in all the segments we are present in. Against the backdrop of this goal, we have structured our businesses into four key verticals – Steel Products (a combined entity of the erstwhile Cold Rolled Steel Strips (CRSS) and Engineering Profiles), Tubes, Industrial Components, Systems and Projects. We are proposing to add new products/ services, new segments, targeting newer markets both in India and abroad and scale capacities in



our existing verticals. With a strong balance sheet, your Company can also explore inorganic paths to achieve these goals. In parallel, we are exploring opportunities to tap the North India markets by setting up a manufacturing base in part of the country. In an effort to improve our existing operations, we have begun a massive exercise in process improvement, cost optimization, improved safety measures and modernization of our existing manufacturing entities. The Company has also brought in various industry experts with rich and significant experience in key senior management positions.

Our pre-engineered buildings subsidiary, PEBS Pennar recorded a 16.7% increase in revenues in this fiscal. Earlier this year, private equity firm, Zephyr Peacock invested INR 50 crores in PEBS and valued the company at INR 230 crores.

With these endeavours, your Company aims to become a \$1 billion Group by 2018.

The Company has performed well given the lacklustre backdrop of the economy and its consumer segments.

3.1 Steel Products (Cold Rolled Steel Strips Engineering Profiles)

The structure of steel products market has undergone a big transformation over the last 10 years.

Cold rolled steel strips business is increasingly targeted as Value Added Distribution by large integrated steel companies. Hence the position for Pennar in this segment is driven by niche applications needing special grades and limited volumes.

Engineered Profiles broadly cover Building Products, Road Safety Products, Sheet Piles, ESP Electrodes and Auto/ General Engineering profiles. Pennar's opportunity in this segment exists in the value added product areas such as building products, road

safety products, ESPs and Engineered profiles. The market for these products is driven by Automotive, Industrial Buildings, Power plants and Road construction segments of the industry. Slowdown in these segments has definitely impacted Pennar's business.

The total market size of Steel products segment is estimated at ₹ 6,300 Crores. Pennar's market share in this segment is over 8%. Interestingly, the company has a market share of more than 20% in this product segment in South and West of India.

During the period under review, Steel Products recorded a revenue decline by 18.9% while volume in the segment declined by 16.4%. The volume decline was offset to some extent by higher price realization. The decline in revenue was largely due to lower than planned demand in automotive and infrastructure segments.

The strategy for growth in Steel Products business is two pronged. Increasing our presence in North and East of India including a plan to set up a manufacturing base is on anvil. The second approach is to enhance our product offerings in Building Products, Automotive Profiles and General Engineering segment. Pennar has a long and successful track record in design and manufacture of complex profiles. Having in-house tool development and manufacturing is clearly a big strength in the market that needs innovation in product design and low cost in manufacturing. We have strengthened our application engineering and tool development team in this area and are working on an aggressive new product development plan.

The Steel Products marketing team has been restructured to create focus on distinct customer segments that we pursue. We now have Building Products, Automotive/General Engineering and Infrastructure as focus sales segments.

Road Safety and related infrastructure products is a relatively nascent segment. However as one of the pioneers in this field, Pennar has an opportunity to bring new products while Indian infrastructure story slowly gets back on track.

Automotive and General Engineering segment will clearly be driven by new products and market expansion. As one of the bigger players in this business we see an opportunity to expand our reach and customer base in this area.

We are actively pursuing indirect sales channels as a part of building products strategy. This will enable Pennar to approach Buildings segment as both component supplier and pre-engineered building company. International markets for building products are another area of opportunity being pursued.

The competitive landscape in steel products business includes both large/organized players as well as small regional players. Pennar's advantage is its multi-locational manufacturing process. Manufacturing process cost is a big differentiator in this business and a source of competitive advantage. We have undertaken initiatives including TPM and LEAN with an idea to emerge as a reliable and efficient supply chain partner.

While the market for steel products continues to be under stress, Our efforts in Market Expansion, New product introduction and Process Improvement are aimed at reversing the decline in turnover and improving the returns in this business.

| Particulars | Unit | FY 2013 | FY 2012 | Growth (%) |
|---------------|------------|---------|---------|------------|
| Sales | (₹ Crores) | 485.5 | 598.7 | (18.9%) |
| Sales | (MT) | 91685 | 109614 | (16.4%) |
| EBITDA | (₹ Crores) | 38.4 | 60.2 | (36.1%) |
| EBITDA Margin | (%) | 7.92 | 10.05 | (214)bps |

3.2 Tubes

The business of Tubes for Pennar includes ERW, GP and CDW Tubes. 2013 saw the company launching CDW range through its newly created facility at Isnapur near Hyderabad. With the launch of CDW tube range, Pennar has made an entry in to precision tubes segment.

The total market size of Tubes in value terms is around ₹ 3,000 Crores. Pennar's market share in this segment is over 4%. Company's entry in CDW segment has opened doors to many possibilities in the area of tubular components; thus allowing us to increase the extent of value addition and moving up the value chain.

During the period under review, Tubes segment recorded a revenue growth of 63.3% and volume growth of 57.6%. Both the volume and value growths were primarily driven by increased contribution from higher value added products including engineering components and tubes. This vertical has grown by 27% YoY in volume and 23% YoY in value, whereas CDW tubes have grown by 175%. In Q4, Isnapur plant recorded the highest ever production, amounting to 1900 MT of ERW tubes and 290MT of CDW tubes.

This growth is not just about numbers. The business of CDW Tubes is quite different from ERW tubes. The manufacturing process, quality management practices, customer profile and nature of application makes CDW tubes business fundamentally different from ERW or GP tubes. Pennar has been able to successfully integrate the CDW facility in its business and now has an impressive array of customers. We have created product distribution and service setups in Chennai and Hosur to address specific needs of Key Accounts. The steps taken in 2013 will go a long way in ensuring consistent growth for Tubes business.

Pennar's combined Tube manufacturing capacity is at 36,000 TPA and the last quarter of 2013 saw

us utilizing our capacity to >80%. The trend in new customer orders is encouraging and we are looking at making incremental additions to our capacity in Tubes. Focus on CDW business; increase in tubular component business and higher capacity utilization will lead to enhanced margins in Tubes business.

We are also looking at major capacity addition in North/West India to provide geographical diversity to this business and also to improve market share. Tubes is clearly a growth segment for Pennar.

We are relatively new in this business area; geographical expansion in India, international markets, tubular products and sub-systems represent a big opportunity for the company. We have installed a new leadership team in Tubes business; and clearly brought in the spirit of a small and nimble enterprise in our Tubes business Unit. We do believe that this spirit is an essential ingredient in our aim to aggressively grow the business of Tubes.

| Particulars | Unit | FY 2013 | FY 2012 | Growth (%) |
|---------------|------------|---------|---------|------------|
| Sales | (₹ Crores) | 99.2 | 60.7 | 63.3% |
| Sales | (MT) | 18611 | 11807 | 57.6% |
| EBITDA | (₹ Crores) | 7.2 | 5.1 | 40.2% |
| EBITDA Margin | (%) | 7.26 | 8.45 | (120)bps |

3.3 Industrial Components

The business of Industrial components for Pennar consists of Press Metal components for Automotive and White Goods segment of the industry. Press Metal components were seen as a natural extension of Pennar's manufacturing process and hence the company initially ventured in to this business. The nature of this market has however changed dramatically since that time. The market has become much larger and expectations from automotive, White Goods and General Engineering

segments which form the key customer segments; towards the supply chain has also changed. After reviewing the market potential, customer expectations and Pennar's capabilities, we are confident that the way forward in this business is to shape it like an Auto Components Unit.

A newly created business unit with clearly defined focus, new leadership and a mandate to aggressively grow the business portfolio; all at our new Headquarters for Components business in Chennai spells like providing wings to our dream of making Pennar's business increasingly focused on value added engineering products.

The total market size of Industrial Components in value terms is around ₹ 4,590 Crores. Pennar's market share in this segment is over 2%. There are low hanging fruits for the company in this business with existing customers to expand the product basket. Further, there is also a big opportunity to go beyond press metal products. A product range expansion, new technology infusion, international market opportunity along with market expansion in India are the steps that company intends to take for growing our Industrial components business.

During the period under review, Industrial Components segment recorded a revenue growth of 5.4% and volume decline of 9.8% primarily driven by increased contribution from higher value added products including engineering components and tubes. The stabilization of new disc brakes for Endurance has begun generating revenues in this segment.

| Particulars | Unit | FY 2013 | FY 2012 | Growth (%) |
|---------------|------------|---------|---------|------------|
| Sales | (₹ Crores) | 72.7 | 69.0 | 5.4% |
| Sales | (MT) | 9258 | 10263 | (9.8%) |
| EBITDA | (₹ Crores) | 10.0 | 9.5 | 5.4% |
| EBITDA Margin | (%) | 13.78 | 13.78 | (0)bps |

3.4 Systems and Projects

The business of Pennar originated with Cold Rolled Steel Strips. Our business growth has been driven by a continuous process of product extension based on our manufacturing capabilities in metal processing. Opportunities at the market place and a strategy to expand in to related areas has been our business growth driver.

This search product extension got us in to the business of Railway Wagons and Coach systems a few years back. The business with Railways has seen its highs and lows. Along with the business of Railway systems, the company also developed product offerings for Solar Structures last year.

Railways and Solar structure segments differentiate themselves from other businesses of Pennar in three areas. Both these businesses involve order related engineering, project management and onsite support. The organization needs of these businesses are quite different from steel products, Tubes or Industrial components. Further, we see a need to look at either Railways or Solar as purely market segments for our systems. We do believe that our business here is that of providing systems for Body Shop for Transportation segment and modular structures for Solar Power plants.

We plan to work on applications and markets other than Railways and Solar to expand the reach of our solutions in this segment. Systems & Projects BU is aggressively pursuing to introduce a range of new products and solutions from the infrastructure & warehousing industry. It has also started extending on the geographical and segmental reach to acquire a higher market share in the existing businesses too. This business vertical wishes to acquire almost 30% of growth in FY 14 from new products & new markets.

Solar business would focus extensively on enhancing its reach into new territories like Rajasthan, Punjab and Kerala to name a few. Serious study and efforts are also on its way to

enter the track mounted Solar business. Aggressive efforts are on, to standardize the Solar mounting structures to crunch the delivery lead times and offer speedy solutions to customers.

During the period under review, performance of the Systems & Projects segment which consisted of primarily railways was impacted by slower off-take from the railway industry. The slowdown in the railways sector and subsequent drop in orders for wagon and coach components is expected to make this a tough year for Systems & Projects. Solar business maintained its business levels while Railways business saw a major decline primarily due to lower Coach & Wagon manufacturing plans announced by the Railway Board. The total market size of Systems & Projects in value terms is around ₹ 1,455 crore. Pennar's market share in this segment is around 24%.

| Particulars | Unit | FY 2013 | FY 2012 | Growth (%) |
|---------------|------------|---------|---------|------------|
| Sales | (₹ Crores) | 190.7 | 248.1 | (23.2%) |
| Sales | (MT) | 23749 | 25940 | (8.4%) |
| EBITDA | (₹ Crores) | 25.2 | 43.4 | (41.9%) |
| EBITDA Margin | (%) | 13.21 | 17.49 | (428)bps |

3.5 Pre-Engineered Buildings Systems (PEBS Performance)

During the period under review, PEBS segment recorded a robust revenue growth of 16.7%. This growth was primarily driven by increased capacity utilization levels and significant new orders. This segment executed 148 new projects during the year. The company saw a major breakthrough in the Cold form steel buildings segment by securing orders of ₹ 24 Cr (3000MT). PEBS bagged a major order from IOT Infra worth which is the single largest job by the company. The company also bagged a structural steel order from HZL through COGIL for Zinc ore mining structures. Further, PEBS bagged repeated orders from Godrej, Hindustan Unilever, Volvo, Continental Tyres, P L Raju Constructions, Archean Chemicals, RVR Projects OCTL, AGI Glasspac, Glandpharma.

The company made inroads into two new industry segments – PEBS successfully bagged an order for the Metro Rail Project through L&T Hyderabad and entered into power plant segment by bagging order from Ramky.

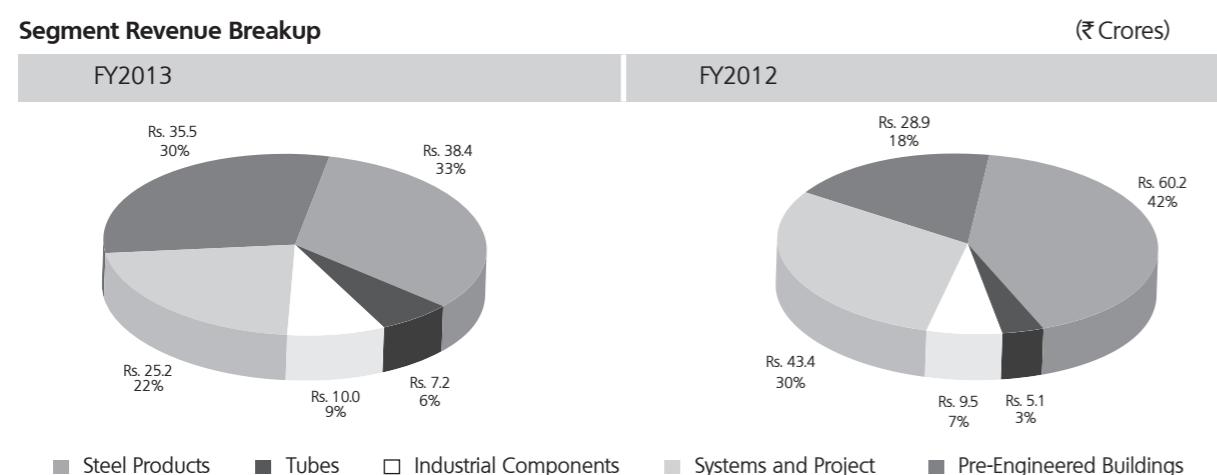
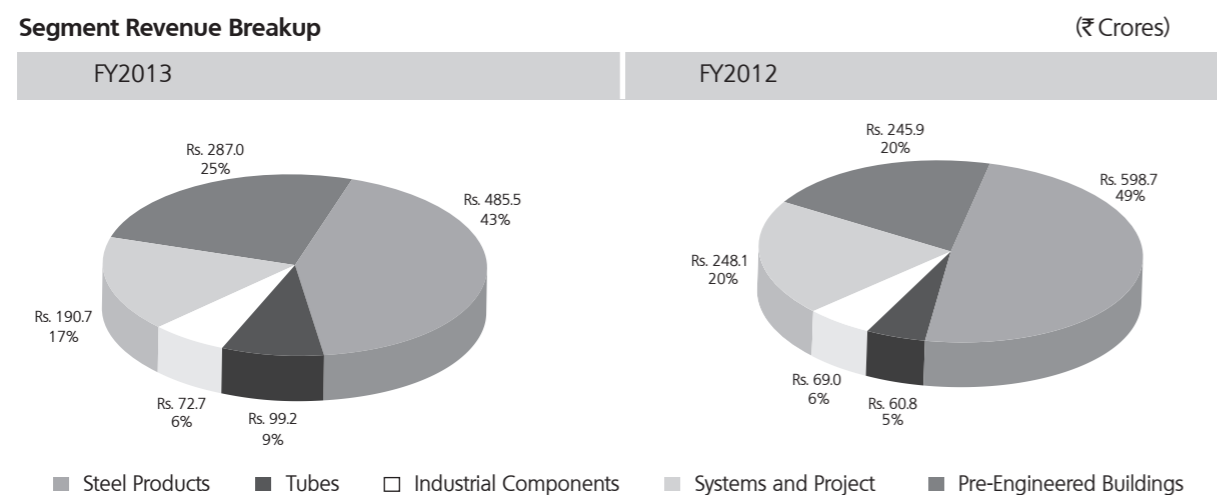
Northern/Western plant will help the company to expand aggressively in North India and Export market. The PEBS segment is expected to continue along its growth trajectory this year. The Company got ₹ 50 crores of funding from private equity firm, Zephyr Peacock. Zephyr's investment will help PEBS target INR 1000 Crores in sales in the next three years, a CAGR of over 40%. PEBS proposes to achieve this through its aggressive growth plans in international emerging markets, solar infrastructure, high rise commercial buildings and cold form building systems.

The company proposes expansion into Solar, Cold Form buildings, Highrise Buildings sectors. The subsidiary also proposes to set up a plant in West/North India; expansion of exports and setting up of business presence in Africa. The Indian Pre-Engineered Steel Buildings (PEB) market is experiencing robust growth, fuelled by infrastructure development and the increasing popularity of PEB systems in the industrial sector. Sectors such as automotive, power, logistics, pharma, FMCG, and capital goods provide huge growth opportunity for PEB in India. Analysis of the Indian Pre-engineered Buildings Market, finds that the market earned revenues of INR 52,970 million in 2012 and estimates this to reach INR 136,120 million in 2016, growing at a compound annual growth rate (CAGR) of 26.6 percent.

| Particulars | Unit | FY 2013 | FY 2012 | Growth (%) |
|---------------|------------|---------|---------|------------|
| Sales | (₹ Crores) | 287.0 | 245.9 | 16.7% |
| Sales | (MT) | 36871 | 34479 | 3.5% |
| EBITDA | (₹ Crores) | 35.5 | 28.9 | 22.8% |
| EBITDA Margin | (%) | 12.38 | 11.75 | 63bps |

4. Financial performance and internal controls

Pennar continues to strengthen its product offerings and introduced several new product lines. For FY2013, your Company reported consolidated net sales revenue of ₹ 1,115 Crores compared with ₹ 1,219 Crores recorded in FY2012, registering a decrease of 8.5%. The Company recorded an operating profit (PBIDT) of ₹ 116.5 Crores compared with ₹ 144.7 Crores in the previous year and a net profit of ₹ 41.9 Crores compared with ₹ 62.0 Crores last year.



Your Company's ongoing initiatives to improve operating efficiencies resulted in prudent working capital management. Pennar continues to maintain a conservative debt profile with consolidated net debt of ₹ 122.5 Crores and a debt to equity ratio of 0.47 and net debt to EBITDA ratio of 1.05 as of March 31, 2013. 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 Company's strong financial and operational performance during FY2013 and the optimistic outlook about the Company's continued growth in the years to come enabled the Board to declare a dividend of 20% to its equity shareholders.

5. Resources

The net current assets as on March 31, 2013 increased from ₹ 211.8 crores in 2011-12 to ₹ 225.2 crores.

| ₹ crores. | | |
|--|--------------------------------|--------------------------------|
| Particulars | 12 months ended March 31, 2013 | 12 months ended March 31, 2012 |
| Sources of funds | | |
| a. Shareholders' funds | 316.4 | 302.1 |
| b. Loan funds | 105.7 | 114.8 |
| c. Deferred tax liability | 13.3 | 12.2 |
| Total | 435.4 | 429.1 |
| Application of funds | | |
| a. Fixed assets (net) | 187.4 | 198.8 |
| b. Investments | 22.8 | 18.5 |
| c. Net current assets | 225.2 | 211.8 |
| d. Deferred tax/ miscellaneous expense, among others | | |
| Total | 435.4 | 429.1 |

| ₹ crores. | | |
|--|--------------------------------|--------------------------------|
| Particulars | 12 months ended March 31, 2013 | 12 months ended March 31, 2012 |
| Profit from operations after tax | 65.6 | 84.0 |
| Less: Increase in net working capital | (11.7) | (2.1) |
| Net cash flow from operating items (before extraordinary items) | 53.9 | 81.8 |
| Payments for assets acquisitions/investment | (10.4) | (52.3) |
| Net cash flow from investing activities | (10.4) | (52.3) |
| Cash flow from financing activities | (43.3) | (29.4) |
| Net cash inflow / (outflow) | 0.2 | 0.2 |

The Company earned ₹ 53.9 Crores cash inflow from operations. After meeting working capital requirements, the Company earned net cash inflow of ₹ 0.2 Crores. After providing for tax liability, the net profit stood at ₹ 31.1 Crores.

6. Learning & Development

Learning is a continuum, especially in the midst of transformation. In a dynamic set up keeping abreast with the best practices is all the more important in order to be competitive. Keeping in mind this philosophy the company has charted a course where in several learning and development initiatives have been opted for. A systematic learning and development plan has been created where by training needs will be identified, training sessions will be provided for and a post learning evaluation is done.

Some of the major initiatives include:

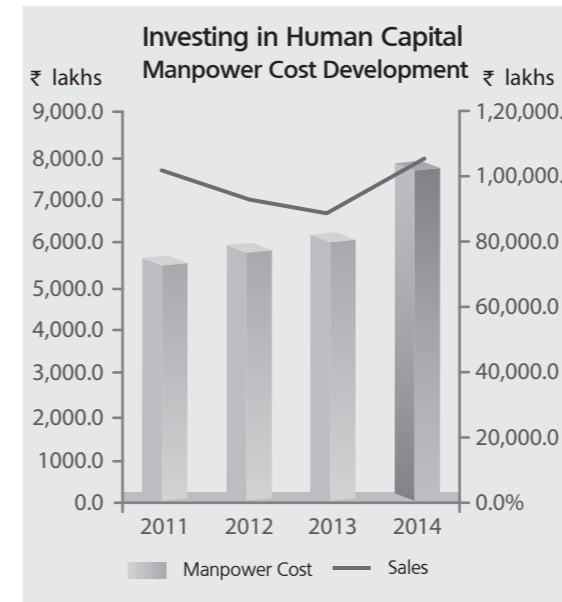
- HSE Training:** The basic aim of HSE training to impart practical training on behavioural safety aspects with significant pointing out of errors and providing remedies. It also includes providing application techniques at the site to have better safe working environment. The training has been designed in two levels in two different days. A training programme on behavioural safety aspects for people below supervisory levels for two days in 21 batches covering 1560 people for all units. Further, one day training programme on safety planning, process and review inclusive of safety audit provisions etc for people with the rank of senior manager and above was provided. In this category, 200 employees were covered in 9 batches in one day programme
- Process based Management:** Training for process based management has been initiated in the company to enhance the skillset of the employees and to improve the productivity. Programmes such as TPM and Anaar have been identified as one of the tools for process enhancement.
- TPM stands for Total Productive Maintenance.** The objective of TPM is to set a goal to

increase employee participation and maximize equipment efficiency (overall efficiency) by establishing a total system for Preventive Maintenance (PM) for the entire life of equipment. TPM ensures participation by all departments, including equipment planning, operating and maintenance departments, involving all personnel, including top personnel to first-line operators.

For implementing TPM training is being given by TPM Club, CII, Bangalore on 8 TPM Pillars: Individual Improvement, Autonomous Maintenance, Planned Maintenance, Quality Maintenance, Education and Training, Development Management, Safety Health and Environment and Office TPM. Currently there are four teams of 6 people each involving Production, Quality and Maintenance along with operators for CRSS PTC & ISNP, Industrial Comp. and CRFS. The foundation of TPM lies in 1S and 2S for which activities like "Cleaning with Meaning" have already been started. After introduction of autonomous maintenance activities, operators take care of machines by themselves without being ordered to. With achievement of zero breakdowns and zero defects, operators get new confidence in their own abilities. Workplaces that used to be covered with oil and chips are now clean and pleasant as to be almost unrecognizable. TPM transform work culture and strengthens Pennar brand image, a giant step towards becoming a \$1 billion company

- The Anaar Roadmap is an integrated and focused approach that consists of interconnected modules for improving both the effectiveness and efficiency of an organization. It is the product of two decades of experience implementing the philosophies of Dr. W. Edwards Deming. It is designed to address the challenges such as delays, inefficiencies in operations, low employee

motivation, inconsistent results, higher costs and lower profit margins, departmental conflicts and several others. Currently we have trained more than 40 employees which has resulted in 16 improvement projects and also a Global Process Chart for CRFS to be replicated to all Business Units in 2013-14



Training on best in class: To develop the leadership skills, marketing & sales skills, training on best in class has been initiated. The training has been planned in the following pattern

- Through Empowered Learning the HBDI training programme has been planned and has been organized covering around 75 people. This is aimed to map the minds of the individuals above the managerial level. A Strategy Workshop was conducted and teams were formed to work on specific projects to work towards the organisational goals
- To build an effective salesmanship and entrepreneurial orientation and to have cross-functional sales leadership training

programme through Mercury Gold has been initiated. The first phase of training programme on selling effectively, pre-work on field, off the field and back office has been started. After the field work, the said training programme will be imparted for around 60 people in 5 batches from mid June onwards

- To motivate the employees a training programme entitled "Partners in Progress" through Central Board of Workers Education has been planned for workmen at supervisory level. The programme covers 450 people in 18 batches in the first phase. So far two programmes have been conducted covering 52 people

7. Subsidiaries

Pennar Engineered Building Systems (PEBS Pennar) was set up with a vision of being one of the most preferred producers of high quality Pre-Engineered buildings in India. The growth story began in 2008 when PEBS Pennar set up a world class manufacturing facility near Hyderabad (Sadashivpet, Medak District) with an initial manufacturing capacity of 30,000 metric tonnes per annum (MTPA). To meet the increasing demand and to stand by its commitment of delivering high quality products, the manufacturing capacity was expanded to 60,000 MTPA in this fiscal. With modern technology and high precision equipment sourced from leading suppliers all over the world, the Company's manufacturing facility is one of the best in the country. PEBS Pennar has developed blue chip customer base across various industry verticals. Customers include L&T, Procter and Gamble, ITC Nepal, Dr. Reddy's Laboratories, HCC, My Home Industries, Schneider Electric, Bosch and Thermax.

PEBS Pennar is the first company in India to receive the prestigious Gold Rating from the Indian Green Building Council for its practices complying with Green Building Technology.

PEBS Pennar also received the ISO 9001:2008 certification and PEBS Pennar's flagship product DOUBLE – LOK® in technical association with NCI Group USA, received the highly acclaimed FM Approval in India.

Pennar Enviro Ltd is engaged in water and waste water treatment. Pennar acquired a majority stake in Pennar Enviro Ltd, this investment being in line with the Company's strategy of entering new areas of engineering services.

Pennar Enviro Ltd (PEL) has three business divisions, namely Fuel Additives, Water treatment chemicals and Water treatment projects.

For the Fuel Additives (FA) and Water treatment Chemicals (WTC) divisions, PEL has a manufacturing unit at Mallapur in Hyderabad. It manufactures FAs for industrial furnace fuels with a "know-how" provided by M/S TOTAL, France, the fourth largest Oil/Gas Company in the World. It also produces the entire range of WTC applications such as boiler feed, RO membrane based treatment plants, cooling water towers, effluent and raw water treatment plants.

Water Treatment Projects: PEL provides solutions through EPC + O&M services, to treat raw water and waste water for municipal and industrial applications. Sewage treatment and drinking water treatment projects are undertaken in municipal sector where as process input water, Effluent Treatment Plants (ETP) / Zero Liquid Discharge (ZLD) solutions are provided in industrial sector for various segments as food, pharma, beverages, power generation, cement and sugar.

8. Opportunities and threats

Material handling: We have the opportunity to move from being a components supplier to a systems integrator and provide complete solutions including coal handling, ash handling and ESPs.

Engineering design: We aim to move ahead in the product development value chain of the engineering design of our products. Presently our engineering design works are at the back-end of this value chain.

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.

Pennar's business may be impacted by the general slowdown in the economy. This may also lead to elongated operating and working capital cycles. Some of the sectors that the Company caters to are highly unstructured and have strong price competition. However, the management remains confident that due to its continued focus on manufacturing excellence through technological innovations, productivity and capacity utilization improvements, the Company is well positioned to deal with any short term economic or market volatility.

9. Risks and Concerns

1) User Industry Risk: The Company's businesses are also dependent upon the policies of the Indian government and any change whether positive or adverse, has a direct impact on the Company's business.

The Company has introduced new product lines to mitigate user industry concentration risk.

2) Raw Material Risk: The Company's operations require substantial amounts of steel, scrap, specialized components and are exposed to volatility in prices and availability.

Pennar has alliance with leading steel

producers in the country. The Company is also focused on rationalization and standardization of grades. It is also focusing on moving to products with high value addition.

3) Exposure to Interest Rate Hikes: Over the past year, Indian economy has been facing a very challenging economic scenario with high interest rates and increasing inflation. The Company's operations are therefore exposed to higher interest rate environment. Although the RBI is now progressively following an easing monetary policy, it will take some time for the full effects of this policy to have the desired impact. Pennar maintains a very conservative leverage profile and has a total debt to equity ratio of 0.56x to keep down the interest burden to minimum. This also provides balance sheet flexibility for future growth.

10. 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.

11. Environment Safety, Health and Energy Conservation

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

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

The information required under Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to energy conservation is attached as an appendix to this report.

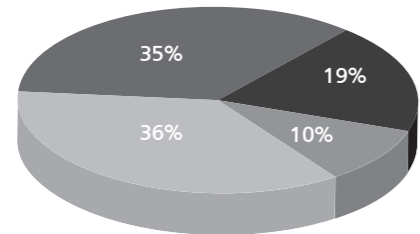
12. Industrial relations/human resources

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 organized camps for checking the health of operatives and staff by ESI and other medical agencies.

13. Outlook for 2013-14

Although we believe that household consumption growth has bottomed out in

Investing for growth
(₹60 Crores Capital Exp. plan for 2014)



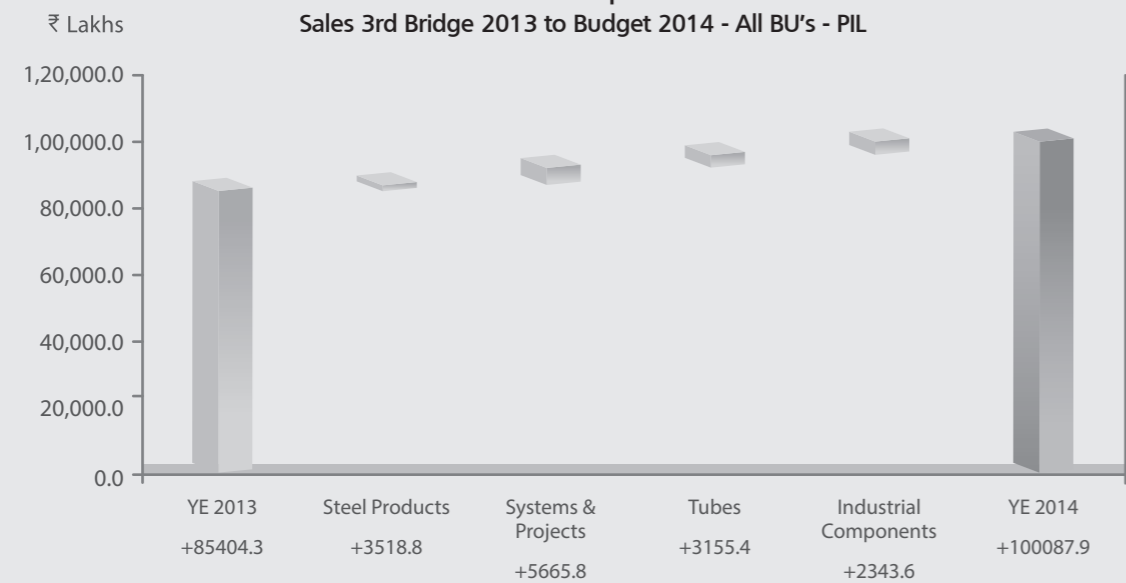
Ring in the change

- Energy Efficiency
- Capacity Expansion
- Modernization
- New Product Development

2012-13, the pick-up this year is expected to be only modest. The improvement in household consumption demand in 2013-14 is based on the assumption of normal monsoon, some reduction in retail lending rates, the rural focus of government spending in the budget, and some increase in government spending on the eve of elections. A weaker-than-anticipated pick-up in

household consumption demand will act as a drag on manufacturing recovery. Issues related to mining and lack of speedy project clearances also continue to hurt manufacturing and infrastructure activity. Export momentum too appears to be weaker than what we had anticipated earlier. The 2013 growth forecast for the Euro zone has now been revised down to -0.5 per cent from -0.1 per cent earlier (Standard and Poor's, March 2013). The Euro zone currently accounts for 15 per cent of India's merchandise exports. Continued recession in the Euro zone has prompted caution on the external demand front, despite relative optimism on the United States' economic recovery. Further downward revisions to the Euro zone's outlook pose a downside risk to global economic growth and India's GDP growth. Finally, lowering of the repo rate by the Reserve Bank of India (RBI) in March is yet to translate into lower lending rates. The RBI has cut the repo rate further in the May policy review but the pass-through into lending rates is unlikely to begin until the start of the second quarter.

Plan to add 150 Crores to topline for PIL Stand alone
Sales 3rd Bridge 2013 to Budget 2014 - All BU's - PIL



Financial Highlights (consolidated) for the year 2012-13 (₹ Crores)

Revenues (Net)
1115

EBITDA
117

Post Tax Profit
42

Cash Profit
60

EBITDA Margin (%)
10.4%

PAT Margin (%)
3.8%

ROCE (%)
20.9%

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 a Chairman and Vice-Chairman. The Chairman is responsible for the conduct of the business and the day-to-day affairs of the Company. The Vice-Chairman looks after diversification and projects.
- b) Number of Board meetings held during the financial year and the dates of the Board meetings: During 2012-13, the Board met four times on May 29, 2012, July 23, 2012, November 9, 2012, and February 9, 2013.

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 23, 20 12 |
|---------|------------------------|------------------------------------|--|-----------------------------------|---|
| 1 | Mr. Nrupender Rao | Promoter, Chairman | 4 | 4 | Yes |
| 2 | Mr. Ravi Chachra | Non-Executive Director | 4 | 3 | No |
| 3 | Dr. G Vivekanand | Independent Non-Executive Director | 4 | 1 | No |
| 4 | Mr. C Parthasarathy | Independent Non-Executive Director | 4 | 1 | No |
| 5 | Mr. B Kamalaker Rao | Independent Non-Executive Director | 4 | 4 | Yes |
| 6 | Mr. C Rangamani | Independent Non-Executive Director | 4 | 2 | Yes |
| 7 | Mr. A Krishna Rao* | Independent Non-Executive Director | 2 | 0 | No |
| 8 | Mr. Manish Sabharwal @ | Independent Non-Executive Director | 4 | 2 | No |
| 9 | Mr. J Ramu Rao | Non-Executive Director | 4 | 1 | No |
| 10 | Mr. Vishal Sood | Non-Executive Director | 4 | 2 | No |
| 11 | Mr. Varun Chawla # | Independent Non-Executive Director | 2 | 2 | NA |
| 12 | Mr. Ch Anantha Reddy | Director | 4 | 4 | Yes |
| 13 | Mr. Aditya Rao | Vice Chairman | 4 | 4 | Yes |

*Mr. A Krishna Rao resigned as the Director of the Company with effect from November 9, 2012

Mr. Varun Chawla was appointed as an Additional Director with effect from November 9, 2012

@ In addition to attending two meetings, Mr. Manish Sabharwal participated in one meeting over teleconference.

No sitting fee has been paid for participation over teleconference

- 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 | 6 | 2 |
| 2 | Mr. Ravi Chachra | - | 1 | - | - |
| 3 | Mr. C Parthasarathy | 8 | 15 | | |
| 4 | Dr. G Vivekanand | - | 7 | - | 1 |
| 5 | Mr. B Kamalaker Rao | | 1 | | |
| 6 | Mr. C Rangamani | - | 2 | 1 | - |
| 7 | Mr. A Krishna Rao* | - | 2 | - | - |
| 8 | Mr. Manish Sabharwal | - | 11 | 2 | - |
| 9 | Mr. J Ramu Rao | | 3 | | |
| 10 | Mr. Vishal Sood | | 11 | | |
| 11 | Mr. Varun Chawla # | - | | - | - |
| 12 | Mr. Ch Anantha Reddy | - | 1 | - | - |
| 13 | Mr. Aditya Rao | - | 7 | - | 5 |

*Mr. A Krishna Rao ceased to be the Director of the Company with effect from November 9, 2012

Mr. Varun Chawla was appointed as an Additional Director with effect from November 9, 2012

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. C Parthasarathy@- Member (Independent Non-Executive Director)
5. Mr. Varun Chawla#- Member (Independent Non-Executive Director)
6. Mr. Aditya Rao @- Member (Vice Chairman)

*Mr. A Krishna Rao ceased to be the Director of the Company with effect from November 9, 2012

@Mr. C Parthasarathy and Mr. Aditya Rao was appointed as members of the Audit Committee with effect from July 23, 2012

Mr. Varun Chawla was appointed as member of the Audit Committee with effect from February 9, 2013

- c) Meetings and attendance during the year

During the year under review, the Committee met five times on May 29, 2012, July 23, 2012,

November 9, 2012, February 9, 2013 and March 25, 2013. The details of attendance are given below:

| Sl. No | Name of the member | Number of meetings held | Number of meetings attended |
|--------|---------------------|-------------------------|-----------------------------|
| 1 | Mr. C Rangamani | 5 | 2 |
| 2 | Mr. B Kamalaker Rao | 5 | 5 |
| 3 | Mr. A Krishna Rao @ | 3 | 1 |
| 4 | Mr. C Parthasarathy | 3 | 2 |
| 5 | Mr. Varun Chawla | 1 | 0 |
| 6 | Mr. Aditya Rao | 3 | 3 |

@ Mr. A Krishna Rao participated in the meeting over teleconference. No sitting fee has been paid for participation over teleconference

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 Chairman of the Board will attend the meetings as he deems appropriate

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 reconstituted the Remuneration Committee on February 09, 2013.

The Remuneration Committee comprises

1. Mr. C Parthasarathy - 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. Varun Chawla - Member (Independent Non-Executive Director)

- c) Meetings and attendance during the year

During the Period under review the Company has conducted Remuneration Committee Meeting on March 25, 2013. The details of attendance are given below:

| Sl. No | Name of the member | Number of meetings held | Number of meetings attended |
|--------|---------------------|-------------------------|-----------------------------|
| 1 | Mr. C Parthasarathy | 1 | 1 |
| 2 | Mr. C Rangamani | 1 | 0 |
| 3 | Mr. B Kamalaker Rao | 1 | 1 |
| 4 | Mr. Varun Chawla | 1 | 0 |

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 2012-13 is given below

| Name of the Director | Designation | Salary | Commission | Provident fund, Superannuation fund and other perquisites (₹) | Sitting Fee | Total |
|----------------------|------------------------------------|-----------|------------|---|-------------|-------------|
| Mr. Nrupender Rao | Chairman | 36,00,000 | 50,15,165 | 36,00,000 | - | 1,22,15,165 |
| Mr. Ch Anantha Reddy | Director | 36,00,000 | 37,61,373 | 36,00,000 | - | 1,09,61,373 |
| Mr. Aditya Rao | Vice Chairman | 24,00,000 | 25,07,582 | 24,00,000 | - | 73,07,582 |
| Mr. Ravi Chachra | Non-Executive Director | | | | 15,000 | 15,000 |
| Dr. G Vivekanand | Independent Non-Executive Director | | | | 5,000 | 5,000 |
| Mr. C Parthasarathy | Independent Non-Executive Director | | | | 19,000 | 19,000 |
| Mr. B Kamalaker Rao | Independent Non-Executive Director | | | | 55,000 | 55,000 |
| Mr. C Rangamani | Independent Non-Executive Director | | | | 24,000 | 24,000 |
| Mr. A Krishna Rao | Independent Non-Executive Director | | | | - | - |
| Mr. Manish Sabharwal | Independent Non-Executive Director | | | | - | - |
| Mr. J Ramu Rao | Non-Executive Director | | | | 5,000 | 5,000 |
| Mr. Vishal Sood | Non-Executive Director | | | | 5,000 | 5,000 |
| Mr. Varun Chawla | Independent Non-Executive Director | | | | 10,000 | 10,000 |

Mr. A K Rao, Chairman of the Remuneration Committee was not present at the last Annual General Meeting.

f. Details of number of shares held by the Non-Executive/Independent Directors as on March 31, 2013

| 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 | 11,900 |
| Mr. C Rangamani | Independent Non-Executive Director | - |
| Mr. A Krishna Rao | Independent Director Non-Executive | - |
| Mr. Manish Sabharwal | Independent Non-Executive Director | - |
| Mr. J Ramu Rao | Non-Executive Director | - |
| Mr. Vishal Sood | Non-Executive Director | - |
| Mr. Varun Chawla | Independent Non-Executive Director | - |

5. Shareholders'/Investors' Grievances Committee

The company has 'Shareholder's/Investor's Grievances Committee' 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. B Kamalaker Rao, a Non- Executive and Independent Director, Mr. Aditya Rao@, Vice- Chairman and Mr. Varun Chawla#, Independent Non-Executive Director.

*Mr. A Krishna Rao ceased to be the Director of the Company with effect from November 9, 2012.

@Mr. Aditya Rao was appointed as member of the Shareholder's/Investor's Grievances Committee with effect from July 23, 2012

Mr. Varun Chawla was appointed as member of the Shareholder's/Investor's Grievances Committee with effect from February 9, 2013

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 94 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 May 29, 2012, July 23, 2012, November 9, 2012 and February 9, 2013.

| Sl. No | Name of the member | Number of meetings held | Number of meetings attended |
|--------|---------------------|-------------------------|-----------------------------|
| 1 | Mr. C Rangamani | 4 | 2 |
| 2 | Mr. B Kamalaker Rao | 4 | 4 |
| 3 | Mr. A Krishna Rao* | 1 | 1 |
| 5 | Mr. Varun Chawla# | 0 | 0 |
| 6 | Mr. Aditya Rao@ | 2 | 2 |

*Mr. A Krishna Rao resigned as the Director of the Company with effect from November 9, 2012. Mr. A Krishna Rao participated in the meeting over teleconference. No sitting fee has been paid for participation over teleconference

@Mr. Aditya Rao was appointed as member of the Shareholder's/Investor's Grievances Committee with effect from July 23, 2012

Mr. Varun Chawla was appointed as member of the Shareholder's/Investor's Grievances Committee with effect from February 9, 2013

6. General body meetings

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

| Date | Year | Type | Venue | Time |
|--------------------|---------|------------------------|------------------------------------|----------|
| July 23, 2012 | 2011-12 | Annual General Meeting | Aditya Sarovar Premiere, Hyderabad | 9.30 am |
| September 12, 2011 | 2010-11 | Annual General Meeting | FAPCCI, Red Hills, Hyderabad | 10.30 am |
| July 29, 2010 | 2009-10 | Annual General Meeting | FAPCCI, Red Hills, Hyderabad | 4.00 pm |

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 23, 2012 | No | -NA- |
| September 12, 2011 | Yes | Special resolution passed for keeping the Register of members and index of members at the office of the Registrar and Share Transfer Agents |
| July 29, 2010 | No | -NA- |

c) Postal ballot

The Company has issued notice for the Postal Ballot on February 9, 2013, 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 for the purpose of:

1. Providing Corporate Guarantee/ security to the Subsidiary Companies Pennar Engineered Building Systems Limited and Pennar Enviro Limited and making Loans/Investment in Pennar Engineered Building Systems Limited and Pennar Enviro Limited.
2. Alteration of Main objects in the Memorandum of Association of the Company.
3. Alteration of Ancillary objects in the Memorandum of Association of the Company.
4. Alteration of Articles of Association of the 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 6, 2013, that the Resolutions 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 | 54 | 3,95,58,923 | 100 |
| 2 | Total no. of votes polled in favour of the resolution | 41 | 3,94,93,114 | 99.83 |
| 3 | Total no. of votes polled against the resolution | 0 | 0 | 0 |
| 4 | Total no. of votes polled neutral/invalid to the resolution | 13 | 65,809 | 0.17 |

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

- a) Procedure for postal ballot - Not applicable.
- b) 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 President & CEO and V.P Finance 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 2012-13 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, 2013, 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/halfyearly/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 2012-13.

General information

| | | |
|----|--|---|
| 1. | Date, time and venue of Annual General Meeting | July 31, 2013 at 10.00 A.M. at Aditya Sarovar Premiere, Hitec city, Gachibowli, Hyd-32 |
| 2. | Financial calendar (Tentative schedule) | Financial year : April 1 to March 31: Board meetings for approval of quarterly results: 1st Quarter ended on June 30, 2013: August 7, 2013 2nd Quarter ended on September 30, 2013: November 6, 2013 3rd Quarter ended on December 31, 2013: February 5, 2014 Annual results for financial year ended March 31, 2014 (audited): May 7, 2014 Annual general meeting for the year 2013-14 : In accordance with Section 166 of Companies Act, 1956 |
| 3. | Date of book closure (both days inclusive) | July 19, 2013 to July 20, 2013 (both days inclusive) |
| 4. | Dividend payment due | August 29, 2013 |
| 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 MCX Stock Exchange Limited 2nd Floor, Exchange Square Suren Road, Chakala, Andheri (East), Mumbai – 400 093 Note: The equity shares of the Company were listed on MCX Stock Exchange Limited with effect from May 03, 2013. |

| | | |
|-----|--|---|
| 6. | Stock Code | BSE: Equity- 513228 0.01% cumulative redeemable preference shares- 700107 NSE EQUITY: PENIND MCX 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, 28 th Floor Dalal Street, Mumbai – 400023 |
| 8. | Registered Office (address for correspondence) | Floor No. 3, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500084 A.P. India, Tel.No: +91 40 400061621/22/23/24 Fax No: +91 40 40061618 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. Suhas Baxi, President & CEO, and Mr. R Ravi, V. P. Finance and Company Secretary was placed at the meeting of the Board of Directors held on May 10, 2013

10. Distribution of shareholding as on March 31, 2013 was as under

| | | | | |
|---------------|---------------|---------------|--------------------|---------------|
| upto 1 - 1000 | 24403 | 91.93 | 4,940,551 | 4.05 |
| 1001 - 2000 | 899 | 3.39 | 1,389,986 | 1.14 |
| 2001 - 4000 | 475 | 1.79 | 1,405,338 | 1.15 |
| 4001 - 6000 | 266 | 1.00 | 1,322,321 | 1.08 |
| 6001 - 8000 | 76 | 0.29 | 529,816 | 0.43 |
| 8001 - 10000 | 91 | 0.34 | 864,086 | 0.71 |
| 10001 - 20000 | 137 | 0.52 | 1,994,805 | 1.63 |
| 20001 & ABOVE | 199 | 0.75 | 109,577,097 | 89.80 |
| Total: | 26,546 | 100.00 | 12,202,4000 | 100.00 |

Shareholding Pattern as on March 31, 2013 was as under

| Sl. No | Particulars | No. of Shares | % to total shares |
|--------|---------------------------------|---------------------|-------------------|
| 1 | Promoter and Promoter Group | 4,90,01,040 | 40.16 |
| 2 | Mutual Funds/ UTI | 950 | - |
| 3 | Financial Institutions/Banks | 8,16,344 | 0.67 |
| 4 | Foreign Institutional Investors | 2,68,04,684 | 21.97 |
| 5 | Foreign Funds | 87,11,854 | 7.14 |
| 6 | Bodies Corporate | 1,32,64,262 | 10.87 |
| 7 | Individuals | 2,21,87,691 | 18.18 |
| 8 | Trust | 5,955 | - |
| 9 | NRI | 12,14,083 | 0.99 |
| 10 | Clearing Members | 17,137 | 0.01 |
| | Total | 12,20,24,000 | 100.00 |

11. Dematerialisation of shares and liquidity

- 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. 98.23% of equity shares are held in dematerialised form as on March 31, 2013.
- 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. 84.60% of 0.01% cumulative redeemable preference shares are held in dematerialised form as on March 31, 2013.
- Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and likely impact on equity.**
During the financial year 2012-13, the Company has not issued any GDR /ADR and there are no outstanding warrants or any convertible instruments.

12. Plant locations

- Patancheru unit : IDA, Patancheru, Medak (Dist.), A.P.
- Isnapur unit : Isnapur Village, Medak (Dist.), A.P.
- Chennai unit : Kannigaipair Village, Thiruvellore Dist, T.N.
- Tarapur unit : MIDC, Tarapur, Maharashtra
- 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. 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 2012-13 were as follows

| Month | BSE | | | NSE | | |
|----------------|----------|---------|----------|----------|---------|-----------|
| | High (₹) | Low (₹) | Volume | High (₹) | Low (₹) | Volume |
| April 2012 | 33.00 | 30.15 | 2,13,344 | 33 | 30.1 | 2,95,286 |
| May 2012 | 32.00 | 27.65 | 3,46,028 | 32.2 | 28 | 10,30,668 |
| June 2012 | 30.00 | 27.00 | 7,49,763 | 30 | 26.8 | 9,44,944 |
| July 2012 | 31.45 | 26.10 | 7,83,966 | 31.9 | 26.15 | 15,14,039 |
| August 2012 | 27.60 | 25.10 | 1,89,396 | 27.6 | 25.1 | 3,50,378 |
| September 2012 | 26.95 | 24.05 | 4,39,227 | 27.4 | 23.7 | 6,99,718 |
| October 2012 | 28.00 | 25.55 | 6,25,128 | 28 | 25.45 | 7,32,561 |
| November 2012 | 27.45 | 25.05 | 2,22,981 | 27.45 | 24.5 | 2,42,213 |
| December 2012 | 30.00 | 25.10 | 5,67,751 | 30 | 25.05 | 5,80,809 |
| January 2013 | 29.85 | 25.20 | 2,39,883 | 32.4 | 25.05 | 4,99,861 |
| February 2013 | 26.05 | 25.00 | 1,05,436 | 26.9 | 25 | 3,53,229 |
| March 2013 | 28.00 | 24.00 | 3,05,245 | 27.55 | 23.15 | 4,38,924 |

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

Declaration of Code of Conduct

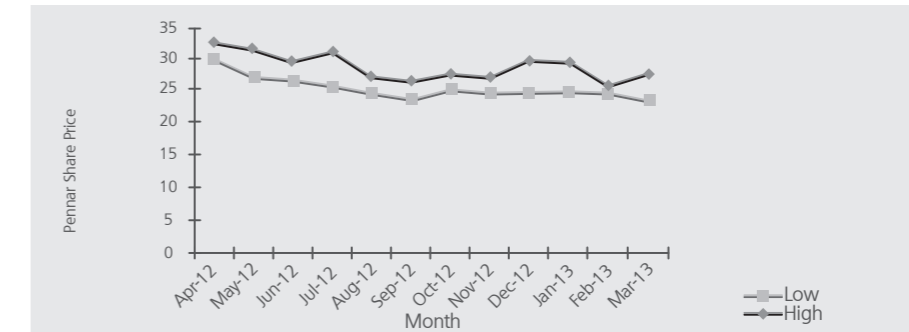
The Board of Directors of Pennar Industries Limited, at their meeting held on January 31, 2006, adopted the Code of Conduct for the Directors and also for the Company's senior management personnel, which was posted on the Company's website.

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, 2013

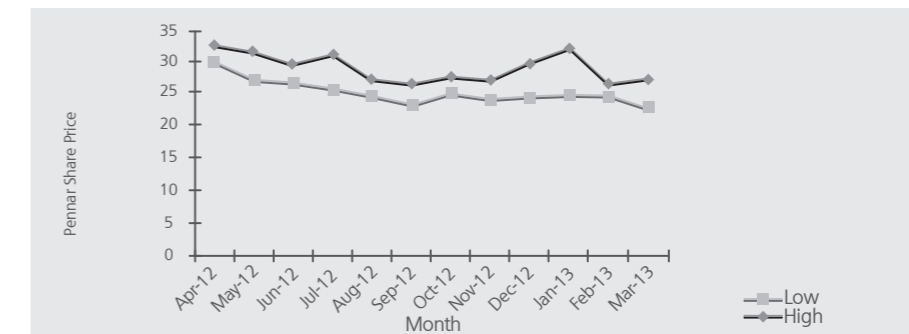
Place Hyderabad
Date: May 10, 2013

Suhas Baxi
President & CEO

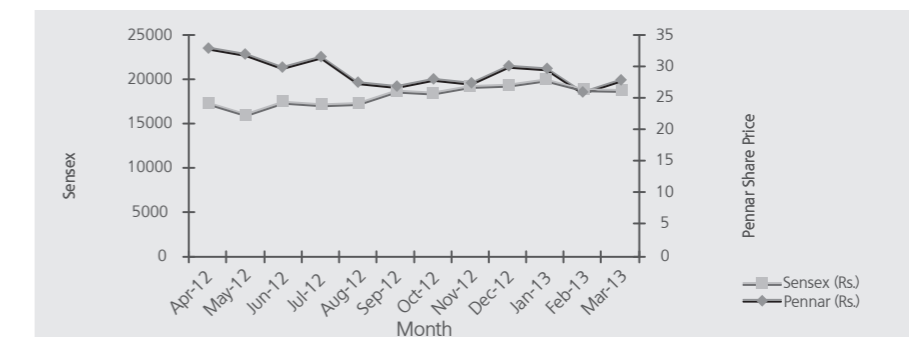
Share prices at BSE



Share prices at NSE

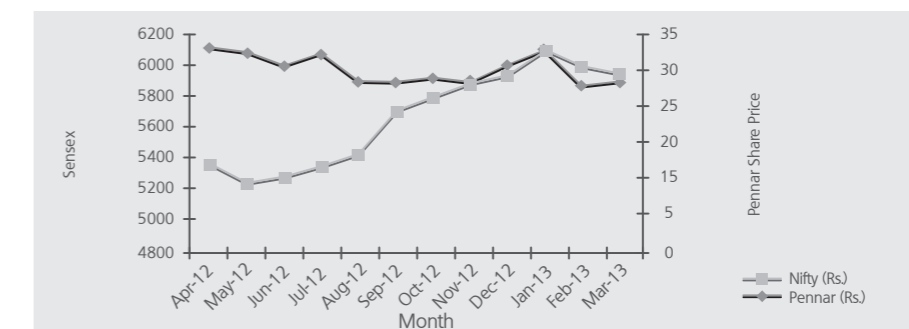


Performance in comparison to broad based indices such as BSE Sensex:

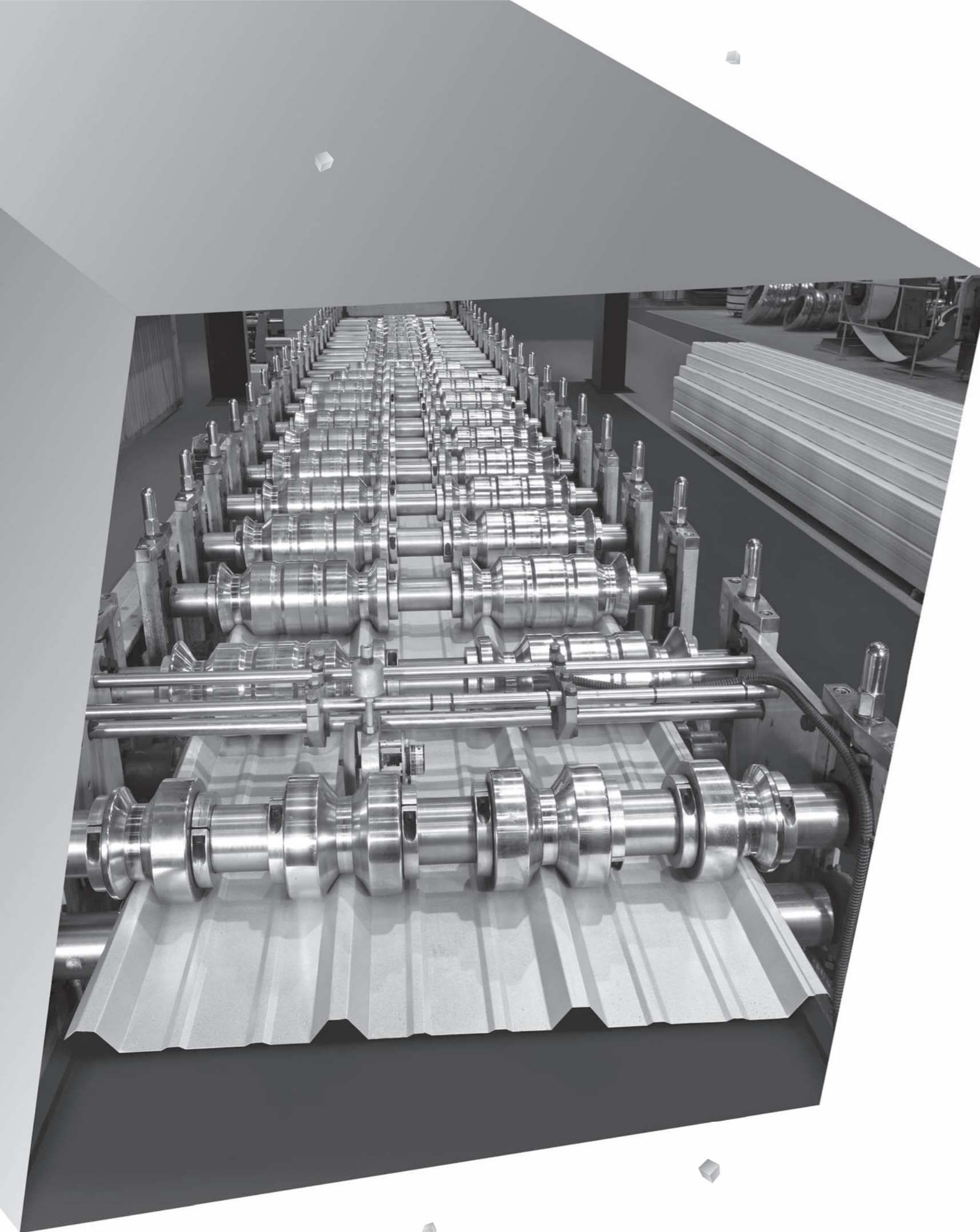


Comparison is done between the Share price-High and Sensex index close price

Performance in comparison to broad based indices such as Nifty:



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



Secretarial Audit Report
Pennar Industries Limited
Floor No.: 3, 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, 2013. 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) 2011;

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 23.07.2012;
- (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 committee 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;

2.1 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;

3.1 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.

4.1 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, 2011;
- (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;

Place: Hyderabad
Date: May 10, 2013

S. Chidambaram
Practicing Company Secretary

C P No: 2286
schid285@gmail.com

Auditor's Certificate on Compliance with the Provision of Corporate Governance Pursuant to Clause 49 of the Listing Agreement

To
The Members
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, 2013, 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
Firm Reg. No: 0029765

Place: Hyderabad
Date: 10th May, 2013

RAVI RAMBABU
Partner
Membership. No. 18541

Auditor's Report on Abridged Financial Statements

To The Members of Pennar Industries Limited

The accompanying abridged financial statements, which comprises the abridged balance sheet as at March 31, 2013, the abridged Statement of Profit and Loss, and abridged Cash Flow Statement for the year then ended, and related notes, are derived from the audited financial statements of Pennar Industries Limited ('the Company') for the year ended March 31, 2013.

The abridged financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 ('the Act') applied in the preparation of the audited financial statements of the Company. Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statements of the Company.

Management responsibility for the abridged financial statements

Management is responsible for preparation of summary of the audited financial statements in accordance with Rule 7A of the Companies (Central Governments') General Rules and Forms, 1956 read with an amendment thereto, and or based on the audited financial statements for the year ended March 31, 2013, prepared in accordance with the Accounting

Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 ('the Act') and accounting principles generally accepted in India.

Auditor's Responsibility

Our responsibility is to express opinion on the abridged financial statements based on our procedures, which were conducted in accordance with the Standards on Auditing SA 810 "Engagements to report on summary financial statements" issued by the Institute of Chartered Accountants of India.

Opinion

In our opinion, the abridged financial statements, prepared in accordance with Rule 7A Companies (Central Government's) General Rules and Forms, 1956 read with an amendment thereto are derived from the audited financial statements of the Company for the year ended March 31, 2013 and are a fair summary of those financial statements.

RAMBABU & Co.
Chartered Accountants
Firm Reg No: 002976S

Ravi Rambabu
Partner
M No. : 018541

Place: Hyderabad
Date: 16-05-2013



To the Members of Pennar Industries Limited.

Report on Financial Statements

We have audited the accompanying financial statements of M/s. PENNAR INDUSTRIES LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act").

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

2. As required by section 227(3) of the Act, we report that:

- a) 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;
- b) 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.
- c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

Place: Hyderabad
Date: 12-05-2013

RAMBABU & Co.
Chartered Accountants
Firm Reg No: 002976S

Ravi Rambabu
Partner
M No. : 018541

The Annexure referred to in paragraph 1 of the Our Report of even date to the members of Pennar Industries Limited on the accounts of the company for the year ended 31st March, 2013.

1. In respect of Fixed Assets:

- (a) The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) As explained to us, fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, the company has not disposed off a substantial part of its fixed assets during the year and the going concern status of the company is not affected.

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 physical verification as compared to the book records.

3. In respect of the loans, secured or unsecured granted or taken by the company to/or from companies, or other parties covered in the register maintained under section 301 of the Companies Act, 1956:

- (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Consequently, the provisions of clauses iii (b), iii(c) and iii (d) of the order are not applicable to the Company.

- (b) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not taken loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Thus sub clauses (f) & (g) are not applicable to the company.

4. In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and payment for expenses & for sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

5. In respect of contracts or arrangements preferred to in 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 ₹ 5,00,000/- in respect of each party covered above during the year have been made at prices which appear reasonable as per information available with the Company.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public covered under section 58A and 58AA of the Companies Act, 1956.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under

Section 209(d)(1) of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost 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, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2013 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
- (c) According to the information and explanations given to us, an amount of ₹ 209.70 lakhs of Sales tax, Customs duty, and interest which have not been deposited on account of dispute as given below:

| S.no | Name of the Statute | Nature of the dues | Forum where dispute is pending | Amount. (₹ In Lakhs) | Deposit Amount (₹ in Lakhs) | Unpaid Deposit Amount (₹ in Lakhs) |
|-------|---------------------|-------------------------------|-------------------------------------|-------------------------|--------------------------------|---------------------------------------|
| 1 | Customs Act,1962 | Interest on Customs Duty Paid | The Commissioner of Custom(Appeals) | 44.70 | - | 44.70 |
| 2 | AP. VAT Act,2005 | Entry Tax on Cix | The Supreme Court of India | 218.60 | 54.0 | 165.00 |
| Total | | | | 263.30 | 54.0 | 209.70 |

10. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given by the management, we are of the opinion that, the Company has not defaulted in repayment of dues to financial institutions, bank and debenture holders.
12. In our opinion and according to the explanations given to us and based on the information available, no loans and advances have been granted by the company 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. Therefore, the provision of this clause of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
14. In our opinion, the Company is not dealing in or trading in Shares, securities, debentures, mutual funds & other Investments. Accordingly, the provisions of clause 4(xiii) 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 any 1 guarantees for loan taken by the Pennar Engineered Building Systems Ltd (PEBSL) from state bank of India to the tune of ₹ 16,826 Lakhs and further the company has provided collateral security by way of lien on fixed deposits of ₹ 200 Lakhs and pledge of 61,50,000 shares of Pennar Engineered Building Systems Limited amounting to ₹ 615 Lakhs for securing the said Loan.

16. Based on the information given by the management, we report that the company has not raised any term loans during the year.
17. In our opinion, according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31st March, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
19. 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 or register or modify any security or charge.
20. The Company has not raised any money by public issue during the year.
21. Based on the audit procedures performed and the information and explanations given to us, we report that no material fraud on or by the Company has been noticed or reported during the year, nor have we been informed of such case by the management.

RAMBABU & Co.
Chartered Accountants
Firm Reg No: 002976S

Ravi Rambabu
Partner
M No. : 018541

Place: Hyderabad
Date: 12-05-2013

Abridged Balance Sheet as at 31 March, 2013

(Statement Containing the Salient Features of Balance Sheet as per Sec 219(1)(b)(iv) of the Companies Act, 1956)

| Particulars | As at | As at |
|----------------------------------|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| A EQUITY AND LIABILITIES | | |
| 1 Shareholders' funds | | |
| a) Share capital | 6,979 | 6,979 |
| b) Reserves and surplus | 24,664 | 23,231 |
| | 31,643 | 30,210 |
| 2 Non current liabilities | | |
| a) Long Term Borrowings | | |
| i) Secured | 938 | 1,334 |
| ii) UnSecured | 2,304 | 2,331 |
| b) Deferred Tax Liability (Net) | 1,327 | 1,218 |
| c) Long Term Provisions | 91 | 77 |
| | 4,660 | 4,960 |
| 3 Current Liabilities | | |
| a) Short Term Borrowings | | |
| i) Secured | 7,330 | 7,814 |
| b) Trade Payables | 6,196 | 6,574 |
| c) Other Current Liabilities | 2,211 | 1,705 |
| d) Short Term Provisions | 1,459 | 1,461 |
| | 17,196 | 17,554 |
| Total (1+2+3) | 53,499 | 52,724 |
| B ASSETS | | |
| 1 Non-current assets | | |
| a) Fixed Assets | | |
| i) Tangible Assets | 18,537 | 19,699 |
| ii) In Tangible Assets | 130 | 164 |
| iii) Capital Work In Progress | 77 | 10 |
| b) Non Current Investments | 2,277 | 1,850 |
| c) Long Term Loans and Advances | 576 | 472 |
| d) Other Non Current Assets | 404 | 275 |
| | 22,001 | 22,470 |
| 2 Current assets | | |
| a) Inventories | 11,937 | 11,819 |
| b) Trade Receivables | 17,441 | 16,726 |
| c) Cash and Cash Equivalents | 1,045 | 1,002 |
| d) Short Term Loans & Advances | 856 | 579 |
| e) Other Current Assets | 219 | 128 |
| | 31,498 | 30,254 |
| Total (1+2) | 53,499 | 52,724 |

In terms of our report attached.

For RAMBABU & Co.,
Chartered Accountants
Firm Reg No: 0029765

Ravi Rambabu
Partner
Membership. No:018541

Place: Hyderabad
Date : May 16, 2013

For and on behalf of the Board of Directors

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

Suhas Baxi
President and CEO

Place: Hyderabad
Date : May 10, 2013

R. Ravi
V.P. Finance and Company Secretary

Abridged Statement of Profit and Loss for the year ended 31 March, 2013

(Statement Containing the Salient Features of Profit and Loss as per Sec 219(1)(b)(iv) of the Companies Act, 1956)

| Particulars | For the year ended | for the year ended |
|--|--------------------|--------------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| 1 Revenue from operations | 84,806 | 97,654 |
| 2 Other Income | 87 | 103 |
| 3 Total Revenue (1+2) | 84,893 | 97,757 |
| 4 Expenditure : | | |
| a) Raw Material Consumed | 61,005 | 71,961 |
| b) Change in Inventories | 65 | (1,392) |
| c) Manufacturing Expenses | 8,031 | 7,723 |
| d) Employee Benefits Expense | 4,212 | 3,852 |
| e) Other Expenses | 3,408 | 3,688 |
| | 76,721 | 85,832 |
| Profit before Interest, Depreciation & Tax | 8,172 | 11,925 |
| Finance Cost | 1,971 | 1,999 |
| Depreciation and amortisation expense | 1,492 | 1,417 |
| | 3,463 | 3,416 |
| Profit before Tax | 4,709 | 8,509 |
| 5 Tax Expenses | | |
| a) Current Tax | 1,486 | 2,850 |
| b) Deferred Tax | 109 | 233 |
| | 1,595 | 3,083 |
| Net Profit after Tax | 3,114 | 5,426 |
| Earning Per Share (having a face value of ₹ 5 each) - Basic and Diluted | 2.55 | 4.45 |

In terms of our report attached.

For RAMBABU & Co.,
Chartered Accountants
Firm Reg No: 0029765

Ravi Rambabu
Partner
Membership. No:018541

Place: Hyderabad
Date : May 16, 2013

For and on behalf of the Board of Directors

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

Suhas Baxi
President and CEO

Place: Hyderabad
Date : May 10, 2013

R. Ravi
V.P. Finance and Company Secretary

Cash Flow statement for the year ended 31st March, 2013

| Particulars | For the year ended | for the year ended |
|--|--------------------|--------------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| A. Cash flow from operating activities : | | |
| Net Profit Before Tax | 4,709 | 8,509 |
| Add : Depreciation | 1,492 | 1,417 |
| Add : Finance Cost | 1,971 | 1,999 |
| Add: Bad Debts written off | – | 18 |
| Less: Interest Received | – | (35) |
| Less: Rent Received | (13) | (13) |
| Less : Proceeding from sale of fixed assets | (8) | (–) |
| Operating Profit before working capital changes | 8,151 | 11,895 |
| Adjustment for: | | |
| Trade receivables | (715) | (1,894) |
| Inventories | (118) | (1,430) |
| Loans and Advances & other assets | (531) | 231 |
| Trade payables and Other Payables | 193 | 2,881 |
| | (1,171) | (212) |
| Cash Generated From Operation | 6,980 | 11,683 |
| Less : Income Tax Paid | (1,590) | (3,499) |
| Net cash from operating activities "A" | 5,390 | 8,185 |
| B. Cash Flows from Investing activities : | | |
| Purchase of fixed assets | (657) | (5,254) |
| Proceedings from sale of fixed assets | 8 | – |
| Investment in Subsidiary - Pennar Enviro Limited | (406) | – |
| Share Application Money – Pennar Enviro Limited | – | (21) |
| Interest Received | – | 35 |
| Rent Received | 13 | 13 |
| Net cash used in investing activities "B" | (1,042) | (5,228) |
| C. Cash Flows from Financing activities : | | |
| Proceeds from Long Term Borrowings | – | 1,500 |
| Repayment of Long Term Borrowings | (457) | (384) |
| Net increase/(decrease) of working capital borrowings | (484) | (992) |
| Finance Cost | (1,971) | (1,999) |
| Dividends paid | (1,418) | (1,064) |
| Net Cash used in financing activities "C" | (4,330) | (2,939) |
| Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C) | 18 | 18 |
| Cash and Cash Equivalents at the beginning | 548 | 530 |
| Cash and Cash Equivalents at the end | 566 | 548 |

In terms of our report attached.

For RAMBABU & Co.,
Chartered Accountants
Firm Reg No: 0029765

Ravi Rambabu
Partner
Membership. No:018541

Place: Hyderabad
Date : May 16, 2013

For and on behalf of the Board of Directors

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

R. Ravi
V.P. Finance and Company Secretary

Suhas Baxi
President and CEO

Place: Hyderabad
Date : May 10, 2013

Notes

1. Corporate Information

Pennar Industries Limited is a multi-location, multi-product company manufacturing Cold Rolled Steel Strips, Precision Tubes, Cold Rolled Formed Sections, Electro Static Precipitators, Profiles, Railway Wagons and Coach Components, Press Steel Components and Road Safety Systems. Pennar Industries Limited has manufacturing facilities at Patancheru and Isnapur (in A.P.) , Chennai and Hosur (Tamil Nadu) Tarapur (Maharashtra).

2. Revaluation Reserve (Refer to Note 4 of the annual standalone financial statements)

| Particulars | As at | As at |
|---|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Opening Balance | 3,013 | 3,267 |
| Less : Transferred to statement of Profit and Loss on account of depreciation on revalued assets. | 254 | 254 |
| Total | 2,759 | 3,013 |

2.1 Cumulative amount withdrawn on account of depreciation on revaluation reserve is ₹ 3,537 Lakhs as on 31.03.2013 out of ₹ 6,296 lakhs

3. Trade Receivables (Refer to Note 17 of the annual standalone financial statements)

| Particulars | As at | As at |
|---|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| Secured, considered good | – | – |
| Unsecured, considered good | 817 | 544 |
| Other Trade receivables | | |
| Secured, considered good | – | – |
| Unsecured, considered good | 16,624 | 16,182 |
| Total | 17,441 | 16,726 |

3.1 Trade receivables outstanding for a period exceeding 6 months includes an amount of ₹ 140 lakhs which is doubtful for recovery. However, management is confident of recovering the same. Out of the aforesaid mentioned ₹ 140 lakhs, company has filed the legal cases against customers to the extent of ₹ 78 lakhs for recovery.

3.2 Trade Receivables includes an amount of ₹ 596 lakhs from subsidiary M/s Pennar Engineered Building Systems Limited.

4. Cash and Cash Equivalents (Refer to Note 18 of the annual standalone financial statements)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Cash and Cash Equivalents | | |
| Balances with banks | | |
| - in current accounts | 46 | 29 |
| - in Collection accounts | 471 | 463 |
| - in unclaimed dividend accounts | 42 | 43 |
| - in margin money accounts | 279 | 254 |
| cash on hand | 7 | 13 |
| Other Bank Balances | | |
| Fixed Deposit under lien | 200 | 200 |
| Total | 1,045 | 1,002 |
| Cash and Cash Equivalents for Cash Flow Statement | 566 | 548 |

- 4.1 The company has provided a collateral security by way of a lien on fixed deposit of ₹ 200 lakhs towards the Term Loans and Working Capital Loans taken by subsidiary M/s Pennar Engineered Building Systems Limited.
- 4.2 Out of the margin money balance, an amount of ₹ 225 lakhs has maturity period of more than 12 months.

5. Other Current Assets (Refer to Note 20 of the annual standalone financial statements)

| Particulars | As at | As at |
|---------------------|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Prepaid Expenses | 137 | 85 |
| Interest Receivable | 82 | 41 |
| Claims Others | - | 2 |
| Total | 219 | 128 |

- 5.1 Prepaid expenses includes an amount of ₹ 35 lakhs paid towards working capital processing charges which is getting deferred by the company on time proportionate basis.

6. Contingent Liabilities (Refer to Note 30 of the annual standalone financial statements)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| i) Bank Guarantees given by banks | 666 | 379 |
| ii) Corporate Guarantee given for loans taken by subsidiary | 16,826 | 13,813 |
| iii) Claims by Customs & Sales Tax | 210 | 210 |
| iv) Estimated amount of contracts remaining to be executed on capital account and not provided for (net) | 154 | 360 |
| v) LC/Bills Discounted | 4,128 | 3,590 |

- 6.1 Corporate guarantee to the tune of ₹ 10465 Lakhs and ₹ 6361 Lakhs has been given to State Bank of India and Axis Bank Limited 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 ₹ 200 lakhs and pledge of shares of Pennar Engineered Building Systems Ltd to the extent of 61,50,000 shares amounting to ₹ 615 Lakhs.

₹ in Lakhs

- 6.2 Details of disputed dues to customs & Sales tax are given below:

| Sl No | Nature of Statue | Nature of dues | Forum Where dispute is pending | Amount |
|-------|------------------|-------------------------------|--------------------------------|--------|
| 1 | Customs Act 1962 | Interest on Customs Duty Paid | High Court | 45 |
| 2 | AP VAT Act | Entry Tax on Cix | The Supreme Court of India | 219 |

- 6.3 Out of the disputed due amount of ₹ 219 Lakhs against Entry Tax on CIX, an amount of ₹ 54 Lakhs has been deposited. The Unpaid amount is ₹ 165 Lakhs

7. Related Party Disclosures (Refer to Note 34 of the annual standalone financial statements)

| Sl No | Relationship | Name |
|-------|---------------------------------------|--|
| 1 | Subsidiary Companies | Pennar Engineered Building Systems Limited Pennar Enviro Limited |
| 2 | Significant Influence | Saven Technologies Limited |
| 3 | Key Management Personnel | Mr. Nrupender Rao Mr. Aditya N Rao Mr. CH. Anantha Reddy Mr. Suhas Baxi |
| 4 | Relatives of Key Management Personnel | Mrs J Rajya Lakshmi Mrs CH Prabha |

For and on behalf of the Board of Directors

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

Suhas Baxi
President and CEO

Place: Hyderabad
Date : May 10, 2013

R. Ravi
V.P. Finance and Company Secretary

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 | Pennar Enviro Limited |
| 2 Financial year of the Subsidiary ended on | March 31, 2013 | March 31, 2013 |
| 3 Shares of Subsidiary Company held on the above date and extent of holding | | |
| i. Number of shares held | 1,85,00,000 | 42,70,000 |
| ii. Extent of holding | 74% | 51% |
| 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 | – | – |
| ii. not dealt with in the Accounts of Pennar Industries Limited | ₹ 1440 Lakhs | ₹ 6 Lakhs |
| 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 | – | – |
| ii. not dealt with in the Accounts of Pennar Industries Limited | ₹ 1042 Lakhs | ₹ 3 Lakhs |

For and on behalf of the Board

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

Suhas Baxi
President & CEO

R Ravi
V.P. Finance & Company Secretary

Place : Hyderabad
Date : May 10, 2013

Auditor's Report on Abridged Consolidated Financial Statements

To The Board of Directors of
Pennar Industries Limited

The accompanying abridged consolidated financial statements, which comprises the abridged Consolidated balance sheet as at March 31, 2013, the abridged Consolidated Statement of Profit and Loss, and abridged Consolidated Cash Flow Statement for the year then ended, and related notes, are derived from the audited financial statements of Pennar Industries Limited('the Company') for the year ended March 31, 2013.

The abridged consolidated financial statements do not contain all the disclosures required by the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 ('the Act') applied in the preparation of the audited financial statements of the Company. Reading the abridged financial statements, therefore, is not a substitute for reading the audited financial statements of the Company.

Management responsibility for the abridged consolidated financial statements

Management is responsible for preparation of summary of the consolidated audited financial statements in accordance with Rule 7A of the Companies (Central Governments') General Rules and Forms, 1956 read with an amendment thereto, and or based on the audited consolidated financial statements

for the year ended March 31, 2013, prepared in accordance with the requirements of Accounting Standard 21 – Consolidated financial statements prescribed by the Company Accounting Standard Rules, 2006.

Auditor's Responsibility

Our responsibility is to express opinion on the abridged consolidated financial statements based on our procedures, which were conducted in accordance with the Standards on Auditing SA 810 "Engagements to report on summary financial statements" issued by the Institute of Chartered Accountants of India.

Opinion

In our opinion, the abridged consolidated financial statements, prepared in accordance with Rule 7A Companies (Central Government's) General Rules and Forms, 1956 read with an amendment thereto are derived from the audited consolidated financial statements of the Company for the year ended March 31, 2013 and are a fair summary of those consolidated financial statements.

RAMBABU & Co.
Chartered Accountants
Firm Reg No: 002976S

Place: Hyderabad
Date: 16-05-2013

Ravi Rambabu
Partner
M No. : 018541

Independent Auditor's Report

To the Board of Directors of
Pennar Industries Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of M/s PENNAR INDUSTRIES LIMITED ('the Company') which comprise the consolidated Balance Sheet as at 31st March 2013, the consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant Accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance

with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the consolidated Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- (b) In the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters

6. We have audited the Financial statements of the subsidiary namely Pennar Enviro Limited which reflects total assets (net) of ₹ 1030.74 lakhs as at March 31, 2013, total revenue (net) of ₹ 567.42 lakhs and net cash flows amounting to ₹ 84.13 lakhs for the year ended 31st March, 2013.

7. We did not audit the financial statements of Subsidiary namely, Pennar Engineered Building Systems Limited, whose financial statements reflect total assets (net) of ₹ 23,767.85 lakhs as at March 31, 2013, total revenues (net) of ₹ 28,699.49 lakhs and net cash flows amounting to ₹ 2,327.60 lakhs for the year ended 31st March, 2013. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, is based solely on the reports of the other auditors.

RAMBABU & Co.
Chartered Accountants
Firm Reg No: 002976S

Ravi Rambabu
Partner
M No. : 018541

Place: Hyderabad
Date: 12-05-2013

Abridged Consolidated Balance Sheet as at 31.03.2013

(Statement Containing the Salient Features of Balance Sheet as per Sec 219(1)(b)(iv) of the Companies Act, 1956)

| Particulars | As at | As at |
|----------------------------------|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| I EQUITY AND LIABILITIES | | |
| 1 SHAREHOLDERS' FUNDS | | |
| a Share Capital | 6,979 | 6,979 |
| b Reserves & Surplus | 27,809 | 24,433 |
| c Minority Interest | 2,452 | 1,095 |
| | 37,240 | 32,507 |
| 2 NON CURRENT LIABILITIES | | |
| a Long Term Borrowings | | |
| - Secured | 945 | 1,701 |
| - Unsecured | 2,327 | 2,331 |
| b Deffered Tax Liability (Net) | 1,484 | 1,473 |
| c Other Long Term Liabilities | 166 | 70 |
| d Long Term Provisions | 199 | 152 |
| | 5,121 | 5,727 |
| 3 CURRENT LIABILITIES | | |
| a Short Term Borrowings | | |
| - Secured | 12,274 | 12,587 |
| b Trade Payables | 10,943 | 11,027 |
| c Other Current Liabilities | 7,532 | 5,773 |
| d Short Term Provisions | 2,251 | 1,479 |
| | 33,000 | 30,866 |
| Total of (1+2+3) | 75,361 | 69,100 |
| II ASSETS | | |
| 1 NON CURRENT ASSETS | | |
| a Fixed Assets | | |
| - Tangible Assets | 23,172 | 24,247 |
| - Intangible Assets | 299 | 336 |
| - Capital Work In Progress | 1,699 | 158 |
| b Non Current Investments | 2 | - |
| c Long Term loans and advances | 583 | 137 |
| d Other Non Current Assets | 674 | 377 |
| | 26,429 | 25,255 |
| 2 CURRENT ASSETS | | |
| a Current Investments | 330 | - |
| b Inventories | 16,583 | 16,141 |
| c Trade Receivables | 23,326 | 20,964 |
| d Cash and Cash Equivalents | 4,108 | 1,959 |
| e Short Term Loans & Advances | 1,675 | 1,306 |
| f Other Current Assets | 2,910 | 3,475 |
| | 48,932 | 43,845 |
| Total of (1+2) | 75,361 | 69,100 |

In terms of our report attached.

For RAMBABU & Co.,
Chartered Accountants
Firm Reg No: 0029765

Ravi Rambabu
Partner
Membership. No:018541

Place: Hyderabad
Date : May 16, 2013

For and on behalf of the Board of Directors

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

Suhas Baxi
President and CEO

Place: Hyderabad
Date : May 10, 2013

R. Ravi
V.P. Finance and Company Secretary

Abridged Consolidated Statement of Profit and Loss for the Year Ended 31.03.2013

(Statement Containing the Salient Features of Profit and Loss as per Sec 219(1)(b)(iv) of the Companies Act, 1956)

| Particulars | For year ended | for year ended |
|--|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| I Revenue from operations | 111,514 | 121,862 |
| II Other Income | 483 | 378 |
| III Total Revenue (I + II) | 111,997 | 122,240 |
| IV Expenses : | | |
| Raw Material Consumed | 73,518 | 85,520 |
| Changes in Inventory | 210 | -2,054 |
| Manufacturing Expenses | 14,880 | 13,209 |
| Employee Benefits Expense | 6,094 | 5,286 |
| Other Expenses | 5,465 | 5,429 |
| | 100,167 | 107,391 |
| Profit before Interest, Depreciation & Tax | 11,830 | 14,848 |
| Finance Cost | 3,126 | 3,092 |
| Depreciation | 1,804 | 1,701 |
| | 4,930 | 4,793 |
| Profit before Tax | 6,900 | 10,055 |
| V Tax Expense | | |
| Current Tax | 2,349 | 3,297 |
| Deferred Tax Liability/(Asset) | (12) | 289 |
| | 2,337 | 3,586 |
| Net Profit after Tax | 4,563 | 6,469 |
| Less : Minority Interest | 377 | 270 |
| Net Profit after Tax after Minority Interest | 4,186 | 6,199 |
| Earning Per Share (having a face value of ₹ 5 each) | | |
| - Basic and Diluted | 3.43 | 5.08 |

In terms of our report attached.

For RAMBABU & Co.,
Chartered Accountants
Firm Reg No: 0029765

Ravi Rambabu
Partner
Membership. No:018541

Place: Hyderabad
Date : May 16, 2013

For and on behalf of the Board of Directors

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

Suhas Baxi
President and CEO

Place: Hyderabad
Date : May 10, 2013

R. Ravi
V.P. Finance and Company Secretary

Abridged Consolidated Cash Flow Statement for the Year Ended 31.03.2013

| Particulars | For the year ended | For the year ended |
|--|--------------------|--------------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| A Cash Flows from operating activities : | | |
| Net Profit Before Tax | 6,900 | 10,055 |
| Add : Depreciation | 1,809 | 1,701 |
| Add : Finance Cost | 3,097 | 2,314 |
| Add: Bad Debts written off | 2 | 67 |
| Add: Provision for doubtful trade and other receivables, loans and advances* | 71 | - |
| Add: Net unrealised exchange loss | 29 | - |
| Less: Liabilities no longer required written back | - | (4) |
| Less: Interest Received | (45) | (58) |
| Less: Rent Received | (54) | (45) |
| Less : Proceeding from sale of fixed assets | (8) | - |
| Operating Profit before working capital changes | 11,801 | 14,030 |
| Adjustment for: | | |
| Trade receivables | (2,124) | (4,427) |
| Inventories | (370) | (1,333) |
| Loans and Advances & other assets | (424) | (867) |
| Trade payables and Other Payables | 1,701 | 5,409 |
| | (1,217) | (1,218) |
| Cash Generated From Operation | 10,584 | 12,812 |
| Less : Income Tax Paid | (1,773) | (3,968) |
| Net cash from operating activities "A" | 8,811 | 8,844 |
| B Cash Flows from Investing activities : | | |
| Purchase of fixed assets | (2,046) | (5,861) |
| Proceedings from sale of fixed assets | 8 | - |
| Purchase of Current Investments | (330) | - |
| Purchase of Long Term Investments | (1) | - |
| Investment in Subsidiary – Pennar Enviro Limited | (406) | - |
| Share Application Money - Pennar Enviro Limited | - | (21) |
| Interest Received | 20 | 52 |
| Rent Received | 54 | 45 |
| Net cash used in investing activities "B" | (2,701) | (5,785) |

Abridged Consolidated Cash Flow Statement for the Year Ended 31.03.2013 Contd.

| Particulars | For the year ended | For the year ended |
|--|--------------------|--------------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| C Cash Flows from Financing activities : | | |
| Proceeds from issues of preference shares | 1,394 | - |
| Proceeds from Long Term Borrowings | | 2,283 |
| Repayment of Long Term Borrowings | (869) | (486) |
| Net increase/(decrease) of working capital borrowings | 245 | 85 |
| Proceeds from short term borrowings | 1,976 | 2,201 |
| Repayment of other short-term borrowings | (2,539) | (3,717) |
| Finance Cost | (3,047) | (2,274) |
| Dividends paid | (1,418) | (1,064) |
| Net Cash used in financing activities "C" | (4,258) | (2,972) |
| Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C) | 1,852 | 87 |
| Cash and Cash Equivalents at the beginning# | 1,426 | 1,072 |
| Cash and Cash Equivalents at the end | 3,278 | 1,159 |
| # Cash and Cash equivalents at the begining includes cash and cash equivalents of the company and its subsidiaries Pennar Engineered Building Systems Limited and Pennar Enviro Limited. However, Cash and Cash equivalents at the end of previous year includes cash and cash equivalents of the company and its Subsidiary Pennar Engineered Building Systems Limited. | | |

In terms of our report attached.

For RAMBABU & Co.,
Chartered Accountants
Firm Reg No: 0029765

Ravi Rambabu
Partner
Membership. No:018541

Place: Hyderabad
Date : May 16, 2013

For and on behalf of the Board of Directors
Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman
R. Ravi
V.P. Finance and Company Secretary

Suhas Baxi
President and CEO
Place: Hyderabad
Date : May 10, 2013

Notes

1. Corporate Information

Pennar Industries Limited is a multi-location, multi-product company manufacturing Cold Rolled Steel Strips, Precision Tubes, Cold Rolled Formed Sections, Electro Static Precipitators, Profiles, Railway Wagons and Coach Components, Press Steel Components and Road Safety Systems. Pennar Industries Limited has manufacturing facilities at Patancheru and Isnapur (in A.P) , Chennai and Hosur (Tamil Nadu) Tarapur (Maharashtra). Further Pennar has set up a subsidiary, Pennar Engineered Building Systems, which at its state of the art manufacturing facility at Sadashivpet, near Hyderabad designs, manufactures and erects pre-engineered steel buildings. During the year, company has acquired the subsidiary Pennar Enviro Limited which is engaged in the business of manufacturing and distribution of Fuel Additives and Water Treatment Chemicals, Water and Waste Water Treatment Solution Providers and EPC contracts.

2. Revaluation Reserve (Refer to Note 4 of the annual consolidated financial statements)

| Particulars | As at | As at |
|---|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Opening Balance | 3,013 | 3,267 |
| Less : Transferred to statement of Profit and Loss on account of depreciation on revalued assets. | 254 | 254 |
| Total | 2,759 | 3,013 |

2.1 Cumulative amount withdrawn on account of depreciation on revaluation reserve is ₹ 3,537 Lakhs as on 31.03.2013 out of ₹ 6,296 lakhs

3. Current Investments (Refer to Note 17 of the annual consolidated financial statements)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Investment in equity instruments of subsidiaries (unquoted, fully paid up) 9,999 equity shares of ₹10 each in Pennar Building Systems Private Limited | 1 | - |
| Less: Provision for diminution in value of current portion of long-term investments | 1 | - |
| Total | - | - |
| Investment in mutual funds | 330 | - |
| Total | 330 | - |

3.1 Investment in mutual funds

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| 998.07 units of SBI Magnum Insta Cash Fund (Growth) face value of ₹1000/- each (31.03.2012 - Nil) | 20 | - |
| 16843.07 units of SBI Premier Liquid Fund (Growth) face value of ₹1000/- each (31.03.2012 - Nil) | 310 | - |
| Total | 330 | - |

4. Trade Receivable (Refer to Note 19 of annual consolidated financial statements)

| Particulars | As at | As at |
|---|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Outstanding for more than 6 months | | |
| Secured | - | 3 |
| unsecured | 1,494 | 1,766 |
| Doubtful | 45 | 49 |
| Other Trade Receivables | | |
| Secured | 1,889 | 549 |
| unsecured | 19,943 | 18,646 |
| | 23,371 | 21,013 |
| Less : Provision for doubtful trade receivables | (45) | 49 |
| Total | 23,326 | 20,964 |

5. Cash and Cash Equivalents (Refer to Note 20 of annual consolidated financial statements)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Cash on hand | 7 | 14 |
| Cheques on hand | 63 | - |
| Balances with banks | | |
| - in current accounts | 699 | 239 |
| - in deposit accounts | 1,996 | 400 |
| - in Collection accounts | 471 | 463 |
| - in unclaimed dividend accounts | 42 | 43 |
| - in margin money accounts | 625 | 600 |
| Other Bank Balances | | |
| Fixed Deposit under lien | 205 | 200 |
| Total | 4,108 | 1,959 |
| Cash and Cash Equivalents for Cash Flow Statement | 3,278 | 1,159 |

5.1 The company has provided a collateral security, a lien on fixed deposit of ₹ 200 lacs towards the Term Loans and Working Capital Loans taken by subsidiary M/s Pennar Engineered Building Systems Limited.

5.2 Out of the margin money balance, an amount of ₹ 225 lakhs has maturity period of more than 12 months.

6. Other Current Assets (Refer to Note 22 of annual consolidated financial statements)

| Particulars | As at | As at |
|--|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| Advance Tax (net of provision) | – | 473 |
| Prepaid Expenses | 195 | 166 |
| Interest Receivable | 83 | 41 |
| Claims Others | – | 2 |
| Unbilled Revenue | 69 | 5 |
| Interest Accrued on Deposits | 35 | 10 |
| Unamortised expenses of ancillary borrowing cost | 11 | 30 |
| Others | | |
| i) Amortised Premium on Forward Contract | 50 | 29 |
| ii) Forward Contract Receivable | 1,732 | 2,289 |
| iii) Incentive Receivable | 735 | 430 |
| Total | 2,910 | 3,475 |

6.1 Prepaid expenses includes an amount of ₹ 35 lakhs paid towards working capital processing charges which is getting deferred by the company on time proportionate basis.

7. Contingent Liabilities (Refer to Note 32 of annual consolidated financial statements)

| Particulars | As at | As at |
|---|----------------|----------------|
| | 31 March, 2013 | 31 March, 2012 |
| | ₹ in lakhs | ₹ in lakhs |
| i) Bank Guarantees given by banks | 666 | 292 |
| ii) Claims by Customs & Sales Tax | 234 | 437 |
| iii) Estimated amount of contracts remaining to be executed on capital account and not provided for (net) | 177 | 3,105 |
| iv) LC/Bills Discounted | 4,128 | 5,531 |

7.1 Details of disputed dues to customs & Sales tax are given below:

| Sl No | Nature of Statue | Nature of dues | Forum Where dispute is pending | Amount |
|-------|------------------|-------------------------------|--------------------------------|--------|
| 1 | Customs Act 1962 | Interest on Customs Duty Paid | High Court | 45 |
| 2 | AP VAT Act | Entry Tax on Cix | The Supreme Court of India | 219 |

7.2 Out of the disputed due amount of ₹ 218.6 Lakhs against Entry Tax on CIX, an amount of ₹ 53.3 Lakhs has been deposited. The Unpaid amount is ₹ 165.3 Lakhs

8. Related Party Disclosures (Refer to Note 36 of the annual consolidated financial statements)

| Sl No | Relationship | Name |
|-------|---------------------------------------|--|
| 1 | Significant Influence | Saven Technologies Limited |
| 2 | Key Management Personnel | Mr. Nrupender Rao Mr. Aditya N Rao Mr. CH. Anantha Reddy Mr. Suhas Baxi |
| 3 | Relatives of Key Management Personnel | Mrs J Rajya Lakshmi Mrs CH Prabha |

8.1 Aggregate Related Party Transactions :

| Sl No | Particulars | Significant Influence | Key Managerial Personnel | Relatives of Key Managerial Personnel |
|-------|--------------------------------|-----------------------|--------------------------|---------------------------------------|
| 1 | Purchases Made during the year | – | – | – |
| 2 | Sales Made during the year | – | – | – |
| 3 | Other Services Rendered | – | – | – |
| 4 | Other Services Received | 13 | – | – |
| 5 | Remuneration | – | 305 | – |
| 6 | Rent | – | – | 26 |

9. The Board of Directors of Pennar Engineered Building Systems Limited (PEBS) at its meeting dated 8 February, 2013 passed a resolution for closure of its wholly owned subsidiary, Pennar Building Systems Private Limited (PBSPL). Investment in the PBSPL amounting to ₹ 1 lakh and advance paid ₹ 9 lakhs has been provided in the books of accounts. PBSPL has filed required documents with the Registrar of Companies, Uttarkhand on 7 May, 2013 for striking off its name from the register of companies and upon receiving necessary approvals provision would be written off. (Refer to Note 42 of annual consolidated financial statements)

10. Zephyr Peacock India Fund III Limited (Zephyr), with their affiliates intends to invest in the company by way of 54,68,750 Compulsory Convertible Preference Shares (CCPS) of ₹ 10 each at a premium of ₹ 54 per share aggregating ₹ 3500 lakhs.

As at 31 March, 2013 the company had allotted 24,90,530 CCPS of ₹ 10 each. Subsequent to the year end and before board meeting the company had additionally allotted 11,18,845 CCPS of ₹ 10 each aggregating to 36,09,385 CCPS of ₹ 10 each. (Refer to Note 43 of annual consolidated financial statements)

11. Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest Lac of rupees (Refer to Note 44 of annual consolidated financial statements)

For and on behalf of the Board of Directors

Nrupender Rao
Executive Chairman

Aditya N Rao
Vice Chairman

Suhas Baxi
President and CEO

Place: Hyderabad
Date : May 10, 2013

R. Ravi
V.P. Finance and Company Secretary

NOTICE OF THE 37th ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of PENNAR INDUSTRIES LIMITED will be held at 10.00 AM on Wednesday, July 31st, 2013 at Aditya Sarovar Premiere, Gachibowli, Hyd-32, 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, 2013 and the Profit and Loss Account for the year ended March 31, 2013 and the report of the auditors' thereon.
2. To declare dividend on Preference shares.
3. To declare Dividend for the year 2012-13 on Equity Shares.
4. To appoint a Director in place of Mr. C Parthasarathy, who retires by rotation and offers himself for re-appointment.
5. To appoint a Director in place of Mr. Manish Sabharwal, who retires by rotation and offers himself for re-appointment.
6. To appoint a Director in place of Mr. J Ramu 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. Varun Chawla, who was appointed by the Board of Directors as an Additional Director of the Company with effect from November 9, 2012, 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 in accordance with the provisions of Sections 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in terms of appointment and remuneration of Mr. Nrupender Rao, as Chairman for a period of two years with effect from April 1, 2013 to March 31, 2015 on the following terms and conditions with liberty to the Board of Directors (hereinafter referred to as "The Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms of remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof:

1. Particulars of Remuneration:

- i. Salary (including dearness and all other allowances) shall be ₹ 5, 00,000/- per month
- ii. Special salary shall be one third of the salary above.
- iii. Perquisites and Allowances whose aggregate value shall not exceed 65% of the Salary above.
- iv. In addition to the above minimum remuneration, commission not exceeding 1.5% of the net profits of the company, computed according to the provisions of the Companies Act, 1956.
- v. In addition to the above, company car with driver and fuel and also communication facilities will be provided to Mr Nrupender Rao. These will not be treated as perquisites.

Perquisites and Allowances include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; House Maintenance allowance, together with the reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for self and family; club fees; contribution to any statutory fund including provident fund, superannuation fund, gratuity fund etc. and such other perquisites and allowances in accordance with the Rules of the company or as may be agreed to by the Board of Directors and Mr. Nrupender Rao.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Mr. Nrupender Rao as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT so long as Mr. Nrupender Rao functions as the Chairman of the Company, he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in terms of appointment and remuneration of Mr. Aditya Rao, as Vice Chairman for a period of two years with effect from April 1, 2013 to March 31, 2015 on the

following terms and conditions with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms of remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof:

I. Particulars of Remuneration:

- i. Salary (including dearness and all other allowances) of ₹ 4,00,000 per month.
- ii. Special salary per year amounting to one third of the salary above.
- iii. Perquisites and Allowances whose aggregate value shall not exceed 65% of the Salary above.
- iv. In addition to the above minimum remuneration, commission not exceeding 1% of the net profits of the company, computed according to the provisions of the Companies Act, 1956.
- v. In addition to the above, company car with driver and fuel and also communication facilities will be provided to Mr. Aditya Rao. These will not be treated as perquisites.

Perquisites and Allowances include accommodation (furnished or otherwise) or house rent allowance in lieu thereof; House Maintenance allowance, together with the reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for self and family; club fees; contribution to any statutory fund including provident fund, superannuation fund, gratuity fund etc. and such other perquisites and allowances in accordance with the Rules of the company or as may be agreed to by the Board of Directors and Mr. Aditya Rao.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Mr. Aditya Rao as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT so long as Mr. Aditya Rao functions as the Vice-Chairman of the Company, he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the change in terms of appointment and remuneration Mr. Ch. Anantha Reddy as Director for a period of one year with effect from April 1, 2013 to March 31, 2014 on the following terms and conditions with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to alter and vary the terms of remuneration, subject to the same not exceeding the limits specified under Schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof:

I. Particulars of Remuneration:

- i. Salary (including dearness and all other allowances) plus value of Perquisites and benefits as detailed below) ₹ 3,00,000/- per month.
- ii. In addition to the above, Company Car with driver and fuel and Communication facilities will be provided to Mr Ch. Anantha Reddy. These will not be treated as perquisites.

Perquisites and Allowances include, as may be applicable and opted by Mr. Ch. Anantha Reddy, accommodation(furnished or otherwise) or house rent allowance in lieu thereof; House Maintenance allowance, together with the reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax; medical reimbursement, medical/accident insurance, leave travel concession for self and family; club fees; contribution to any statutory fund including provident fund, superannuation fund, gratuity fund etc. and such other perquisites and allowances in accordance with the Rules of the company or as may be agreed to by the Board of Directors and Mr. Ch. Anantha Reddy.

RESOLVED FURTHER THAT where in any financial year, the Company has no profits or inadequate profits, the remuneration as decided by the Board from time to time, shall be paid to Mr. Ch Anantha Reddy as minimum remuneration with the approval of the Central Government, if required.

RESOLVED FURTHER THAT so long as Mr. Ch Anantha Reddy functions as the Director of the Company, he will not be paid any fees for attending the meetings of the Board of Directors or any Committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard."

By Order of the Board
For Pennar Industries Limited

Place: Hyderabad
Date: May 10, 2013

R. Ravi
V. P Finance &
Company Secretary

Notes:

- I. 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.
- II. 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.
- III. 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.
- IV. The Register of Members and the Share Transfer Books of the Company will remain closed from July 19, 2013 to July 20, 2013 (both days inclusive).
- V. 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, July 20, 2013 and to beneficial owners, as at the end of business hours on Thursday, July 18, 2013 as per the details furnished by NSDL and CDSL in respect of shares held in electronic form.
- VI. Members are requested to bring duly filled in Attendance Slips sent herewith for attending the meeting.
- VII. Relevant documents and registers will be available for inspection by the members at the registered office of the Company.
- VIII. 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.

- IX. 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. 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 November 9, 2012, approved the appointment of Mr. Varun Chawla, as an Additional Director of the Company.

As per the provisions of Section 260 of the Companies Act, 1956, Mr. Varun Chawla 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. Varun Chawla as the Company's Director, along with the requisite deposit.

Mr. Varun Chawla, aged 31 years has 5+yrs of Investment Banking experience with Goldman Sachs in U.S. and India and 4+yrs of fund raising experience for companies. He was one of the founders of myguesthouse.com, acquired by Make My Trip. He is a Magna Cum Laude from Cornell University and B.S.,

Applied Economics and Management from Cornell University in USA.

His induction on the Board as an independent director 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. Varun Chawla does not hold any shares in the Company. The Board of Directors recommends the resolution for your approval.

None of the Directors except Mr. Varun Chawla is interested or concerned in the resolution.

Item No. 9

The members of the Company at their Annual General Meeting of the Company held on July 23, 2012 had approved the terms of appointment of Mr. Nrupender Rao as Executive Chairman for a period of one year commencing from April 01, 2012.

The Board of Directors of the Company by way of circular resolution on March 28, 2013 has, subject to the approval of the members, unanimously approved the variation in the terms of appointment of Mr. Nrupender Rao as Chairman of the Company for a period of two years commencing from April 1, 2013 including payment of remuneration. An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated March 28, 2013 has already been circulated to the members.

Mr. Nrupender Rao has been guiding the Company in its strategic, decision making policies and financial restructuring.

Members' approval is required for the variation in the terms of appointment of Mr. Nrupender Rao, Chairman of the Company w.e.f. April 01, 2013 for a period of two years and payment of remuneration as set out in the accompanying resolution.

The Board recommends the resolution set out at item no. 9 of the notice for your approval.

None of the Directors, except Mr. Nrupender Rao and Mr. Aditya Rao (being a relative), are in any way, concerned or interested in the resolution set out at item no. 9 of the notice.

Item No. 10:

The members of the Company at their Annual General Meeting of the Company held on July 23, 2012 had approved the terms of appointment of Mr. Aditya Rao, Executive Director for a period of one year commencing from April 01, 2012.

The Board of Directors of the Company by way of circular resolution on March 28, 2013 has, subject to the approval of the members, unanimously approved the variation in the terms of appointment of Mr. Aditya Rao as Vice Chairman of the Company for a period of two years commencing from April 1, 2013 including payment of remuneration. An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated March 28, 2013 has already been circulated to the members.

Mr. Aditya Rao has been handling the functions of diversification, projects, various strategic initiatives of the Company and involved in setting up of a Subsidiary Company to manufacture Pre Engineered Steel Buildings, Pennar Engineered Building Systems Limited.

Members' approval is required for the variation in terms of appointment of Mr. Aditya Rao, Vice Chairman of the Company w.e.f. April 01, 2013 for a period of two years and payment of remuneration as set out in the accompanying resolution

The Board recommends the resolution set out at item no. 10 of the notice for your approval.

None of the Directors, except Mr. Aditya Rao and Mr. Nrupender Rao (being a relative), are in any way, concerned or interested in the resolution set out at item no. 10 of the notice.

Item No. 11:

The members of the Company at their Annual General Meeting of the Company held on July 23, 2012 had approved the terms of appointment of Mr. Ch Anantha Reddy as Managing Director for a period of one year commencing from April 01, 2012.

The Board of Directors of the Company by way of circular resolution on March 28, 2013 has, subject to the approval of the members, unanimously approved the variation in the terms of appointment of Mr. Ch Anantha Reddy as Director of the Company for a period of one year commencing from April 1, 2013 including payment of remuneration. An abstract of the terms of appointment pursuant to Section 302 of the Companies Act, 1956 dated March 28, 2013 has already been circulated to the members.

Mr. Ch Anantha Reddy has immensely contributed to the progress, development and growth of the Company.

Members' approval is required for the variation in the terms of appointment of Mr. Ch Anantha Reddy, Director of the Company w.e.f. April 01, 2013 for a period of one year and payment of remuneration as set out in the accompanying resolution.

The Board recommends the resolution set out at item no. 11 of the notice for your approval.

None of the Directors, except Mr. Ch Anantha Reddy, are in any way, concerned or interested in the resolution set out at item no. 11 of the notice.

By Order of the Board
For Pennar Industries Limited

R. Ravi
V. P Finance &
Company Secretary

Place: Hyderabad
Date: May 10, 2013

| Additional information on Directors seeking appointment/reappointment at the forthcoming Annual General Meeting | | | | | | | |
|---|---------------|---------------------|---|------------------------------------|---|--|---|
| Particulars | Date of birth | Date of appointment | Qualification | Expertise | List of companies in which outside directorship held on May 10, 2013 | Chairman/member of the Committee of other companies on which he is a director as on May 10, 2013 | No of Shares held by them in the Company as on May 10, 2013 |
| Mr. C Parthasarathy | July 07, 1955 | October 30, 2008 | B.SC./ LL.B./ F.C.A. (Fellow Member of Institute of Chartered Accountants of India)/ F.C.S. (Company Secretary) | Experience in fields of management | Kary Consultants Limited Kary Global Services Limited Kary Global Services Inc. USA Kary Inc. USA Kary Insurance Broking Limited Kary Investor Services Limited Kary Data Management Services Ltd Kary Infrastructure Resources Pvt Ltd. Kary Computer share Pvt. Ltd. Kary Comtrade Ltd. Nova Consultants Limited Granules India Limited Ocean Sparkle Ltd Athena Energy Ventures Pvt Ltd Financial Intermediaries Association of India TMI e2E Academy Private Ltd Fakhro Kary Computer share WLL Athena Infra Project Pvt. Ltd. Athena Energy Infraprojects Pvt Ltd Forde Consultants Pvt Ltd Forde Search (I) Pvt Ltd Pennar Engineered Building Systems Ltd Kary Stock Broking Ltd | Nil | Nil |

| | | | | | | | |
|----------------------|----------------|------------------|---|------------------------------------|--|--|-----|
| Mr. Manish Sabharwal | Dec 29, 1969 | April 22, 2011 | MBA from The Wharton School | Experience in fields of management | Pennar Engineered Building Systems Limited ICAP India Private Limited Team Lease Services Private Limited India Life Capital Private Limited ICAP institutional Stock Exchange of India Limited Lupin Ventures Private Limited Neev Schools Private Limited Iijit Education Pvt Ltd Team Lease Consulting Private Limited Team Lease Education Foundation India Tourism and Hospitality Skills Education Pvt Ltd | Pennar Engineered Building Systems Limited | Nil |
| Mr. J Ramu Rao | July 30, 1986 | April 22, 2011 | MSc. Global Business Management B.E (Bachelor of Engineering), | Experience in fields of Management | 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 | Nil | Nil |
| Mr. Varun Chawla | March 03, 1981 | November 9, 2012 | Magna Cum Laude from Cornell University and B.S., Applied Economics and Management from Cornell University in USA | Experience in field of management | Audeamus Finnacial Consultants Private Limited My Guest House Accomodation Private Limited Siddharth Travels Private Limited Springboard Solutions Private Limited | Nil | Nil |

| | | | | | | | |
|-----------------------|---------------|--------------------|--|---|---|--|-----------|
| Mr. Nrupender Rao | June 23, 1945 | September 23, 1995 | B.Tech IIT Kharagpur, M. S. Operations Research & Industrial Engineering, Purdue University, USA | Expertise in the various field of Management | Pennar Engineered Building Systems Limited Pennar Enviro Limited Saven Technologies Limited Pennar Logistics Limited Pennar Building Systems Private Limited PALCO Limited Pennar Management Services Limited Thapati Trading Private Limited Palguna Consultants Private Limited | Pennar Engineered Building Systems Limited Saven Technologies Limited Pennar Enviro Limited PALCO Limited | 25,01,684 |
| Mr. Aditya Rao | Dec. 6, 1981 | January 30, 2008 | Post -Graduation in Engineering Management from Cornell University, USA | Experience in Corporate Business Planning | Pennar Engineered Building Systems Limited Pennar Building Systems Private Limited Pennar Management Services Limited Pennar Enviro Limited Pennar Logistics Limited Thapati Trading Pvt Ltd Palguna Consultants Private Limited | Pennar Engineered Building Systems Limited Pennar Enviro Limited | 49,62,508 |
| Mr. Ch. Anantha Reddy | June 5, 1947 | October 30, 2000 | BE (Metallurgical) P.G.D.M.M from Indian Institute of Materials Management | Vast Experience in the Technologies of steel Industry for the past few decades & Experience in various fields of management | Pennar Engineered Building Systems Limited | Nil | 12,91,900 |



Pennar Industries Limited

Regd. Office: Floor 3, 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 37th Annual General Meeting of the Company to be held on Wednesday, the 31st of July, 2013 at 10.00 a. m.

at Aditya Sarovar Premiere, Hitech City, Gachibowli, Hyderabad-500 032 or at any adjournment thereof.

Signed this _____ day of _____ 2013.



- 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.

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Pennar Industries Limited

Regd. Office: Floor 3, 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 37th Annual General Meeting held on Wednesday, the 31st of July, 2013 at 10.00 a. m. at Aditya Sarovar Premiere, Hitech City, Gachibowli, Hyderabad-500 032.

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.



Pennar

Pennar Industries Limited

Pennar Industries Ltd

Floor No.: 3, DHFLVC Silicon Towers,
Kondapur, Hyderabad - 500 084
Andhra Pradesh, India.