



## PENNAR INDUSTRIES LIMITED

Dated: Friday, 30 September 2016

Place: Hyderabad

<i>The Dy. Manager. Listing Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai - 400 001</i>	<i>The Vice President. The National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1 G Block, Bandra Kurla Complex Bandra East Mumbai - 400 051</i>	<i>Metropolitan Stock Exchange Limited Exchange Square, CTS No.255 Suren Road, Andheri (East) Mumbai - 400 093 K.A.: Ms. Priyamvada Dange Scrip Symbol: PENIND</i>
---	---	--

Dear Sir/Madam,

Sub: Submission of Annual Report for the Financial Year 2015-16 - reg.

Ref: Regulation 34 (1) of SEBI (LODR) regulation 2015.

With reference to the subject cited above and in compliance with Regulation 34 (1) of SEBI (LODR) regulation 2015, we hereby submit the Annual Report for the Financial Year 2015-16.

Kindly take the aforesaid information on record.

Thanking you

Yours faithfully

for Pennar Industries Limited

**Mirza Mohammed Ali Baig**  
**Company Secretary & Compliance Officer**  
**ACS 29058**



Manufacturers of Cold Roll Formed Sections, Cold Rolled Steel Strips, Metal Crash Barriers, Industrial Components, ERW and Precision Tubes, Solar Mounting Structures & Hydraulic Cylinders

Corp.Office & Works: IDA, Patancheru – 502 319, Medak District, Telangana State, INDIA

Tel: +91 8455 242184 to 242193, Fax: +91 8455 242424 / 242161, E-mail: pilhyd@bsnl.in, Website: www.pennarindia.com

Regd.Office: 3<sup>rd</sup> Floor, DHFLVC Silicon Towers, Kondapur, Hyderabad – 500 084.

Tel: +91 40 4006 1621 to 24, Fax: +91 40 4006 1618

CIN No: L27109AP1975PLC001919

---

# REDEFINING EFFICIENCY

---



Strong  
**engineering**  
capabilities

Robust  
**manufacturing**  
process

Growth  
oriented and  
**margins-focused**  
business model



## Contents

Corporate identity **04** | Chairman's overview **06** | Review by the Managing Director **08** | Awards and accolades **16**  
 The Pennar business model **17** | The impact of Pennar's distinctive business model **18** | Pennar's evolving business mix **20**  
 Pennar. In the right sectors. At the right time. **21** | Management discussion and analysis **22** | Segment-wise business review **26**  
 Risk management **34** | Notice **37** | Directors' Report **46** | Corporate Governance Report **53** | Standalone Financial Statements **86**  
 Consolidated Financial Statements **111**

### Forward-looking statements

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make, contain forward-looking statements that set out anticipated results based on the management's plans and assumptions.

We have tried wherever possible to identify such statements by using words such as 'anticipates',

'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion on future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions.

Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

At Pennar, our operative philosophy is drawn from a single argument.

The world's-fastest growing economy cannot afford an engineering sector where corporates nurse weak Balance Sheets and unviable business models.

At Pennar, we set about transforming our conventional business model around this overriding perspective.

Strengthening our Balance Sheet.

Fine-tuning our operational dynamics.

Overhauling our sectoral focus.

Enriching our client portfolio.

The result is visible in our numbers.

The Company reported profitable growth for the second successive year in 2015-16.

Revenues increased. EBIDTA margins strengthened.

A weak economy notwithstanding, Pennar is well on its way to a bright future.

---

## **Pennar is redefining efficiency.**

---

From being output-driven to being margins-focused.

From a product manufacturer to a solutions provider.

From a run-of-the-mill fabricator to a technology-led change maker.

From having a presence in conventional sectors to foraying into futuristic spaces.

From a one-off vendor to a partner for life.

A number of metal product companies focus on carving out small shares of large conventional sectors; we are focused on carving out large shares of small but fast-growing niches.

A number of businesses in conventional sectors are focused on how much they can produce; we are focused on how much value we can add.

A number of engineering companies are resource-strapped; we desire to enhance Pennar's cash-richness.

A number of metal product companies start and end with one product; we seek to make Pennar a multi-products organisation.

A number of fabrication companies are positioned around their product identity; we are positioned as an engineered metal products company instead.

A number of fabrication companies are dependent on prospects from one downstream sector; we service a number of them instead.

A number of engineering-driven companies are economy-dependent; we seek to bolster our financials on a quarter-by-quarter basis.

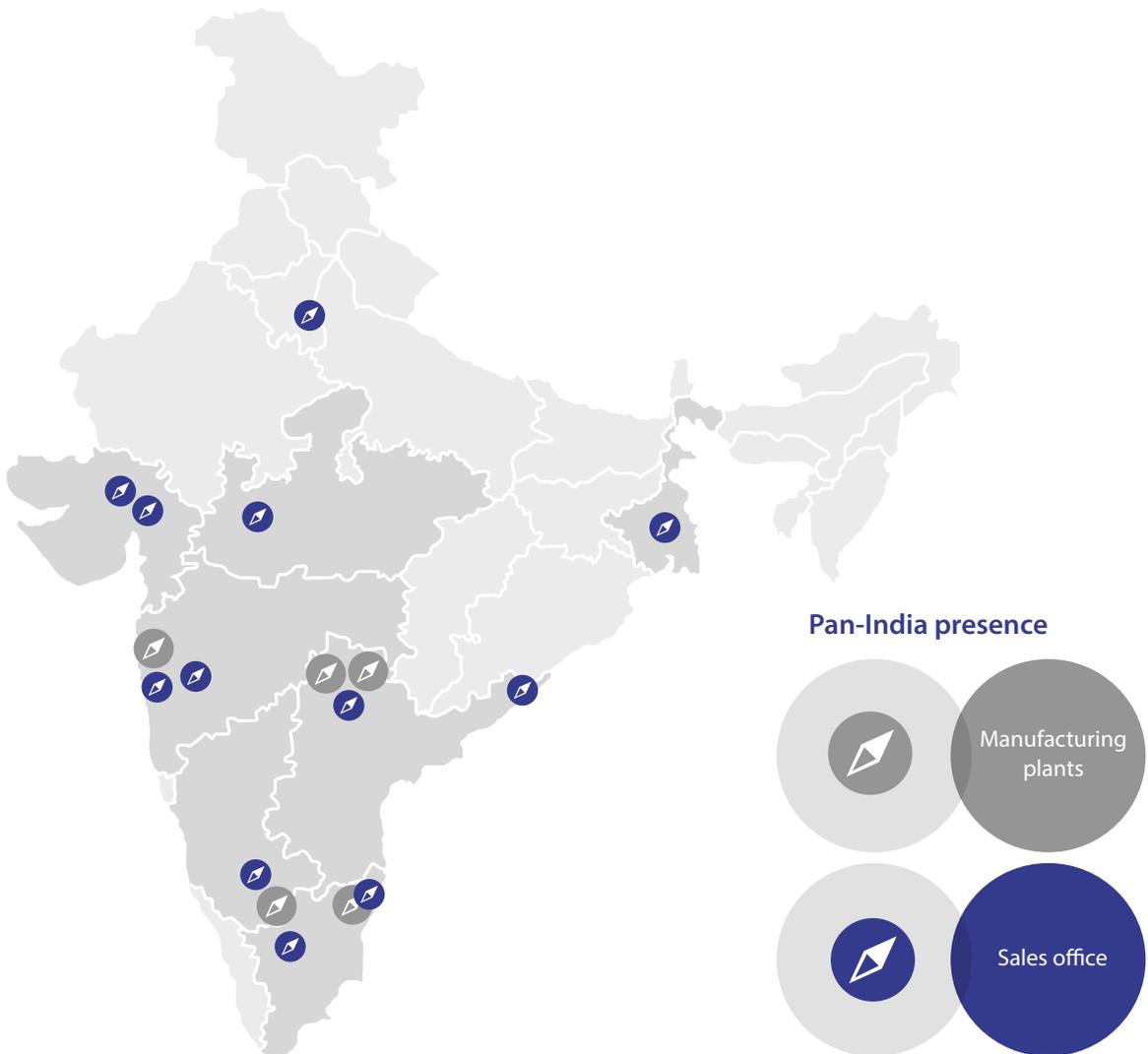
# Corporate identity

Pennar Industries Limited.

The go-to destination for mission-critical precision engineering products.

One of the most diversified engineering companies in the country.

And one of the fastest-growing within its sector in India.



## Vision

Our vision is to evolve into a globally reputed diversified engineering company. We endeavor to have a strong and enduring relationship with our customers based on the quality of our products and services.



## Mission

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

### Legacy

Established in 1988, Pennar is headed by Mr. Nrupender Rao (Chairman), Mr. Aditya Rao (Vice Chairman and Managing Director) and managed by experienced professionals.

### Location

- Headquartered in Hyderabad, Telengana
- Pan-India manufacturing locations in Patancheru, Isnapur, Sadashivpet, Mallapur (Telengana), Chennai, Hosur (Tamil Nadu) and Tarapur (Maharashtra)

### Listing

- Shares listed and traded actively on the Bombay and National Stock Exchanges
- Market capitalisation of ₹577.68 crore (as on 31st March 2016)

### Clientele

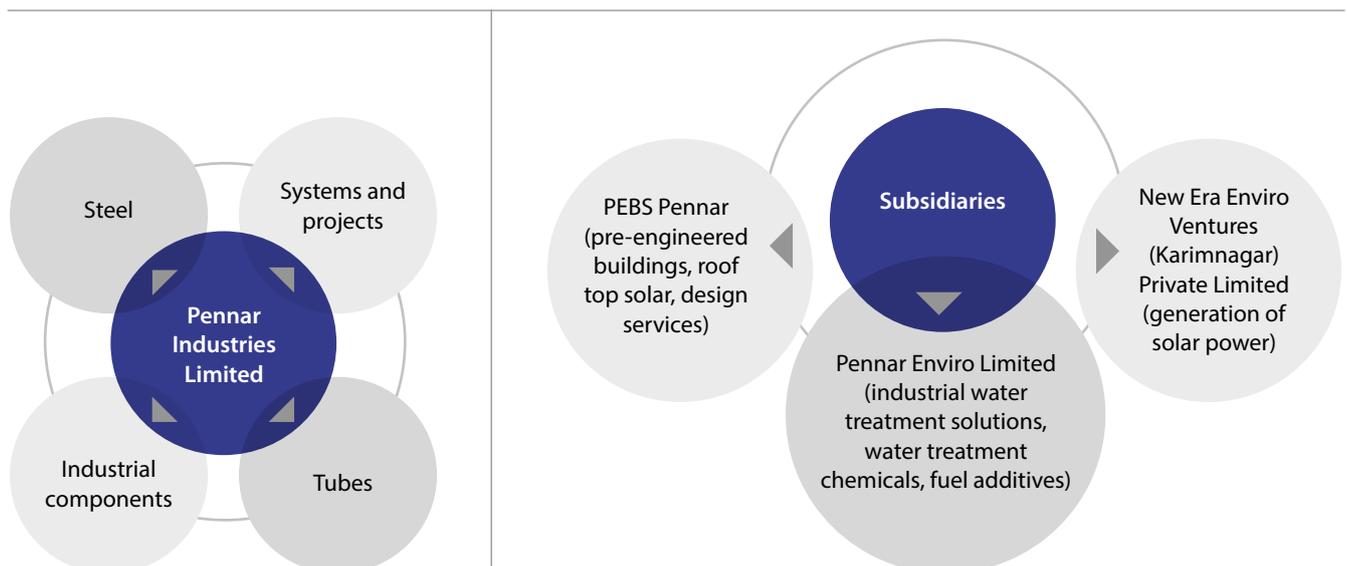
- Prominent customers from diverse sectors (infrastructure, automobiles, power, general engineering and construction, among others)

### Quality

Bestowed with ISO 9001:2008 and ISO/TS 16949:2008 certifications for an unwavering emphasis on quality

### Subsidiaries

- Pennar Engineered Building Systems is engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and building components
- Pennar Enviro Limited operates in the field of waste water treatment and fuel additives, among others.
- New Era Enviro Ventures (Karimnagar) Private Limited is engaged in the commercial generation of solar power (23 megawatts) in Telengana.





## Chairman's overview

### *Bear Friends,*

It gives me pleasure to present the Annual Report for Pennar Industries Limited for the financial year ending March 2016. Pennar Industries delivered growth in revenue and profits across all business units and subsidiaries. The consolidated gross revenues of the Company increased to ₹1,480.54 crore, while PAT increased by 22.14% to ₹43.85 crore.

Pennar Industries operates in a diverse range of sectors in India including general engineering, solar energy, railways, building construction, water treatment, automotive and specialty additives. Consequently, we consider ourselves a diversified engineering firm with a strong presence in engineering, infrastructure and capital goods segments. While this diversification does afford us a level of protection from general market downturns, some of our verticals such as industrial components did struggle to increase revenue and scalability. The decline in steel and commodity prices over the course of this financial year also resulted in a decline in selling price across

most of our product categories. However, margins did increase in almost all of our business verticals due to the combination of a higher percentage of higher margin orders and better spreads.

Our markets are primarily in India. The Indian infrastructure and capital goods sectors have been extremely volatile. Our Business Unit heads and the CEOs of our subsidiaries have accordingly focused their capital and management on growing in high-margin verticals. Railways, solar, pre-engineered buildings and environment businesses reported high growth in terms of revenues and profitability. I congratulate our BU heads and our CEOs for accomplishing solid and sustainable

growth in a year dominated by market uncertainty. We remain optimistic that our India businesses will continue to increase and in planning for our growth over the next few years, we are confident that all of our business verticals and subsidiaries will report attractive revenue and margin growth.

While a growing component of our overall sales revenue will be derived from international sales, for the near-term we will remain an India-focused company. We are confident that over the next few years, we will substantially increase the proportion of our sales from our international operations. Our current international revenue streams include hydraulic systems, industrial components, precision tubes and structural engineering services. Our international business verticals all have high margins, strong partnerships and significant scalability potential. We believe that within the next few years, we would be able to achieve a revenue share of 20% from our international business operations.

The standout performers in this last financial year were our railways, solar, PEBS and environment verticals.

An increasing influx of orders from the Integral Coach Factory and RCF propelled revenue growth in the railways segment. We expect this increase to be a part of a multi-year trend allowing our railway revenues to grow, fuelled by an increasing offtake of railway coaches and wagon components. While the wagon components vertical is more volatile, we are seeing an increased level of enquiries and steady order book growth. We continue to invest in scaling our manufacturing capacities and upgrade our technology platform by procuring laser fibres stretch-forming and specialised infrastructure for the manufacture of coach roof assemblies.

Our solar module mounting system (MMS) vertical is split between Pennar Industries

and its subsidiary Pennar Engineered Building Systems. While Pennar Industries manufactures multi modular structural components, PEBS provides turnkey design, supply and erection of MMS systems including civil and DC works. The solar revolution in India started with the National Solar Mission and is currently exhibiting high growth rates with the state solar policies driving a rapid expansion in the demand for the installation of solar photovoltaic plants. This has created a large market opportunity and accordingly solar revenues scaled during this financial year.

Together, PIL's solar and railways business verticals (comprising our systems and projects businesses) achieved a growth of 50.53% to reach ₹293.36 crore in sales.

Pennar Engineered Building Systems is the second-largest business vertical at Pennar, and the most profitable. Since 2010, PEBS achieved strong growth in terms of revenues and margins and closed the last financial year with sales of ₹491.21 crore. PEBS also started operations from a leased plant in Vadodara and intends to complete its own plant during this financial year. With an ever increasing order book and new growth verticals in high rise buildings and engineering services, PEBS is well-placed to continue on the path of high growth.

Pennar Enviro (PEL), a subsidiary of Pennar Industries, operates in the specialty additives, water treatment and environment technologies segments. With a fast-growing order book, PEL completed desalination, demineralisation, effluent treatment and recycling and zero liquid discharge projects across India. The Company also built strong core capabilities in instrumentation and civil design. It is the fastest-growing Pennar vertical and achieved gross sales of ₹100.50 crore.

In the realm of corporate social responsibility, we made new investments during the last financial year to enhance

the quality of lives in the country and especially in the towns, villages neighbourhoods that we operate in.

The positioning of Pennar Industries will allow us to record growth relentlessly. Any revival in the capex cycle will provide a boost to our revenues and profitability but each of our business units is well geared to ensure that they continue to record good growth. I am confident that the next few years will see Pennar Industries continue to evolve into a stronger engineering company.

In conclusion, I would like to express my thanks to all of our shareholders, employees, customers, suppliers and the Board of Directors for their support and goodwill.

With best wishes,

**Nrupender Rao**  
*Chairman*

While a growing component of our overall sales revenue will be derived from international sales, for the near-term we will remain an India-focused company. We are confident that over the next few years, we will substantially increase the proportion of our sales from our international operations.



## Review by the Managing Director

### *Dear Shareholders*

I am thankful for the opportunity to address you in the Annual Report for Pennar Industries for the financial year ending March 2016. I would like to take this chance to speak with you about our performance for the year and also about our medium-term and long-term growth prospects and strategic initiatives.

### **Performance for the financial year**

The financial year 2015-2016 saw us achieve our highest-ever sales for the consolidated company. We achieved gross sales of ₹1,480.54 crore, EBIDTA of ₹151.33 crore and PAT of ₹43.85 crore even as EBIDTA margins grew to 11.6% in FY 2016 from 9.6% in the previous financial year.

Pennar Industries as a standalone entity consists of the following entities:

- Systems and Projects – Railways and Solar MMS Components
- Industrial Components – General Engineering and Automotive Components
- Engineered Tubes – ERW and CDW Tubes
- Steel BU - Cold Rolled Steel Strips and Formed Sections (Steel BU)

Pennar also has two subsidiaries:

- Pennar Engineered Building Systems
- New Era Enviro Ventures (Karimnagar) Private Limited

### **Business unit performance**

Systems and Projects is the second largest business unit in the consolidated company in terms of revenues and profitability. It includes the Railways and Solar verticals, which have both exhibited high growth in revenues in the past two financial years. The order book for this business division stands at ₹190 crore and we expect this business division to continue growing.

The Railways vertical consists of our Coaches and Wagon Components business. On the back of new orders from ICF and RCF for coaches and from major integrators for wagons, our revenues from the railways vertical should continue to scale well over the next few years. The railways business will be operated from our Chennai and Hyderabad plants and we do have plans to expand our manufacturing operations to North India as well.

Sales in standalone solar module mounting structures were also recorded in the Systems and Projects Business Unit. This business division reported growth at a fast clip from ₹91.57 crore in FY 2015 to ₹184.99 in FY 2016. With India's grid-connected photo-voltaic plants market set to expand for the next few years at a rapid pace we are extremely confident that this business vertical will continue to scale in revenues and profitability. We look forward to high growth in our standalone solar MMS sales in FY 2017.

The Industrial Components business unit consists of sales of a range of automotive and general engineering components. It also includes our Hydraulics business division. We have not been able to grow this business division to our expectations. We continue to invest in capacity and precision improvements that we believe will drive organic growth but also feel that the business vertical is capable of generating high revenue and cash flow growth. During the FY ending March 2016, the division recorded gross sales of ₹69.90 crore, which is flat compared to the previous financial year. While the performance for FY 2016 was muted, we believe that there are compelling growth opportunities for this business division over the medium-term. We will consequently continue to invest resources in building capabilities and expanding capacities for the Industrial Components Business.

The Engineered Tubes business vertical has expanded rapidly over the past few years. With a strong operating team and a large market, we will concentrate on continual market share improvements for the next few years. We will also focus our growth trajectory and our capital and manpower resources on growing the cold drawn welded tubes (CDW) business and treat the electro resistance welded tubes (ERW) business as a feeder for further market share growth in CDW. We also believe that engineered tube manipulated products and stainless

steel tubes are good opportunities for us to explore. I have every confidence that the Engineered Tubes BU team is well structured to focus on its growth plans and the BU is in the process of implementing a five-year strategy that will ensure it evolves into one of the premier business verticals at Pennar.

Cold rolled steel strips (CRSS) and cold rolled formed sections (CRFS) comprise the Steel BU, the legacy business of the Company.

CRSS is a competitive and low margin business where we compete with the large integrated steel manufacturers for the most part. Consequently, it will be difficult for us to scale market share and profitability for this vertical. However, last year we made investments Special Grade CRSS with a range of new alloy steel products being added to our profile. These products can and are significantly increasing the revenue of this business vertical. We are confident that the FY 2017 will see CRSS sales increase substantially and all revenue additions will occur at an EBIDTA margin higher than 10%.

CRFS has a range of products servicing the automotive, construction and engineering sectors. Some of these have significant growth opportunities while some others are subject to low entry barriers, diminishing market share and high competition. We are looking at growing our sheet piling products and also automotive formed sections business.

The Steel BU sales of ₹390.70 crore compared to the last financial year's sales of ₹451.86 crore. While we do not expect rapid growth in this business unit for the next financial year, the addition of our special grade CR sales should result in significant growth in revenue and EBIDTA. Over the medium-term, this business unit will have moderate growth in line with the general growth in the infrastructure, automotive and process engineering sectors in India.

Our subsidiary Pennar Engineered Building Systems (PEBS) continues to

perform well and the financial year ending March 2016 saw the Company continue to record high growth in EBIDTA and profitability. The Company had gross sales of ₹508.63 crore for the last financial year and PAT of ₹30.16 crore. PEBS provides custom designed building solutions to our customers who operate in the manufacturing, warehousing, process industries, solar, engineering services and multi-storey buildings sectors. Considering the growth potential of our newer verticals viz. engineering services, solar tracking solutions and multi-storey buildings, we are confident of continued high growth in this business vertical.

Pennar Enviro is a subsidiary and operating vertical at Pennar Industries. The Company operates in the design, manufacture and project management of turnkey plants incorporating technologies such as demineralisation, desalination, effluent treatment and recycling, instrumentation and specialty treatment solutions. The Company has scaled well over the past two years and recorded sales of ₹100.50 crore in the financial year ending March 2016. On the back of a strong order book and a good execution track record, we project that the Company will continue to scale revenue and profitability over the next few years.

### **Capital and resource efficiency**

We closed a strong financial year for Pennar with record sales and good growth in profitability. We created a strong base of growth for Pennar and believe that all our business units and subsidiaries have the capability to grow this year. We believe that the cash flows that result from each business units' growth should be invested back in the business vertical to facilitate further growth. This creates a feedback loop in some of our business units where a continual cycle of profitability, investment, product development and margin expansion will allow us to transform Pennar into a strong engineering company over the medium term.

While we plan and execute our growth plan, the key metric that each of our

business unit heads and the CEOs of our subsidiaries prioritise is cash flow growth and capital efficiency. Every rupee of profit that is generated and ploughed back into the business and every rupee of capital already invested in the business has to generate a certain benchmark return. While each business unit has a separate return expectation that is derived based on market returns and historical margins, every business vertical at Pennar has to meet a minimum ROCE and positive cash flow generation expectation. We have every reason to believe that the implementation of this policy over the medium-term will transform us into a strong cash flow-focused company.

### **Five year strategy and conclusion**

We have always believed that Pennar is a strong engineering institution. Over the past decade, Pennar has successfully transformed itself into an engineered products company servicing a diverse range of sectors. Our renewed focus over the next five years will be on seeking out large markets that we can cater to followed by implementation and deployment of capital and resources to build strong engineering, manufacturing and execution capabilities and – most important – to ensure financial discipline by rigorously implementing capital efficiency and cash flow generation targets. This paradigm will – I am convinced – transform us into a leader in the engineering space over the next few years. I am thankful to have had your support and trust while growing Pennar with the rest of the talented management team at Pennar. I am confident that your continued encouragement will ensure that we achieve the goals we have set for ourselves.

Thank you,

**Aditya Rao**  
*Managing Director*

The new Pennar

---

# Returns- **focused**

**WHILE MOST COMPANIES FOCUSED ON PRODUCT OUTPUT, PENNAR CHOSE TO BE DIFFERENT.**

The Company focused on returns.

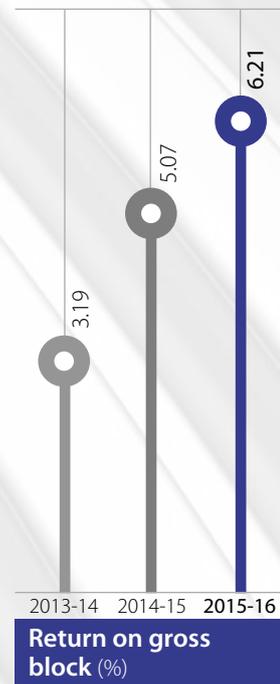
Pennar's business is capital-intensive, warranting significant investments in tools, equipment and infrastructure.

In such a business, there is a premium on the ability to maximise output as enhanced capacity utilisation translates into a superior coverage of fixed costs.

Pennar focuses on selecting niche areas and manufacturing complex products, thereby maximising ROIs and enhancing realisations.

This approach has given the Company access to sizeable surpluses for onward investment.

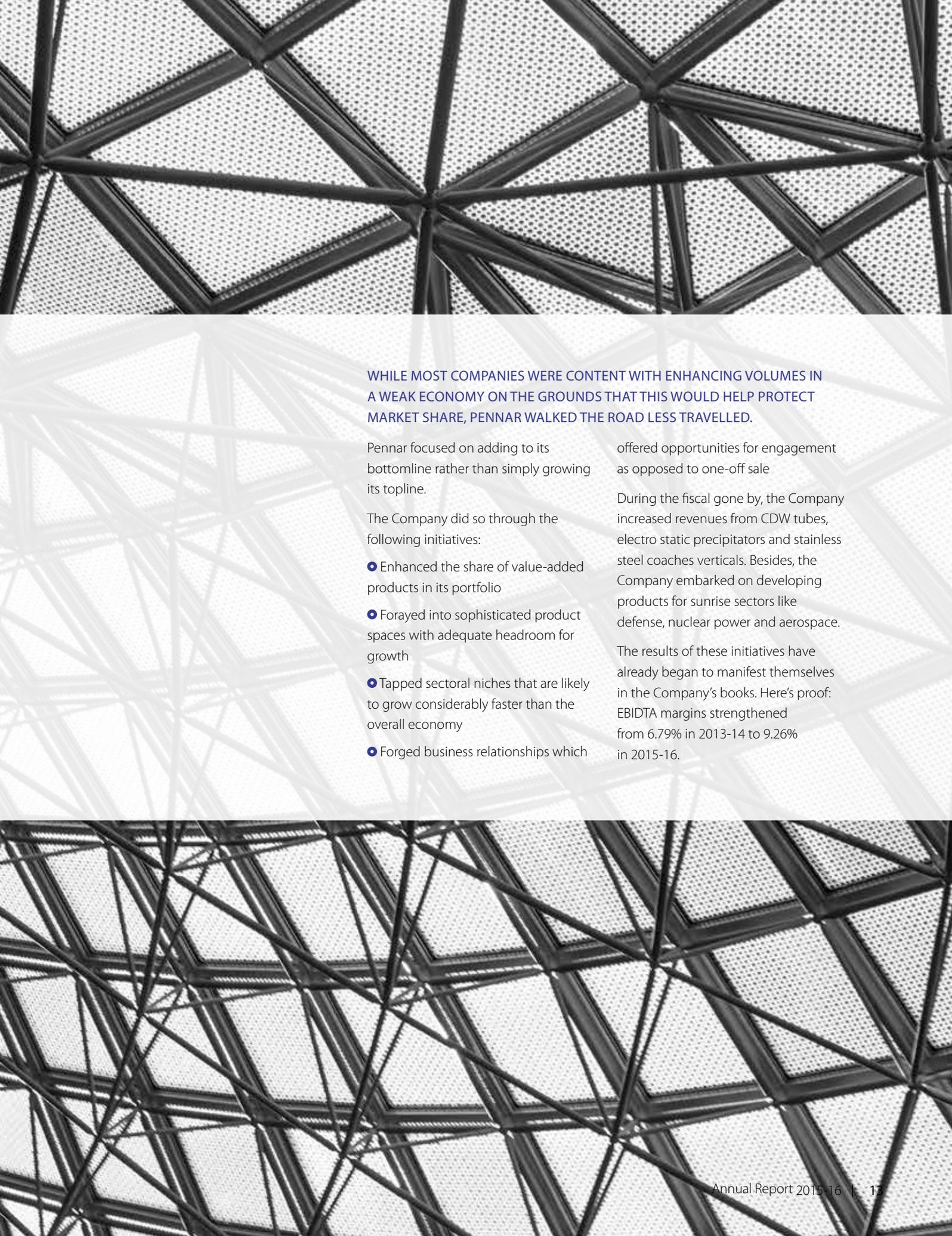
The effectiveness of this strategy is reflected in the numbers: the Company on a standalone basis had long-term debt of ₹85.57 crore on its books as on 31 March 2016 against an asset base of ₹216.79 crore. Moreover, 55.6% of its assets were more than five years old, making it possible to generate superior gross block returns.





The sustainable Pennar

# Value accretive



**WHILE MOST COMPANIES WERE CONTENT WITH ENHANCING VOLUMES IN A WEAK ECONOMY ON THE GROUNDS THAT THIS WOULD HELP PROTECT MARKET SHARE, PENNAR WALKED THE ROAD LESS TRAVELLED.**

Pennar focused on adding to its bottomline rather than simply growing its topline.

The Company did so through the following initiatives:

- Enhanced the share of value-added products in its portfolio
- Forayed into sophisticated product spaces with adequate headroom for growth
- Tapped sectoral niches that are likely to grow considerably faster than the overall economy
- Forged business relationships which

offered opportunities for engagement as opposed to one-off sale

During the fiscal gone by, the Company increased revenues from CDW tubes, electro static precipitators and stainless steel coaches verticals. Besides, the Company embarked on developing products for sunrise sectors like defense, nuclear power and aerospace.

The results of these initiatives have already began to manifest themselves in the Company's books. Here's proof: EBIDTA margins strengthened from 6.79% in 2013-14 to 9.26% in 2015-16.



The enduring Pennar

---

# Capability- **focused**

**WHILE MOST COMPANIES OUTSOURCED ENGINEERING COMPETENCIES THAT THEY DID NOT POSSESS, PENNAR TOOK A CONTRARIAN APPROACH.**

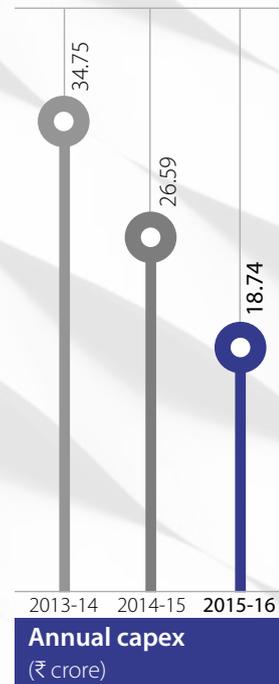
Instead, the Company embarked on building skills patiently and methodically – in terms of engineering, design and technical capabilities.

**Case in point** is the Company's evolving capex profile: more than 52.90% of the Company's investment in the past three years went towards automation required to manufacture cutting-edge products.

The immediate result was that the Company graduated from

standalone projects to life-cycle engagements, enhancing revenue predictability and business sustainability.

Moreover, this strengthened the Company's across-the-table competence: from product design to commercialisation and from standalone product conceptualisation to product co-development. Allowing Pennar to cement its identity as a reliable service provider.



# Awards and accolades



**Best Management Award** received by Mr. Aditya N Rao, VC & MD presented by Sri Naini Narshimha Reddy, Hon'ble Home and Labour Minister, Government of Telengana, at a function held at Ravindra Bharthi Auditorium on the occasion of May Day Celebration 2016. Mr P.V. Rao, MD of PEBS was also present.



**Best Canteen Award** received by HR & Safety Team presented by Mr. Ch. Kishan, Director of Factories, Government of Telengana, in a function held at BHEL Auditorium on the occasion of World Day for Safety and Health at Work on 28th April 2016



**CIDC Vishwakarma Award** in "Best Professionally Managed Category"



**VCCircle Award** in Best Manufacturing Company Category 2015



**CIDC Vishwakarma Award** in Best Professionally Managed Company (₹ 100 - 500 crore turnover)



**TV5 Business Leader Award 2015** in Infrastructure Category (Medium)

# The Pennar **business model**

PENNAR INDUSTRIES HAS PROGRESSED TO A BUSINESS MODEL THAT IS LIKELY TO GENERATE MULTI-YEAR GROWTH IRRESPECTIVE OF INDUSTRY TROUGHS AND CRESTS.

## **Margins-focused**

Pennar believes that enduring sustainability is derived from the ability to generate increased margins, the benefits of which can be redeployed into building the business. The Company tweaked its product mix in favour of value-added products as opposed to commodity-based ones, thereby clocking superior EBITDA margins 6.79% in 2013-14 to 9.26% in 2015-16.

### **Integrated**

Over the years, Pennar has created an integrated business model, offering engineering design with products that offer clients comprehensive cutting-edge solutions.

### **Widespread**

The Company's seven manufacturing units are located close to key downstream users, making it possible to service clients with ease.

### **Balanced**

The Company is present in fast-growing sectors like infrastructure, real estate, railways, warehouses, automobile, power and general engineering.

### **Value-added**

The Company is engaged in the design and manufacture of value-added products thus emerging as the preferred choice for customers. Value-added products accounted for 33.07% of the Company's revenues in 2015-16.

### **Evolving**

The Company strategically ventured into servicing high-end sectors like aerospace and nuclear power, shedding its tag of being primarily a general engineering products player.

### **Range**

The Company created a portfolio comprising more than 1000+ products, de-risking itself from an overt dependence on any single product or sector.

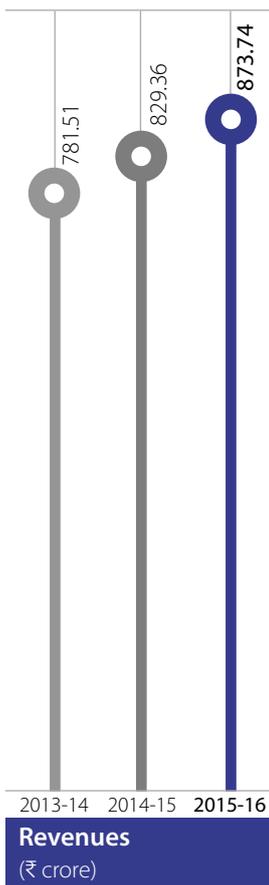
### **Quality-conscious**

The Company's units have been certified with ISO 9001:2008 and ISO/TS 16949:2008 because of their unwavering focus on quality excellence.

### **Prudent**

Pennar restricted its long-term debt-to-equity ratio to 0.25 and interest cover to 2.44, envisaging the financial strength of the Company.

# The impact of Pennar's distinctive business model

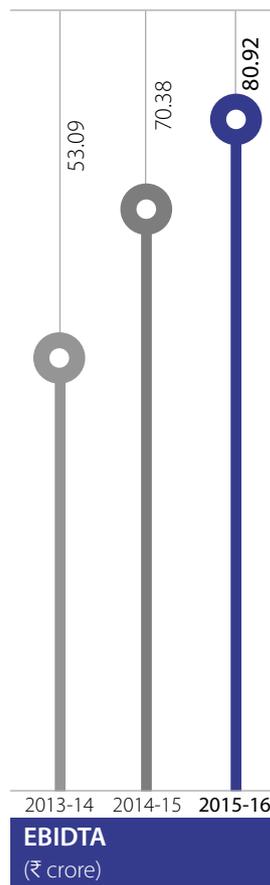


## Rationale

To measure our ability to understand the demand trends across the globe, supply chain efficiency as well as product acceptance.

## Performance

Revenues reported a CAGR growth of 3.79% in the last three years leading to 2015-16.

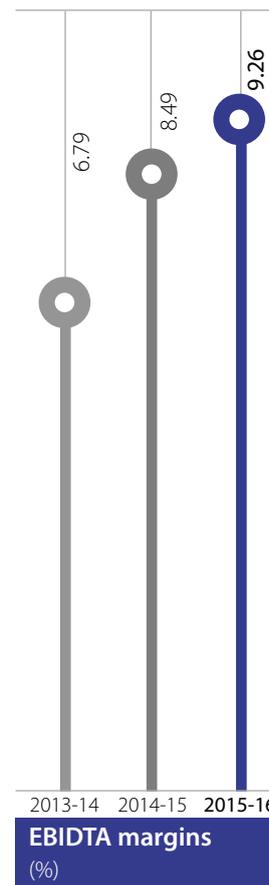


## Rationale

To measure our operating profit and get an idea regarding the financial health of Pennar.

## Performance

EBIDTA reported a CAGR growth of 15.08% in the last three years leading to 2015-16.

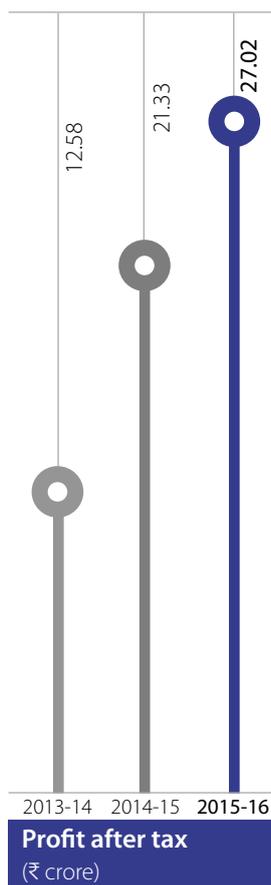


## Rationale

To measure how effectively the Company managed its operating costs.

## Performance

EBIDTA margins grew from 6.79% in 2013-14 to 9.26% in 2015-16.

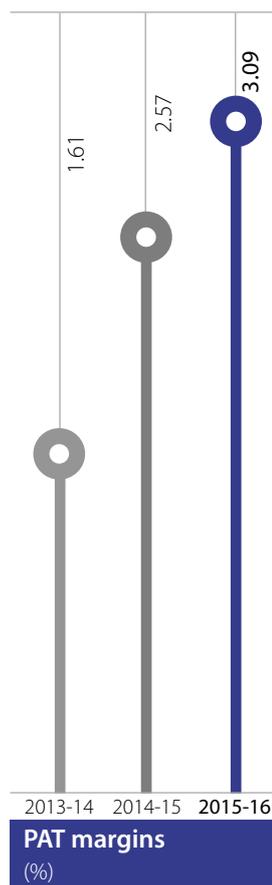


### Rationale

To measure the overall profitability of the Company.

### Performance

PAT reported a CAGR growth of 29.02% in the last three years leading to 2015-16.

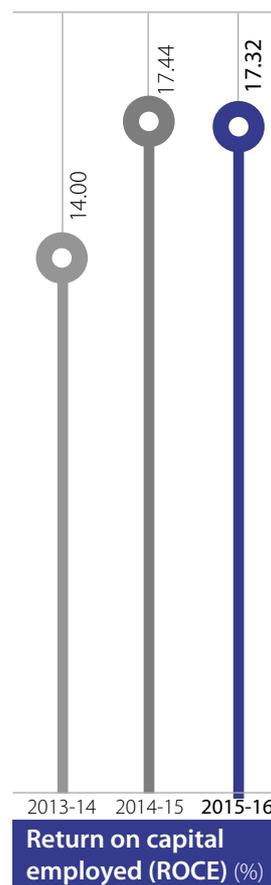


### Rationale

To measure actual earnings of the Company per rupee spent.

### Performance

PAT margins grew from 1.61% in 2013-14 to 3.09% in 2015-16.

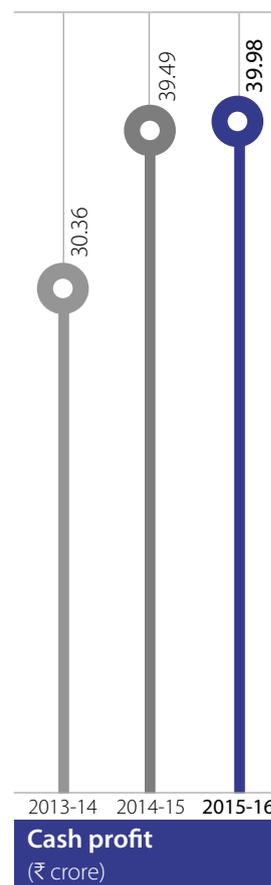


### Rationale

To assess the effectiveness of the investments we are making and the strength of our business model.

### Performance

Pennar's ROCE improved by 332 basis points from 14.00% in 2013-14 to 17.32% in 2015-16, reflecting the Company's ability to generate more from investments.



### Rationale

To gauge accruals available at Pennar's disposal from captive resources for onward investment.

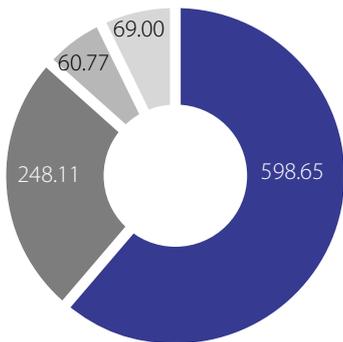
### Performance

The Company's cash profit reported a 9.61% CAGR growth in the three years leading to 2015-16.

# Pennar's evolving business mix

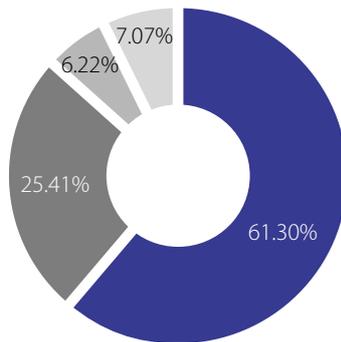
## 2011-12

**Segmental revenues**  
(₹ crore)



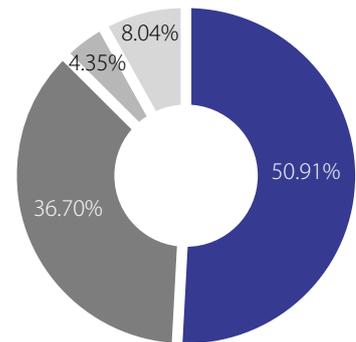
- Steel products
- Systems and projects
- Tubes
- Industrial components

**Value-added proportion of revenues (%)**



- Steel products
- Systems and projects
- Tubes
- Industrial components

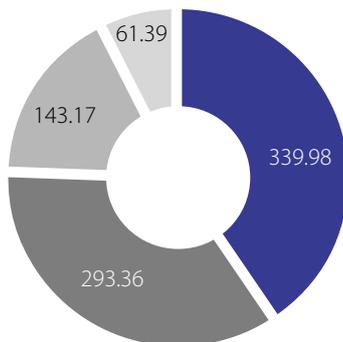
**Segmental EBIDTA as a proportion of EBIDTA (%)**



- Steel products
- Systems and projects
- Tubes
- Industrial components

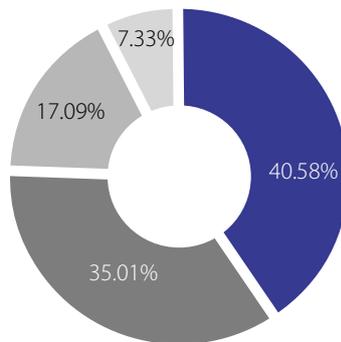
## 2015-16

**Segmental revenues**  
(₹ crore)



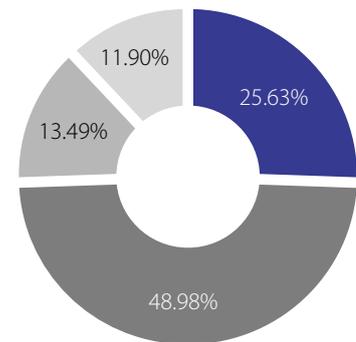
- Steel products
- Systems and projects
- Tubes
- Industrial components

**Value-added proportion of revenues (%)**



- Steel products
- Systems and projects
- Tubes
- Industrial components

**Segmental EBIDTA as a proportion of EBIDTA (%)**



- Steel products
- Systems and projects
- Tubes
- Industrial components

# Pennar. In the right sectors. At the right time.

## Railways

**19,000**

Number of wagons to be procured by Indian Railways in FY17 against 16,800 in FY16

**120**

High-value LHB coaches to be exported by Indian Railways to Bangladesh by March 2017

## Automobile

**7.64**

Annual growth rate of the Indian passenger car market (%)

**113**

Projected Indian auto component market valuation by 2020 (USD billion)

## Solar power

**7.8**

Present day solar power generating capacity (gigawatts) in India

**48**

Targeted solar power generating capacity (gigawatts) by 2019

## General engineering

**125**

Projected turnover of Indian capital goods and engineering sector by 2017 (USD billion)

## Warehousing

**104**

Annual additional warehouse space demand in India (million square feet)

**35**

Agri-warehouse capacity to be developed by 2017 (million metric tonnes)

# Management discussion and analysis

## Global economy overview

According to the World Bank report titled World Economic Prospects, June 2016, the global economy is estimated to have grown by around 2.4% in 2015. The slowdown was caused largely owing to weak Chinese, Russia and Brazil economies. The developed economies performed slightly better and reported an output of 1.8% in 2015 against 1.7% in 2014.

The gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, free-falling crude and commodity prices and gradual US monetary policy tightening had a marked impact on the global economy in 2015.

## Outlook

The world economy could grow at 2.4% in 2016 and at 2.8% in 2017, the World Bank indicated in its June report on global economic prospects. The forecast is subject to substantial downside risks, including a sharper-than-expected slowdown in major emerging and developing economies or financial market turmoil arising from a sudden increase in borrowing costs that could combine with deteriorating fundamentals and vulnerabilities in some countries. On the back of the marked slowdown in the Chinese economy, which grew at its weakest pace in a quarter of a century, global growth is forecast on the weaker side.

## Indian economic overview

Despite global headwinds and a truant monsoon, India registered robust growth of 7.6% in 2015-16 against 7.2% in 2014-15. The growth was largely driven by a turnaround in the manufacturing sector, which is to report a growth of 9.5% in 2015-16 compared to 5.5% in 2014-15. Agriculture suffered owing to a deficit monsoon and grew only 1.1%. The economy reported an estimated growth of 7.9% in the last quarter of 2015-16, making it the fastest growing economy in the world.

The Union Budget 2016-17 announcements were in line with the Central Government's aim of fiscal consolidation path and a number of measures to boost the rural economy are in the pipeline. Strong private consumption should continue to fuel robust rates of growth going forward.

## Outlook

Additional structural reforms to address legacy impediments to growth, including measures to reduce bureaucracy and speed-up infrastructural investments, could help sustain growth in the years to come.

The World Bank retained the 7.6% growth rate for India in 2016-17, which it said could accelerate to 7.7% in 2017-18 and 7.8% in 2018-19. The challenge for the Indian economy is to activate its stalled engines - agricultural growth and rural demand, trade, and private investment, while ensuring that demand from urban

households and public investments - the working engines of the economy, do not run out of fuel. [Sources: World Bank June 2016 report, Economic Survey 2015-16, Business Standard]

## India's infrastructure overview

The infrastructure sector is a key driver of the Indian economy. The sector is responsible for propelling India's overall development and enjoys Government focus through policies that would ensure time-bound creation of the world class infrastructure in the country.

India needs ₹31 trillion (USD 454.83 billion) for infrastructure development over the next five years from 2016, with 70% of funds needed for power, roads and urban infrastructure segments. FDI received in the construction and development sectors from April 2000 to December 2015 stood at USD 24.18 billion.

THE WORLD BANK  
RETAINED THE 7.6%  
GROWTH RATE FOR  
INDIA IN 2016-17,  
WHICH IT SAID COULD  
ACCELERATE TO 7.7%  
IN 2017-18 AND 7.8%  
IN 2018-19.

The Government plans to launch the NIFF (National Infrastructure Investment Fund) with an initial corpus of at least ₹40,000 crore (USD 5.87 billion).

## Indian construction sector overview

The construction sector in India is the second largest employer, next only to agriculture. The construction sector employs more than 35 million people in India. From 2013 to September 2015, the construction sector attracted the second highest FDI equity inflow. (Source: <http://marketrealist.com/2015/12/drives-indias-construction-sector/>)

The chart shows the quarterly growth of the construction sector since fiscal 2014. After 2014 elections when new government came to power there was an initial spike in the construction sector growth. In the second quarter of fiscal 2015, the growth rate was 8.7%. However, the growth rate in the following quarter fell sharply.

There was healthy growth in Indian construction equipment sector revenues:

- The construction equipment industry's revenues reached to USD 6.5 billion by FY14
- Revenues increased at a CAGR of 8.38% during FY 2007-14 and are further estimated to rise at a CAGR of 13.1%. A

number of development initiatives were undertaken by the Government of India:

The CDIB (Construction Industry Development Board) of Malaysia proposed to invest USD30 billion in urban development and housing projects in India, such as mini-smart city adjacent to New Delhi Railway Station, a green city project at Garhmukhteshwar in Uttar Pradesh and Ganga cleaning projects. (Source: IBEF)

The demand-supply gap in the realm of residential housing, rising affordability levels, availability of financing options as well as fiscal benefits available on availing of home loans emerged as key drivers of residential construction demand. According to a technical committee set up by the Ministry of Housing & Poverty Alleviation, the total housing shortage in the country stood at 18.78 million at the start of the 12th Five Year Plan. This provides a big investment opportunity. The commercial segment however is going through a tough phase and is likely to do so in the medium-term on account of overcapacity (Source: [www.equitymaster.com](http://www.equitymaster.com)).

## Outlook

Residential construction was the largest market in the Indian construction industry during 2011-15 and is anticipated to remain relatively sizeable over the next five

years, with a 30.6% share of the industry's total value in 2020. Construction activity in the residential market will be supported by rapid urbanisation, population growth and positive developments in regional economic conditions. (Source: IBEF)

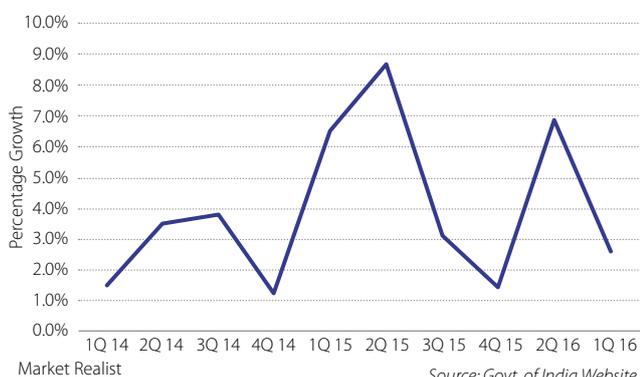
## Budget 2016-17 proposals

- Affordable housing projects (unit sizes capped at 30 square metres in the four metropolitan cities and 60 square metres in other cities) exempted from income tax
- Construction of affordable houses up to 60 square metres under any governmental schemes, including PPP projects, exempted from service tax
- Income tax exemption for interest on home loans of up to ₹35 lac sanctioned during the next fiscal, (provided the cost of house is under ₹50 lac) increased by ₹50,000
- Income Tax deduction under 80GG increased from ₹24,000 per annum to ₹60,000 per annum
- Extension in time allowed for deduction of interest payable on home loan for acquisition or construction of a self-occupied house property

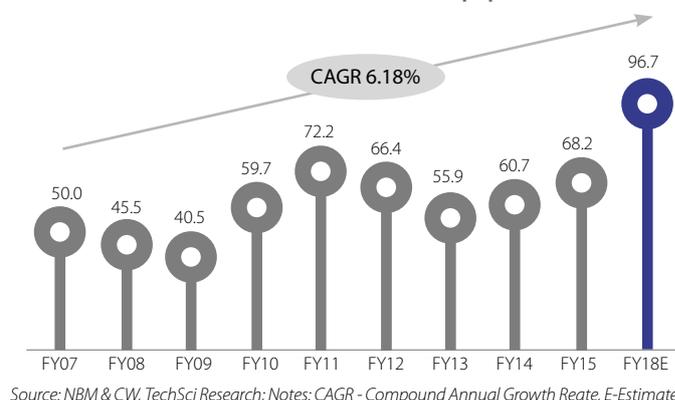
## Indian automobile sector overview

The Indian automobile industry is one of the largest in the world. The auto industry contributes 7.1% of the country's GDP. As

India's Construction Sector Growth



Total number of construction equipment



of FY 2014-15, around 31% of small cars sold globally were manufactured in India. The auto industry produced 23.96 million vehicles in 2015-16, including passenger vehicles, commercial vehicles, three wheelers and two wheelers as against 23.35 million vehicles in 2014-15. The Government of India encourages foreign investment in the automobile sector and allows 100%-FDI under the automatic route. The Ministry of Road Transport, Highways & Shipping has announced plans to set up a separate independent Department for Transport, comprising of experts from the automobile sector to resolve issues such as those related to fuel technology, motor body specifications and fuel emissions and exports. Government of India aims to make automobiles manufacturing the main driver of 'Make in India' initiative, as it expects passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the AMP (Automotive Mission Plan) 2016-2026.

### Budget 2016-17 proposals Auto components

- Benefits of deduction for R&D limited to 150% from April 2017 onwards and 100% from April 2020, as compared to 200% currently

- BCD (Basic Custom Duty) on aluminium oxide (used in catalytic converters) reduced from 7.5% to 5.0%
- RSP (Retail Sale Price) based assessment of excise duty extended to accessories of motor vehicle and certain other specified goods (with abatement of 30%).

### Commercial vehicles

- Significant increase in allocation (₹97,000 crore) towards development of road and highway infrastructure
- Opening up of the private sector in providing passenger road transport services

### Passenger vehicles

- An infrastructure cess of 1% on small petrol, LPG, CNG cars, 2.5% on small diesel cars and 4% on other higher engine capacity vehicles and SUVs
- Levied of tax at 1% on purchase of cars exceeding value of ₹1 million

### Tractors

- Institutional farm credit target increased by 6% to ₹9 lac crore and provision of ₹15,000 crore for interest subvention on loans extended to farmers
- Total allocation of ₹35,984 crore towards agriculture and farmer welfare schemes

- Allocation of ₹87,765 crore to the corpus of RDF (Rural Development Fund); ₹86,500 crore for irrigation projects over the next five years for fast-tracking 89 projects; dedicated irrigation fund worth ₹20,000 crore to be set up under NABARD
- Allocation of ₹38,500 crore to rural employment programme, ₹5,500 crore for crop insurance programmes for 2016-17
- ₹500 crore under the National Food Security Mission allocated towards pulses
- Allocation of ₹368 crore for soil health and fertility programme; ₹6,000 crore for implementation of programme for management of groundwater resources
- Unified national agriculture market and online procurement systems under Food Corporation of India to be launched

### Outlook

India's automotive industry is one of the most competitive in the world. Leading automaker Maruti Suzuki expects the Indian passenger car market to reach four million units by 2020, up from 1.97 million units in 2014-15. The Indian automotive sector has the potential to generate up to USD300 billion in annual revenues by 2026, create 65 million additional jobs and contribute over 12% to India's GDP, as per the Automotive Mission Plan 2016-26. (Source: IBEF)

## AMP (Automotive Mission Plan) 2016-26

The AMP (Automotive Mission Plan) 2016-26 is a collective vision of the Government of India and the Indian automotive industry where the vehicles, auto components, and tractor industries should reach over ten years in terms of size, contribution to India's development, global footprint, technological maturity, competitiveness, and institutional structure and capabilities.

The vision is to make the Indian automotive industry among the top-three in the world by 2026 in engineering, manufacture and export of vehicles and auto components, encompassing safe, efficient and environment-friendly conditions for affordable mobility of people and transportation of goods in India comparable with global standards, growing in value to over 12% of India's

GDP and generating an additional 65 million jobs. AMP 2026 envisages that the Indian automotive industry will grow 3.5-4x in value from its current output of around ₹464,000 crore in 2015 to about ₹16,16,000-18,88,500 crore by 2026, based on base case of an average GDP growth of 5.8% and an optimistic case with an average GDP growth of 7.5% during the period.

## Indian manufacturing sector overview

Manufacturing-related activities among global nations are rapidly evolving. Manufacturing earnings and exports are stimulating economic prosperity causing nations to increase their focus on developing advanced manufacturing capabilities by investing in high-tech infrastructure and education. Nations and companies are striving to advance to the next technology frontier. And as the digital and physical worlds of manufacturing converge, advanced technologies have become even more essential to company- and country-level-competitiveness. In fact, technology-intensive sectors dominate the global manufacturing landscape in most advanced economies and appear to offer a strong path to achieve manufacturing competitiveness. India's manufacturing sector has the potential to touch USD1 trillion by 2025. There is good potential for the sector to account for 25-30% of the country's GDP and create up to 90 million domestic jobs by 2025. Business conditions in Indian manufacturing sector continue to remain positive. (Source: IBEF)

## Governmental initiatives

The Government of India has taken several initiatives to promote healthy environment for the growth of the manufacturing sector in the country. The Gujarat Government is planning to set up an electronics products manufacturing hub in the state, through its newly-announced Electronic Policy 2016, which will generate about 500,000 jobs in the electronics sector in the next five years. The Ministry of Heavy Industries and Public Enterprises, in partnership with industry association, has announced creation of a start-up centre and technology fund for the capital goods sector to provide technical, business and financial resources and services to start-ups in the field. (Source: IBEF)

## Outlook

The Government of India has an ambitious plan to locally manufacture as many as 181 products. The move could help infrastructure sectors such as power, oil

and gas, and automobile manufacturing that require large capital expenditure and revive the USD27.14 billion Indian capital goods business. India is an attractive hub for foreign investments in the manufacturing sector. Several mobile phone, luxury and automobile brands, among others, have set up or are looking to establish their manufacturing bases in the country and will promote advance practices in manufacturing.

## Indian solar power sector overview

India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to non-conventional sources such as wind, solar, and agricultural and domestic waste. Electricity demand in the country is increasing rampantly and massive addition to the installed generating capacity is required.

## Outlook

The Government of India is taking number of steps and initiatives like 10-year tax exemption for solar projects, in order to achieve India's ambitious renewable energy targets of adding 175 gigawatts of renewable energy, including addition of 100 gigawatts of solar power by the year 2022. The cumulative installed capacity of solar power in India has crossed the 4 gigawatt-mark as of June 30, 2015. The government has also sought to restart the stalled hydro power projects and increase the wind energy production target to 60 gigawatts by 2022 from the current 20 gigawatts.

## Indian railway sector overview

The Indian Railway is among the largest in the world, spread across 7,146 stations spanning 64,600 kilometres. The railway network is also ideal for long distance travel and movement of the bulk commodities, apart from being an energy efficient and economic mode of conveyance and transport.

The Government of India has focused on investing on railway infrastructure by making investor-friendly policies. It has moved quickly to enable FDI in railways to improve infrastructure for freight and high speed trains. At present, several domestic and foreign companies are also looking to invest in the rail projects. (Source: IBEF)

## Governmental initiatives

The Ministry of Railways is focusing on a massive USD140 billion investment plan to modernise the railways and improve safety, performance and passenger amenities. Promising watershed development of Indian Railways, a series of reforms in the rail sector, including the introduction of remote sensing technology to improve safety, rail bookings on mobile phones and Wi-Fi at railway stations. During first seven months of FY 2015-16, Indian Railways awarded projects worth ₹10,594 crore (USD1.59 billion), more than double the value of those awarded in the same period last year. Most of these projects involve engineering, procurement and construction (EPC) contracts. The Government of India has cleared a proposal to allow 100% FDI in railway infrastructure. FDI channeled through this route does not require prior government approvals.

## Outlook

The Indian Railway network is growing at a healthy rate. In the next five years, the Indian railway market will be the third largest, accounting to 10% of the global market.

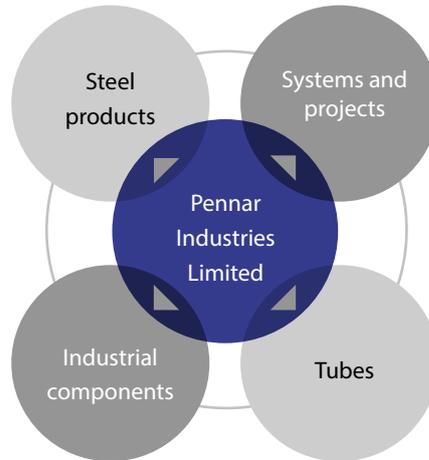
## Budget 2016-17 proposals

- Capital expenditure proposed at ₹1.21 lac crore
- Proposed to develop Rail side logistics parks and warehousing in PPP mode and 10 goods sheds will be developed by TRANSLOC, the Transport Logistics Company of India, in 2016-17.
- Encourage development of cold storage facilities on vacant land near freight terminals. Local farmers and fishermen would be given preferential usage of the facility.

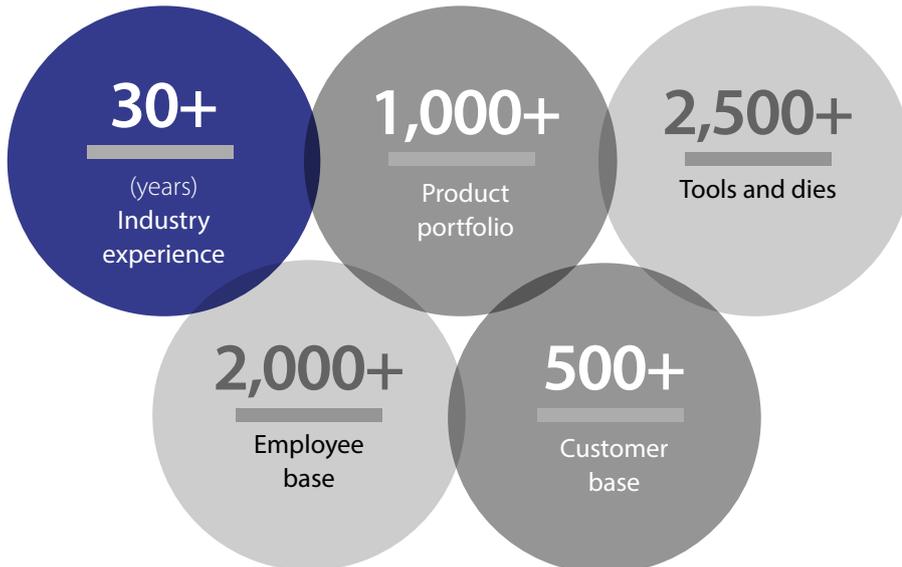
# Segment-wise business review

PENNAR SERVICES DIVERSE SECTORS LIKE INFRASTRUCTURE, AUTOMOBILES, ENERGY, GENERAL ENGINEERING.

The Company's business is divided into four strategic units – steel products, systems and projects, tubes and industrial components. The Company's manufacturing units (five) are located across India and all the manufacturing facilities are certified with relevant accreditations. The plants comprise modern equipment like laser cutting, plasma cutting, transfer presses and CNC machines.



## Overview



1

## Systems and projects

# 293.36

Revenue 2015-16  
(₹ crore)

# 39.37

EBIDTA  
(₹ crore)

# 35.01

Share of total revenues (%)

THE COMPANY VENTURED INTO THE FABRICATION OF STRUCTURES AND SOLAR MODULES. THE COMPANY IS PRESENT IN SEGMENTS LIKE SOLAR-MOUNTED STRUCTURES, RAILWAY COACHES, RAIL WAGONS AND STORAGE SOLUTIONS.

**Railways:** Pennar has been providing railway wagon components to the Indian Railways for three decades. It manufactures cold-rolled steel profiles and fabricated structures for railway wagons, marked by a superior strength-to-weight ratio. The Company developed and supplied stainless steel sections for modern-day stainless steel wagons; it emerged as a major supplier of key sections (including heavy fabricated parts) for railway coaches. The Company addresses the needs of the Integral

Coach Factory (Perambur), Modern Coach Factory (Rae Bareli) Southern Railways, Texmaco and BESCO.

**Solar:** Being the largest cold roll-formed steel section manufacturers in India, Pennar has supplied mounting structures and structural components to various solar plants totaling more than 1.5 gigawatts (till the end of FY16). Pennar is equipped with a strong team of design engineers who have helped optimise the weight of mounted structures, helping to

reduce the overall cost of structures and solar power projects.

### Outlook

New order booking in coaches and wagons has strengthened the Railways vertical outlook. Solar, on the back of rapid market growth, is expected to see healthy growth in FY17. The BU is expected to consequently have high growth in the financial year ending March 2017.

### Pennar's railway focus

Pennar provides custom-designed cold roll-formed profiles that find application in the manufacture of railway wagons because of the superior strength-to-weight ratio that are alternative/ substitute for conventional hot rolled sections of non-uniform thickness.

Even as the wagon business remained subdued, the coaches business became attractive in 2015-16. With

the Indian Railways focusing on light-weight stainless steel coaches to aid the high-speed railway projects, Pennar's exposure in the coaches segment was fruitful. With the ICF and Modern Coach Factory increasing the manufacture of stainless steel coaches, Pennar's coaches business did well. With ICF and MCF increasing capacities, Pennar's business appears positive. The Company supported the MCF unit with

fabricated components and supporting components for stainless steel coaches. It signed an MoU with Alstom for the supply of components.

The Company also provided high precision high grade products for the metro railway coaches to BEML for Delhi, Jaipur and Bengaluru metros. The Company is also making capital investments to qualify as a supplier for Bombardier coaches.

2

## Industrial components division

61.39

Revenue 2015-16  
(₹ crore)

9.57

EBIDTA  
(₹ crore)

7.33

Share of total  
revenues (%)

PENNAR IS A LEADING ORGANISED PLAYER IN THE REALM OF INDUSTRIAL COMPONENTS, SPECIALISING IN THE DEVELOPMENT OF CRITICAL SAFETY AND HIGH-PERFORMANCE COMPONENTS. WITH IN-HOUSE CAPABILITIES IN PRODUCT DESIGN AND DEVELOPMENT, PENNAR WORKS CLOSELY WITH CUSTOMERS TO PRODUCE APPLICATION-SPECIFIC PRODUCTS FOR THE AUTOMOBILE, WHITE GOODS AND GENERAL ENGINEERING SECTORS.

The Company's business of industrial components comprises press metal components used in the automotive and white goods sectors. The Company's product portfolio comprises A/C compressor shells, four-wheeler parts (car seating system assembly), two-wheeler parts (disc brakes) and heavy vehicle filter parts.

**Hydraulic cylinders:** Pennar developed comprehensive design and development capabilities that conform to globally established norms for the manufacture of hydraulic cylinders. The Company is engaged in the manufacturing of a range of hydraulic cylinders used in construction equipment, solar module mounts.

**Automobiles:** The Company is engaged in the manufacture of a range of critical automobile components.

**White goods:** Pennar provides customised components for white goods applications. The Company leveraged its longstanding engineering insights to extend into this business. The Company's plants in Patancheru and

Chennai are equipped with state-of-the-art equipment and facilities (press shops and tool maintenance) that ensure the fabrication of high-precision quality products supported by a centralised CNC tool room.

### Highlights, 2015-16

With declining raw material prices, the division performed better in 2015-16. The Company enjoys a strong industry position as it requires products to be approved by downstream consumers after rigorous tests. Pennar's products enjoy acceptability among customers. Some products (like brake actuators) are mission-critical in automobile braking applications. The Company supplied hydraulic cylinders to major US players like JCB and John Deere. The Company continued to supply to the Chennai unit of Yamaha.

### Outlook

Going ahead, the Company will be focusing on export markets as well as other high value markets like off-highway vehicles, farm equipment and windmills.

GOING AHEAD, THE COMPANY WILL BE FOCUSING ON EXPORT MARKETS AS WELL AS OTHER HIGH VALUE MARKETS LIKE OFF-HIGHWAY VEHICLES, FARM EQUIPMENT AND WINDMILLS.

3

## Tubes

143.17

Revenue 2015-16  
(₹ crore)

10.84

EBIDTA  
(₹ crore)

17.09

Share of total  
revenues (%)

PENNAR IS ENGAGED IN THE MANUFACTURING OF HIGH-QUALITY PRECISION TUBES CONFORMING TO THE DEMANDING NATIONAL AND INTERNATIONAL STANDARDS AND CUSTOMER SPECIFICATIONS. THIS PORTFOLIO COMPRISES ELECTRIC RESISTANCE WELDED TUBES (ERW), COLD DRAWN WELDED TUBES (CDW), AIR PRE-HEATER TUBES AND INDIAN BOILER TUBES.

The tubes manufactured are used as structural components for various products in the automobile, power, manufacturing, structural and general engineering segments. The Company possesses the capability to manufacture products in different shapes and dimensions, catering to diverse client requirements.

### Highlights, 2015-16

The tubes segment remained flat during the year under review and demand remained low in the ERW segment while the Company improved CDW manufacturing to 750 metric tonnes per month, compared with 520 metric

tonnes per month in the previous year. The Company plans to reach 850 metric tonnes per month in the coming year. The Company started to focus on exports market for CDW tubes and developed four export customers. More than 90% of the CDW tubes are used in the auto segment.

### Outlook

With the growth of the national automotive sector, the tubes sector is poised to do well. The Company is expanding capacity by more than 25% in CDW and ERW segments to capture the expected demand from downstream sectors.

THE COMPANY STARTED TO FOCUS ON EXPORTS MARKET FOR CDW TUBES AND DEVELOPED FOUR EXPORT CUSTOMERS. MORE THAN 90% OF CDW TUBES ARE USED IN THE AUTO SEGMENT.

4

## Steel products

# 339.98

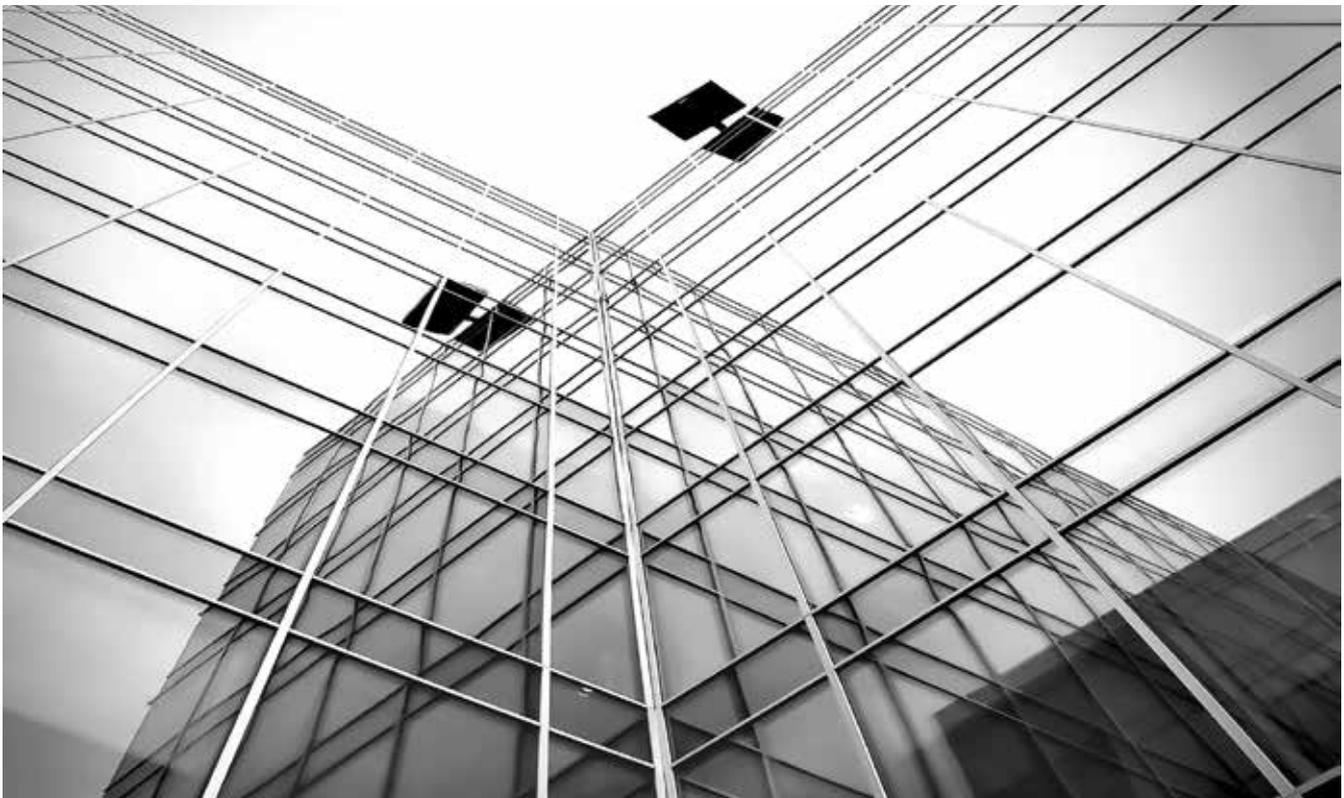
Revenue 2015-16  
(₹ crore)

# 20.06

EBIDTA  
(₹ crore)

# 40.58

Share of total  
revenues (%)



PENRAR MANUFACTURES STRUCTURAL COMPONENTS USING SPECIAL STEEL AND COLD-ROLLED SECTIONS ACROSS DIVERSE SEGMENTS – BUILDING PRODUCTS, PROFILES (INFRASTRUCTURE AND AUTO), ROAD SAFETY SYSTEMS AND SHEET PILES. THE COMPANY MANUFACTURES THESE PRODUCTS ACROSS FOUR MANUFACTURING LOCATIONS, SERVICING CLIENTS LIKE LLOYDS INSULATION, ALSTOM PROJECTS, LANCO INFRA TECH, FLSMIDTH, THERMAX, JOHNSON LIFTS, ADANI POWER, L&T AND ASHOK LEYLAND.

### Product profile

**Roofing:** Roofing sheets are manufactured by forming the sheet at world-class forming mills, dedicated exclusively for roofing sheets. Pennar manufactures and supplies trapezoidal profiled metal roofing sheets that are made available as: bare galvalume, colour-

coated galvalume and colour-coated galvanised. With strong commitment to deliveries, Pennar's roofing sheet is known for several benefits such as consistent quality and customised profile that are offered in exact cut-to-length sizes and are available in attractive colours and designs. It supplies total roofing/cladding

systems to a wide range of industries like power plants, cement plants, industrial sheds, godowns and institutions.

**Decking:** A composite floor deck is a steel deck with a ribbed profile, which binds with a concrete slab and together forms a part of the floor structure. This

interlocking between the concrete and the floor deck is brought about through a system of embossment and ribs that are built into the deck, creating a reinforced concrete slab that serves the dual purpose of permanent form and positive reinforcement. Composite decking is one of the most effective methods of constructing floors in steel buildings and useful in high-rise RCC/steel buildings.

**Purlins for steel buildings:** Considering the higher strength-to-weight ratio of CRF sections, Pennar purlins/ sections are popular in the construction of any steel building, whether it is simple storage sheds or a complex turbo generator building in a power plant. Pennar purlins are well-accepted by architects and structural consultants. Pennar supplies a wide variety of sections like C-channels, lip channels, sigma sections, Z-purlins, multi-beams, angles and various other contours, in thickness range of up to 6 mm. Sections can be supplied in various grades of steel depending on the customer requirement.

**Sheet piling:** The inter-locked cold-formed steel sheet piles can be divided into two main types. These are produced as per EN 10249 standards and IS 2314 specifications. The U-type sheet pile is the best choice for support usage. The Z-type

sheet piles can be used to bear the heavy weight of independent pile walls.

**Metal crash barriers:** A metal crash barrier is a cold formed steel product used as a road safety system to prevent vehicles from colliding with obstacles such as boulders, walls and other vehicles. It also prevents vehicles from entering into large storm drains, steep slopes or deep water. Pennar is the first company to introduce the metal crash barriers concept in India. It has supplied more than 3,000 km of metal crash barriers to various leading infrastructure companies in India.

**ESP electrodes:** Pennar has been supplying various types of collecting and discharge electrodes of all ESP designs (both European and American) to all ESP manufacturers in India for the last 15 years.

**Cold-rolled steel strips:** The cold rolled steel strips (CRSS) that are produced from a hot rolled strip that has been pickled. The strip is reduced to the final thickness by cold-rolling directly, or with the inclusion of an annealing operation at some intermediate thickness to facilitate further cold reduction or to obtain mechanical properties desired in the finished product. The coil is then slit to the desired width. The final product

typically consists of cold rolled steel that has been cut into strips of specific widths. The CRSS division, with facilities at Patancheru and Isnapur (both in Hyderabad), has a combined annual production capacity of 120,000 MT.

**Auto products:** Pennar is a one-stop provider of sheet metal products for the automobile industry, supplying to quality-conscious OEMs.

## Highlights, 2015-16

The business in this segment remained largely flat owing to slowdown in demand. The power segment did well as well as the building products segment which reported a growth of more than 10%. In the building products segments we have emerged as a solution provider rather than a product provider. We enjoy entry barrier for a number of our clients where it takes a number of years to be approved as a supplier. The Company also forayed into UPVC windows and supplied to major projects in Hyderabad.

## Outlook

The special grade CR plant should add significantly to the BU's revenues and profitability in the financial year ending March 2017.

THE COMPANY MANUFACTURES STRUCTURAL PRODUCTS ACROSS FOUR MANUFACTURING LOCATIONS, SERVICING CLIENTS LIKE LLOYDS INSULATION, ALSTOM PROJECTS, LANCO INFRATECH, FLSMIDTH, THERMAX, JOHNSON LIFTS, ADANI POWER, L&T AND ASHOK LEYLAND.

# Pennar Engineering Building Systems Limited

## Overview

Pennar Engineered Building Systems Limited (PEBS Pennar) was set up in 2008 with a vision to emerge as a leader in the pre-engineered buildings and structural steel industry space. The Company is engaged in designing, fabricating and installing pre-engineered steel buildings, supplying structural steel and components

for manufacturing industries, warehouses, aircraft hangars, commercial buildings, high-rises, metro stations, stadiums and power plants, among others. The Company is also engaged in designing, fabricating and installing solar module mounting structures, telecom transmission towers and cold-form buildings for low-cost housing projects, among others.

The Company's clientele includes UltraTech, L&T, HCC, P&G, Godrej, Dr. Reddy's Laboratories, ABB, JSW, Schwing Stetter, Honda, Toyota, Ambuja Cement, Bharat Biotech, My Home Industries, Schneider Electric, Reliance, IOT Infra, Volvo, Toyotsu, Jayabheri, ACC, Schindler, Audi, Hindustan Unilever and MRF Tyres among others.

## Portfolio

### Pre-engineered buildings

- Custom designed and fabricated, available in large multi-dimensional spans
- Enhanced speed, flexibility and resistance against meteorological vagaries

### Structural and high-rise steel buildings

- Comprising steel and cement plants, multi-level car parking, high-rise buildings and telecom towers
- In-house designing, manufacturing and installing capabilities

### Solar module mounting structures

- Designing, supplying and erecting module mounting structures for solar plants
- Applications in solar photovoltaic plants, solar canal tops, solar rooftops, solar thermal plants and solar car parks

### Designing and engineering services

- Developing integrated and comprehensive engineering design solutions
- In-house team comprising 181 experienced engineers
- Engineering services outsourcing agreement with a leading US-based entity

## Highlights, 2015-16

- Successfully completed the IPO and raised ₹156.18 crore
- Reported a gross revenue of ₹508.63 crore, 1.27% higher than 2014-15; EBIDTA of ₹65.03 crore, 39.22% growth over 2014-15; PAT of ₹30.16 crore, 37.65% growth over 2014-15
- Executed a high-rise residential building

comprising 11 storeys of which three were below ground level and eight above

- Successfully executed solar power projects
- Finished the year under review with an order book of ₹424 crore

## Outlook

At PEBS, FY 2017 is expected to be one

of the strongest, resulting out of a robust order book translating into attractive topline growth. Following the completion of the second plant in North India, topline and profitability are expected to improve. The Company will commence its first international operation with the acquisition of US-based company in the engineering services space.

# Pennar Enviro Limited

PEL (Pennar Enviro Limited) provides process technology solutions including water and waste-water treatment, specialty additives, civil projects and instrumentation. PEL offers a range of solutions for industrial water, wastewater and specialty additive treatment packages for combustion efficiency and also for water treatment and operations and maintenance services for various kinds of industries. Multiple technology collaborations allow PEL to provide a wide range of solutions to process industries.

## Offerings:

**Fuel additives:** Fuel additives find application in a variety of industrial needs (including additives for heavy and light fuel oils, storage stability additives, additives for solid fuels and other industrial and agro products). PEL pioneered the manufacture and supply of fuel additives with a technical collaboration with Total.

**Water treatment chemicals:** PEL produces range of high performance specialty water treatment chemicals (brand PENNTREAT), addressing the treatment of boiler water, cooling water, raw and effluent water using micro filtration, ultra filtration and reverse osmosis.

**Standard packaged plants:** PEL's modular packaged water treatment plants offer several advantages over conventional water treatment for smaller volumes resulting in economies-of-scale. Pre-engineered modular components allow

wastewater treatment plants to be sized specifically around customer needs. These products can also be designed to handle a variety of influent flow rates and loadings to address discharge requirements. Our standard plant capabilities make it possible to provide fabricated structures / skids and pressure vessels.

**Turnkey solutions:** PEL provides EPC and O&M services in the water and environment infrastructure businesses. The turnkey environmental-friendly solutions address the industrial and municipal segments (water treatment plants, sewage treatment plants, effluent treatment plants, effluent recycling plants, zero liquid discharge plants as well as sea/brackish water desalination, among others). The business also offers processing and treatment solutions.

## Highlights, 2015-16

- Recorded high revenue growth and reached ₹100 crore in gross sales
- Created a strong engineering team with capabilities in process design, optimisation and project management

## Outlook

- Robust order book will ensure strong growth in revenue and profitability in the next few years
- Expanding technical tie-ups will allow further expansion of the addressable market size

PEL OFFERS A RANGE OF SOLUTIONS FOR INDUSTRIAL WATER, WASTEWATER, SPECIALTY ADDITIVE TREATMENT PACKAGES FOR COMBUSTION EFFICIENCY AND ALSO FOR WATER TREATMENT AND OPERATIONS AND MAINTENANCE SERVICES FOR VARIOUS KINDS OF INDUSTRIES.

# Risk management

RISK IS INTEGRAL TO EVERY BUSINESS TRANSACTION. HENCE IT IS CRITICAL TO BALANCE RISK AND RETURNS IN ORDER TO MAXIMISE LONG-TERM SUSTAINABILITY. THE COMPANY POSSESSES A RISK MANAGEMENT TEAM WHICH PERIODICALLY EVALUATES THE RISKS ASSOCIATED WITH THE COMPANY AND TAKES CORRECTIVE MEASURES.

## Industry risk

Adverse impact on business owing to downstream industry slowdown.

### Risk mitigation

The Company provides more than 1,000 products across diverse industry verticals and a number of them are growing strongly. It is also continuously evaluating new products and high growth sectors to further diversify its user base.

## Customer retention risk

Inability to cater to retail customers could impact business sustainability.

### Risk mitigation

The Company's products have high entry barriers. Clients need to test them for a long period to approve them. To change vendors, clients have to replicate the test processes with others. Besides, the Company is quick to adopt new processes and provides clients with suggestions for procedural improvements.

## Quality risk

Inability to maintain quality could lead to loss of business.

### Risk mitigation

The Company is ISO 9001:2008-compliant. It invested in state-of-the-art quality control laboratory to ensure high product quality. Quality is critical as some of the products have stringent applications. The Company also invested in modern technologies at its manufacturing locations. These technologies include laser cutting, plasma cutting, transfer presses and CNC machines.

## Product mix risk

Inability to provide the right product mix may impact offtake.

### Risk mitigation

Over the years, the Company has produced high precision and value-added products. The Company's high precision fabricated products are evolved as per dynamic customer requirements. The Company moved from commodity to value-added products, enabling it to derive better margins.

## Funding risk

Inability to fund expansion could affect business sustainability.

### Risk mitigation

The Company enjoyed a modest debt-equity ratio of 0.25 as on 31st March 2016 for long-term loans and a healthy interest cover of 2.44x.

# Financial performance, 2015-16 (standalone)

## Overall performance

(₹ crore)

	2015-16	2014-15	Growth
Total revenue (net)	873.74	829.36	5.35%
EBIDTA	80.92	70.38	14.98%
PAT	27.02	21.33	26.68%
Cash profit	39.98	39.49	1.24%
EPS (₹)	2.25	1.77	27.12%
EBIDTA margin (%)	9.26%	8.49%	77 bps
PAT margin (%)	3.09%	2.57%	52 bps
ROCE (%)	17.32%	17.44%	(12) bps
RONW (%)	7.59%	6.38%	121 bps

## Segment-wise income

Business divisions	2015-16		2014-15		Growth over the previous year (%)
	Revenues (₹ crore)	Proportion of net sales (%)	Revenues (₹ crore)	Proportion of net sales (%)	
Steel products	339.98	40.58%	390.36	49.74%	(12.91)%
Systems and projects	293.36	35.01%	194.89	24.83%	50.53%
Tubes	143.17	17.09%	138.52	17.65%	3.36%
Industrial components	61.39	7.33%	61.08	7.78%	0.51%
<b>Total*</b>	<b>837.89</b>	<b>100%</b>	<b>784.84</b>	<b>100%</b>	<b>6.76%</b>

\*Total excludes scrap sales worth ₹33.54 crore in FY 2015-16 and ₹43.37 crore in FY 2014-15

## Human resources

Pennar Industries 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 enhanced its focus on improving human resource productivity and efficiency. The Company took steps for upgrading the knowledge base of its employees by continuous training. A systematic learning and development plan is in place to identify training

needs, provide training and evaluate the learnings. The Company imparts training on behavioural safety aspects along with process-based training to enhance employee and improve productivity. The Company continues to take care of employee welfare. It organised camps for checking the health of operatives and staff by ESI and other medical agencies.

Thus, HR has built an open, transparent and meritocratic culture to nurture human

capital. Performance orientation and ethics are high priority areas for the Company. The work environment and career opportunities help retain talent. In view of best management practices and canteen management for the year 2015-16, the Telangana Government awarded “the Best Management Award” and “the Best Canteen Management Award” to Pennar Industries Ltd.

## Internal control and their adequacy

The Company has set in place an effective internal control system which undergoes continuous review. In addition, corrective measures are taken to enhance their efficiency. In accordance with the highest industry standards, the Company has been accredited with ISO 9001 (quality systems). The Company’s robust ERP system defines queries for detection of exceptions and/or detection of deviating transactions, real-time analytics on transactional data, unmatched flexibility when changing reporting structures and even real-time simulation of business scenarios.

## NOTICE

NOTICE is hereby given that the 40th Annual General Meeting (AGM) of members of M/s. Pennar Industries Limited will be held on Friday, the 30th day of September, 2016 at 11:30 A.M. at Radisson Hyderabad, HITECH City, Gachibowli, Hyderabad - 500 032, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements (including audited consolidated financial statements) of the company for the financial year ended 31st March, 2016 together with the reports of the Board of Directors and the auditors thereon.

2. To appoint a Director in the place of Mr. Aditya Rao (DIN: 01307343) who retires by rotation and being eligible offers himself for re-appointment.

3. To appoint a Director in the place of Mr. Vishal Sood (DIN: 01780814) who retires by rotation and being eligible offers himself for re-appointment.

4. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, pursuant to the recommendation of Audit Committee of the Board of Directors, and pursuant to the resolution passed by the members at the Annual General Meeting held on 30.09.2014, the appointment of M/s. Rambabu & Co., Chartered Accountants (ICAI Registration No. 0029765) as the auditors of the Company to hold office till the conclusion of the Annual General Meeting to be held in the calendar year 2017 be and is hereby ratified and that the Board of Directors be and is hereby

authorized to fix the remuneration payable to them for the financial year ending 31st March, 2017 as may be determined by the audit committee in consultation with the auditors, and that such remuneration may be paid on a progressive billing basis as may be agreed upon between the auditors and the Board of Directors.”

### SPECIAL BUSINESS

**5. To confirm the appointment of Mr. C Parthasarathy (DIN: 00079232) as Director who was appointed as Additional Director and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as Ordinary Resolution:**

“RESOLVED THAT Pursuant to the provisions of Section 149, 161 of the Companies Act, 2013 and the Rules made thereunder and subject to the Articles of Association of the Company, Mr. C Parthasarathy, who was appointed as an Additional Non-Executive Independent Director by the Board of Directors with effect from 09.11.2015 and who holds office until the date of the ensuing Annual General Meeting, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. C Parthasarathy as a candidate for the office of a director of the Company, be and is hereby appointed as a director of the Company not liable to retire by rotation.”

**6. To appoint Mr. C Parthasarathy (DIN: 00079232) as an Independent Director and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Pursuant to Section 149, 150, 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the Companies Act, 2013, subject to such

other laws, rules and provisions as may be applicable from time to time and clause 49 of Listing Agreement, Mr. C Parthasarathy (DIN: 00079232) who holds office up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member signifying his intention to propose Mr. C Parthasarathy as a candidate for the office of a director of the Company, who meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 be and is hereby appointed as an Independent Director of the Company for a term of five years with effect from 09.11.2015 to 08.11.2020 not liable to retirement by rotation.”

**7. To confirm the appointment of Mr. P V Rao (DIN: 03157581) as Director who was appointed as Additional Director and in this regard to consider and if thought fit, to pass, with or without modifications, the following resolution as Ordinary Resolution:**

“RESOLVED THAT Pursuant to the provisions of Section 161 of the Companies Act, 2013 and the Rules made thereunder and subject to the Articles of Association of the Company, Mr. P V Rao, who was appointed as an Additional Non-Executive Director by the Board of Directors with effect from 30.03.2016 and who holds office up to the date of the ensuing Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 along with requisite deposit, signifying his intention to propose Mr. P V Rao as a candidate for the office of a director of the Company, be and is hereby appointed as a director of the Company liable to retire by rotation.”

**8. To ratify the remuneration payable to M/s. Shaik & Associates, Cost Auditors for the financial year ending 31st March, 2017 and in this regard to consider and if thought fit, to pass, with or without**

**modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the members be and is hereby accorded to ratify the appointment of M/s. Shaik & Associates, as Cost Auditors made by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2017, and also to ratify the remuneration of ₹80,000/- p.a. including all taxes and duties and out of pocket expenses.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to the aforesaid resolution.”

**9. To approve material related party transaction and in this regard to consider and, if thought fit, to pass the following resolution as a Special Resolution:**

“RESOLVED THAT pursuant to provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Meeting of Board and its Powers) Rules, 2014 and in terms of applicable provisions of the Listing Agreement (including any statutory modification(s) or enactment thereof for the time being in force), and also pursuant to the consent of the Audit Committee and the Board of Directors vide resolutions passed in their respective meetings, the approval of the Company be and is hereby accorded to the Material Related Party Transactions as entered by the company for the Financial Year 2015-16 of a value of ₹3612 Lakhs and transactions to be entered for Financial Year 2016-17 of a value of

₹4000 Lakhs as per details as set out under item no. 9 of the Statement annexed to this Notice and that the Board of Directors be and are hereby authorized to perform and execute all such deeds, matters and things including delegate such authority as may be deemed necessary or expedient to give effect to this resolution and for the matters connected therewith or incidental thereto.

“RESOLVED FURTHER THAT consent of the members of the Company be and is hereby accorded to all acts, deeds and things which was done and documents executed in connection with such material related party transaction.”

**10. To Create Charges and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

“RESOLVED THAT in supersession of the resolution passed by the Members at their Meeting held on 30th day of September, 2015 and pursuant to Section 180(1)(a) of companies Act 2013 and other applicable provision if an, of the companies Act, 2013 & Companies Act, 1956 (including any statutory modification or re-enactment thereof) the consent of Members of the company be and is hereby accorded to the Board of Directors of the Company to create such charges (including but not limited to Mortgages and Hypothecations) in addition to the existing charges created by the Company, on such movable, immovable and other properties / assets or the whole or substantially the whole of the Undertaking or the Undertakings of the Company both present and future or in such manner the Board may deem fit In the best interest of the Company, together with the power to take over management and concern of the Company in certain events, so as to secure ‘Fund based borrowing (including but not limited to Rupee / Foreign Currency Loans, Debenture, Bonds or other instruments)’ and ‘Non- fund based Facilities / Limits etc

., availed from Banks / Financial Intuitions, Companies Body Corporate and others; Corporate Grantees etc., provided that the total amount of such Funds base borrowing, Non-fund based support, Corporate Guarantees or other together win interest, cost, charges, expenses and other monies payable by the company by whatever name called, shall not, at any time, exceed ₹500 crores (Rupees Five Hundred Crores) and that for the implementation of this Resolution, the Board may act through any Committee / Director or any other person duly authorized in that behalf.”

**11. To borrow in excess of paid-up capital and free reserves and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

“RESOLVED THAT in supersession of the resolution passed by the Members at their Meeting held on 30th day of September, 2015 and pursuant to Section 180(1) (c) of Companies Act 2013 and other applicable provision if any, of the Companies Act, 2013 & Companies Act, 1956 (including any statutory modification or re-enactment thereof) the consent of Members of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time, any sum or sums of money as it may deem proper notwithstanding that the money to be borrowed together with the money already borrowed by the company, if any (apart from temporary loans obtained from the company's banker in the ordinary course of business) may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves, if any, that is to say, reserves not set apart for any specific purpose, provided that the total amount of moneys to be so borrowed by the Company together with money already borrowed (apart from temporary loans obtained from the Company's bankers

in ordinary course of business) shall not exceed ₹500 crores (Rupees Five Hundred Crores only) outstanding at any one time and that for the implementation of this Resolution, the Board may act through any Committee /Director or any other person duly authorized in that behalf.”

**12. To serve documents on members and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution an Ordinary Resolution:**

“RESOLVED THAT pursuant to Section 20 and other applicable provisions, if any, of

the Companies Act, 2013 read with rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Company may serve documents on its members, by sending the document(s) that he/ she is entitled to receive as a member under the Act by post or by registered post or by speed post or by courier or by such electronic or other mode as may be prescribed depending on event and circumstance of each case from time to time.

“RESOLVED FURTHER THAT the Board of Directors of the Company or its duly

constituted committee be and is hereby authorized to decide, in respect of any advance request for sending documents provided atleast one week in advance of the despatch of the document by the company along with requisite fee duly received by the company and that no such request shall be entertained by the company post despatch of such documents by the company to the member, the charges payable for such delivery, as prescribed below for each mode of dispatch.:

Sl. No.	Mode	Minimum Rate per document at the minimum slab of the weight of the document in each category in ₹	
		Within India	International
1.	Ordinary Post	15.00	<b>1.2 times of the actual charges in each case</b>
2.	Registered Post	100.00	
3.	Speed Post	100.00	
4.	Courier	100.00	
5.	Electronic mail (email)	20.00	<b>20.00</b>

“RESOLVED FURTHER THAT the Board of Directors of the Company or its duly constituted committee be and is hereby authorized to amend or alter such charges from time to time either keeping in view the change of charges as applicable to that mode or in any situation so warrants and to do all such acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board  
for **Pennar Industries Limited**

**Mirza Mohammed Ali Baig**  
Company Secretary & Compliance Officer  
ACS No. 29058

Place : Hyderabad  
Date : 12.08.2016

**Notes :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person can act as a proxy on behalf of not exceeding 50 members and holding in aggregate not more than 10% of the total share capital of the Company.
2. The instrument appointing the proxy, duly completed, must be deposited at the Company's registered office not less than 48 hours before the commencement of the meeting. A proxy form for the Annual General Meeting is enclosed.
3. Corporate Members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. The Register of Members and the Share Transfer Books of the company will remain closed from 23rd September, 2016 to 24th September, 2016, both days inclusive in connection with the Annual General Meeting.
5. An Explanatory Statement pursuant to the provisions of Section 102(1) of the Companies Act, 2013 with respect to the special business set out in the notice is annexed herewith.
6. Shareholders desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the registered office of the company at least seven days before

the date of the Annual General Meeting, so that the information requested may be made available.

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

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

9. Members are requested to address all correspondence with regard to change of address, dividend matters to the Registrar and Share Transfer Agents, M/s. Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No. 31 & 32 Gachibowli Financial District Nanakramguda Seriligampalli Hyderabad - 500032 in respect of shares held in physical mode and to their depository participants in respect of shares held in dematerialized form.

10. Members 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.

11. Copies of the Annual Report 2016 are being sent by electronic mode only to all the members whose email addresses are registered with the Company / Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email addresses,

physical copies of the Annual Report 2016 are being sent by the permitted mode.

12. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participant(s). Members holding shares in physical form shall submit their PAN details to the Company.

13. Members/Proxies are requested to bring their copy of the Annual Report to the meeting.

14. In compliance with the provisions of section 108 of the Act, the Companies (Management and Administration) Rules, 2014 and SEBI (LODR) Regulations, 2015, shareholders are provided with the facility to cast their vote electronically, through the e-voting services provided by M/s. Karvy Computershare Private Limited, in respect of all resolutions set forth in this Notice. M/s. Mohammed Irfan & Associates, (Membership No. 32512) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The procedure and instructions for e-voting are as follows:

- a) Open your web browser during the voting period and navigate to 'https://evoting.karvy.com'
- b) Enter the login credentials (i.e., user-id & password) mentioned on the Postal Ballot Form. Your folio/DP Client ID will be your User-ID.

User - ID	For Members holding shares in Demat Form:- For NSDL :- 8 Character DP ID followed by 8 Digits Client ID For CDSL :- 16 digits beneficiary ID For Members holding shares in Physical Form:- Event no. followed by Folio Number registered with the company
Password	Your Unique password is printed on the Postal Ballot Form / via email forwarded through the electronic notice
Captcha	Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

c) Please contact our toll free No. 1-800-34-54-001 for any further clarifications.

d) Members can cast their vote online from 26th September, 2016 @ 10:00 A.M. to 29th September, 2016 @ 5.30 P.M. During this period, shareholders of the company holding shares either in dematerialized or physical form as on the cut-off date of 23rd September, 2016, may cast their vote electronically.

e) After entering these details appropriately, click on "LOGIN".

f) Members holding shares in Demat/ Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through M/s. Karvy Computershare Private

Limited e-Voting platform. System will prompt you to change your password and update any contact details like mobile #, email ID etc on 1st login. You may also enter the Secret Question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

g) You need to login again with the new credentials.

h) On successful login, system will prompt to select the 'Event' i.e., 'Company Name'.

i) If you are holding shares in Demat form and had logged on to "https://evoting.karvy.com" and casted your vote earlier for any company, then your exiting login id and password are to be used.

j) On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you

may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the shareholder do not wants to cast, select 'ABSTAIN'

k) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK"; else to change your vote, click on "CANCEL" and accordingly modify your vote.

l) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.

m) Corporate/Institutional Members (corporate /FIs/FILs/Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to csirfan12@gmail.com with copy to evoting@karvy.com and mirza.baig@pennarindia.com. The file scanned image of the Board Resolution should be in the naming format "Corporate Name\_ Event no."

## Explanatory Statement

[pursuant to Section 102(1) of the Companies Act, 2013]

### Item # 5&6

#### Appointment of Mr. C Parthasarathy as an Independent Director

The Board, at its meeting held on 9th November, 2015 appointed Mr. C Parthasarathy as an Additional Non-Executive Independent Director of the Company with effect from 9th November, 2015, pursuant to Section 161 of the Companies Act, 2013, read with Article 107 of the Articles of Association of the Company.

His induction on the Board as an Independent Director would be of immense benefit to the company. The Names of companies in which Mr. C Parthasarathy holds directorship and the membership of

the committees of the Board are provided in the additional information on directors seeking appointment/re-appointment at the ensuing Annual General Meeting.

Mr. C. Parthasarathy is one of the founders of Karvy Group. As the Chairman of the group, he has been responsible for building Karvy as one of India's truly integrated financial services organizations. He oversees the groups operations and is responsible for the vision, business direction and technology value addition to the overall business. Mr. Parthasarathy is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He also holds graduate degrees in Science and Law. Mr. Parthasarathy

has been actively associated with various professional bodies in senior capacities over the last decade.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. C Parthasarathy will hold office up to the date of the ensuing Annual General Meeting. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of ₹1,00,000/- proposing the candidature of Mr. C Parthasarathy for the office of director.

The Company has received from Mr. C Parthasarathy (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of

Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. C Parthasarathy as an Independent Director of the Company up to 08.11.2020 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. C Parthasarathy, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act and the Rules made thereunder and he is independent of the Management. A copy of the draft letter for the appointment of Mr. C Parthasarathy as an Independent Director setting out the terms and conditions is available for inspection without any fee by the members at the Company's registered office during normal business hours on working days up to the date of the Annual General Meeting.

The Nomination and Remuneration Committee recommended the appointment to the Board. The Board recommends the resolution set out at item no. 5&6 of the notice for your approval. No director, key managerial personnel or their relatives, except Mr. C Parthasarathy, to whom the resolution relates, is interested or concerned in the resolution.

#### **Item # 7 Appointment of Mr. P V Rao as Non-Executive Director**

Mr. P V Rao was appointed as Additional Non-Executive Director of the Company by a circular resolution w.e.f 30th March, 2016,

pursuant to Section 161 of the Companies Act, 2013, read with Article 107 of the Articles of Association of the Company.

His induction on the Board as a Director would be of immense benefit to the company. The Names of companies in which Mr. P V Rao holds directorship and the membership of the committees of the Board are provided in the additional information on directors seeking appointment/re-appointment at the ensuing Annual General Meeting.

Mr. P V Rao has over three decades of experience in construction Industry. He served in important managerial positions in various distinguished organizations including Tata Bluescope, Kirby, Gannon, Dunkerely. He is well versed about construction and Engineering market.

Currently, Mr. P V Rao is Managing Director of M/s. Pennar Engineered Building Systems Limited. Under him the company achieved many milestones. He is the recipient of the prestigious "Manager of the Year" award from Hyderabad Management Association (HMA) for the year 2013. He is also a columnist in many engineering magazines and vernacular press.

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. P V Rao will hold office up to the date of the ensuing Annual General Meeting. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of ₹1,00,000/- proposing the candidature of Mr. P V Rao for the office of director.

The Board recommends the resolution set out at item no. 7 of the notice for your approval. No director, key managerial personnel or their relatives, except Mr. P V Rao, to whom the resolution relates, is interested or concerned in the resolution.

#### **Item # 8 Approval for payment of**

#### **remuneration to the Cost Auditors for the financial year ending 31st March, 2017**

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the M/s. Shaik & Associates., Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending 31st March, 2017 at a remuneration of ₹80,000/- p.a. as an audit fee including all taxes and duties and out of pocket expenses.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 8 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March, 2017.

The Board recommends the resolution for your approval. None of the Directors, key managerial personnel or their relatives is, in any way, concerned or interested in the said resolution.

#### **Item # 9 Approval of material related party transactions**

During the Financial Year 2015-16, your Company has entered into certain business transactions with M/s. Pennar Engineered Building Systems Limited (PEBS), a Subsidiary Company, which is a "Related Party" as defined under Section 2 (76) of the Companies Act, 2013. The Company is also proposed to enter into certain business transactions with PEBS during Financial Year 2016-17. These transactions are worth 3,612 Lakhs for F.Y. 2015-16 & estimated at Rs 4,000 Lakhs for F.Y. 2016-17. The details of such transactions are given below:-

### Transaction during 2015-16:

Sl. No.	Name of the related party	Salient features of the transaction	Nature of Transactions	Amount of Transaction (₹ In lakhs)
1.	Pennar Engineered Building Systems Limited (subsidiary of Pennar Industries Limited)	As per the sale/purchase orders entered into between the Company and PEBS	Purchase of Material Sale of Goods Other Services Rendered Other Services Received	3612

### Transaction during 2016-17 (estimated):

Sl. No.	Name of the related party	Salient features of the transaction	Nature of Transactions	Amount of Transaction (₹ In lakhs)
1.	Pennar Engineered Building Systems Limited (subsidiary of Pennar Industries Limited)	As per the sale/purchase orders to be entered into between the Company and PEBS at the time of entering in to transaction	Purchase of Material Sale of Goods Other Services Rendered Other Services Received	4000

#### Item # 10 Authority to borrow in excess of paid-up capital and free reserves

Through the proposed resolution it is sought to grant authority to the Board of Directors to secure the borrowings, if required, by creating charge/mortgage on the assets of the Company. The existing authority is derived from the earlier resolution. Since it is not practical to seek general meeting's approval every time a loan is sanctioned, it is proposed to obtain a blanket approval to secure the properties for the loans sanctioned within the limits of ₹500 Crore, as stated in the previous item. Even though section 180 (1) (a) refers to sale, lease or disposal of the whole or substantially whole of the undertaking of the Company, creating mortgage or charge on the assets give a right to the lender to take possession of or own the said properties in certain events, such creation of charge/mortgage in way constitutes sale or disposal of the undertaking of the Company. Therefore a resolution under Section 180 (1) (a) is required for this purpose.

The Board recommends the resolution for your approval. None of the Directors, key managerial personnel or their relatives is, in any way, concerned or interested in the said resolution.

#### Item # 11 Creation of charges

The Company requires to borrow funds from time to time to meet both its short term and long terms business objectives, from various external agencies like banks, financial institutions, bodies corporate, individuals or other kind of lenders. According to section 180 (1) (c) of the Companies Act, 2013, the total amount of such borrowings as well as the outstanding at any time cannot exceed the aggregate of paid up capital and free reserves of the Company, except with the consent of the members. The company felt that the said limit is not adequate and needs enhancement, accordingly the resolution having no. 11 has been proposed to increase the limits of borrowing to ₹500 Crore.

The Board recommends the resolution for your approval. None of the Directors, key managerial personnel or their relatives is, in any way, concerned or interested in the said resolution.

#### Item # 12 Service of Documents on Members

Section 20 of the Companies Act, 2013 deals with service of documents by the Company, inter-alia, enables the Company to dispatch any document to a member as per his mode of request subject to deposit of such fee as determined by the members

in the annual general meeting. Accordingly, consent of the members is sought for passing an Ordinary Resolution authorizing the Board of Directors to decide the fee payable as set out at Item No. 12 of the Notice on dispatch of document as per the choice of mode selected by any member of the Company. The Board recommends the resolution for approval of the members in the best interest of the Company. The rate indicated in the resolution is minimum rate per document at the minimum slab of the weight in the respective category of each of mode dispatch as mentioned thereat.

The Board recommends the resolution for your approval. None of the Directors, key managerial personnel or their relatives is, in any way, concerned or interested in the said resolution.

By Order of the Board  
for **Pennar Industries Limited**

**Mirza Mohammed Ali Baig**  
Company Secretary & Compliance Officer  
ACS No. 29058

Place : Hyderabad  
Date : 12.08.2016

### 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 31st March, 2016	Chairman of the Committee of other companies on which he is a director as on 31st March, 2016	Member of the Committee of other companies on which he is a director as on 31st March, 2016	No of Shares held by them in the Company as on 31st March, 2016
<b>Aditya Rao</b>	06.12.1981	30.01.2008	Master's degree in Engineering Management from Cornell University, New York, USA	Experience in Corporate Business Planning	M/s. Pennar Engineered Building Systems Limited M/s. Pennar Enviro Limited M/s. Pennar Solar Limited M/s. New ERA Enviro Ventures (Kairimnagar) Private Limited M/s. 135 Tech Labs Private Limited M/s. Mainstay Tech Solutions Private Limited M/s. Pennar Holdings Private Limited M/s. Revolution Craftbrews Private Limited	Nil	M/s. Pennar Engineered Building Systems Limited	49,62,508 Equity Shares of ₹5/- each.
<b>Vishal Sood</b>	23.02.1972	31.01.2012	B.E. M.B.A from IIM Ahmedabad	Experience in the field of management	M/s. SAIF Advisors Private Limited M/s. Manpasand Beverage Limited M/s. Zooropa foods Private Limited. M/s. TMA Hospitality Private Limited M/s. Vrinda Foods and Hospitality Private Limited M/s. Lighfoot consulting Private Limited M/s. Senco Gold Limited M/s. Aye Finance Private Limited M/s. KDDL Limited M/s. Fizzy Foodlabs Private Limited M/s. Glitterbuy Technologies Private Limited M/s. Light Ray Advisors LLP M/s. Emtex Engineering Private Limited	Nil	Nil	Nil

Particulars	Date of Birth	Date of appointment	Qualification	Expertise	List of Companies in which outside directorship held on 31st March, 2016	Chairman of the Committee of other companies on which he is a director as on 31st March, 2016	Member of the Committee of other companies on which he is a director as on 31st March, 2016	No of Shares held by them in the Company as on 31st March, 2016
<b>C Parthasarathy</b>	07.07.1955	09.11.2015	B.SC/LLB/ FCA/FCS	Experience in the field of management.	M/s. Karvy Stock Broking Limited M/s. Karvy Computershare Private Limited M/s. Karvy Comtrade Limited M/s. Karvy Consultants Limited M/s. Karvy Global Services Inc. USA M/s. Karvy Inc. USA M/s. Karvy Investment Advisory Services Limited M/s. Karvy Investor Services Limited M/s. Karvy Data Management Services Limited M/s. Karvy Infrastructure Resources Private Limited M/s. Ocean Sparkle Limited M/s. Granules India Limited M/s. TMI e2E Academy Private Limited	Nil	Nil	Nil
<b>Potluri Venkatewara Rao</b>	15.08.1959	30.03.2016	B. Tech (Civil Engineering)	Experience in the field of management	M/s. Pennar Engineered Building Systems Limited M/s. Pennar Enviro Limited M/s. Calderys India Refractories Limited	Nil	Nil	6,920 Equity Shares of ₹5/- each.

## Directors' Report

Dear Members,

Your Directors are pleased to present the fortieth Annual Report and the Company's audited financial statement for the financial year ended 31st March, 2016.

### Financial Results:

The Company's financial performance, for the year ended 31st March, 2016 is summarized below:

(₹ in lacs)

Particulars	Consolidated		Standalone	
	2015-16	2014-15	2015-16	2014-15
Gross sales	1,48,054	1,44,242	98,564	95,292
Operating profit (PBIDT)	15,133	12,086	8,092	7,038
Profit before tax (PBT)	9,404	6,660	4,159	3,337
Income Tax and Deferred Tax	3,580	2,347	1,457	1,204
Profit after tax (PAT)	4,385	3,590	2,702	2,133
Profit brought forward from previous year	22,466	18,883	17,406	15,273
Surplus available for appropriation	26,851	22,466	20,108	17,406
Appropriations				
Dividend	-	-	-	-
Corporate tax on proposed dividend	-	-	-	-
Transfer to General Reserve	-	-	-	-
Transfer to Capital Redemption Reserve	-	-	-	-
Balance of profit carried to Balance Sheet	26,851	22,466	20,108	17,406

### Result of Operations and the state of Company's affairs:

Your company has delivered good growth in sales as well as profitability. Our investment in developing new products and ability to attract new customers has helped us in this environment of high volatility in steel prices. Most of the business units of the company have achieved double digit growth in sales and profitability.

The consolidated gross sales of your company stood at ₹1480.5 crores, EBIDTA of ₹151.3 crores up by 25.2 % against previous year. Net profit of ₹43.9 crores up by 22.1% against previous year

### Consolidated Financial Statement:

In accordance with the Companies Act, 2013 ("the Act") and Accounting Standard (AS) - 21 on Consolidated Financial

Statements, the audited consolidated financial statement is provided in the Annual Report.

### Subsidiaries:

The following are three subsidiaries of the company as on 31st March, 2016.

- M/s. Pennar Engineered Building Systems Limited
- M/s. Pennar Enviro Limited
- M/s. New Era Enviro Ventures (Karimnagar) Private Limited

The performance of the subsidiaries is as hereunder:

#### (a) M/s. Pennar Engineered Building Systems Limited (PEBSL)

Your company's subsidiary, M/s. Pennar Engineered Building Systems Limited, is one among the top players of pre engineering building segment in India with gross sales of

₹508.63 Crores. EBIDTA of ₹65.04 crores up by 39% compared to previous year. PEBSL has recorded a net profit of ₹30.16 crores, representing 38% of growth compared to previous financial year.

#### (b) M/s. Pennar Enviro Limited (PEL)

Your company's subsidiary, M/s Pennar Enviro Limited, has recorded gross sales of ₹100.50 crores as against ₹29.43 crore during previous year. EBIDTA of ₹5.57 crores up by 207% compared to previous year. PEL has recorded a net profit of ₹1.45 crores.

#### (c) M/s. New Era Enviro Ventures (Karimnagar) Private Limited (NEEVKPL)

Your company's subsidiary has commissioned 28 DC MW solar power plants under a PPA with Telangana government at ₹6.45. The plants are located at 3 locations near Hyderabad, Telangana.

The financial position of each of the

subsidiaries, as per the Companies Act, 2013 is annexed. The Policy for determining material subsidiaries may be accessed on the Company's website at the link: <http://www.pennarindia.com/policy-determining-material.html>.

The information on subsidiaries pursuant to Section 129(3) of the Act read with rule 5 of the Companies (Accounts) Rules, 2014 is annexed herewith as Annexure - A in Form AOC - 1.

### **Material Changes and Commitments if any affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report:**

There are no material changes and commitments affecting the financial position of the Company.

### **Dividend, Fixed Deposits and General Reserves:**

The company has undertaken capacity expansion and product diversification in Financial Year 2015-16 and shall continue the same for the Financial Year 2016-17. This will help the company to achieve margin and revenue growth in the coming years. The company is funding these activities through internal accruals. The company till date has not taken any term loan to fund these. Therefore your Directors are not recommending a dividend on equity shares. However the company has redeemed the third and final annual installment of 0.01% Cumulative Redeemable Preference shares of ₹1.67/- each @ ₹1.67/- per share along with Dividend at 0.01% during the year 2015-16.

Your Company has not accepted any fixed deposits and no amount has been carried to General Reserves during the year.

### **Particulars of Loans given, Investments made, Guarantees given and Securities provided:**

Particulars of loans given, investments made, guarantees given and securities provided along with the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient are provided in the standalone financial statement.

### **Internal Financial Controls:**

The details in respect of internal financial control and their adequacy are included in the Management Discussion & Analysis, which forms part of this report.

### **Contract and Arrangement with Related Parties:**

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had entered into contract / arrangement / transaction with material related party which could be considered material in accordance with the policy of the Company on materiality of related party transactions. The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: <http://www.pennarindia.com/policy-related-party-transactions.html>.

The Information on transactions with related parties pursuant to Section 134(3) (h) of the Act read with rule 8(2) of the

Companies (Accounts) Rules, 2014 are annexed herewith as Annexure - B in Form AOC-2.

### **Change in the nature of business, if any:**

There is no material change in the nature of business affecting the financial position of the Company for the year ended 31st March, 2016.

### **Credit Rating:**

CARE has reaffirmed the 'CARE A'(Single A) rating assigned to 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 to short term bank facilities of the Company. 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.

### **Liquidity:**

Your company has undertaken number of steps to maintain strong liquidity levels. The consolidated net debt level is at ₹171.32 Crore. Your company continues to focus on generating strong cash flows to meet its future growth plans and is comfortable with its current liquidity positions.

### **Board of Directors and Key Managerial Personnel:**

None of the Directors of the company are disqualified under the provisions of the Act or under the Listing Regulations.

Mr. Aditya Rao, and Mr. Vishal Sood who retire by rotation and being eligible offer themselves for re-appointment. Your Board recommends their appointment.

The Board of Directors appointed Mr. C Parthasarathy as Additional Non-Executive Independent Director of the Company at its meeting held on 9th November, 2015. His appointment has to be ratified by the Members at the ensuing Annual General Meeting. Your Board recommends his appointment.

The Board of Directors appointed Mr. P V Rao as Additional Non-Executive Director of the Company by a resolution passed by circulation on 30th March, 2016. His appointment has to be ratified by the Members at the ensuing Annual General Meeting. Your Board recommends his appointment.

Pursuant to the provisions of Listing Regulations, brief particulars of the Directors who are proposed to be appointed/re-appointed are provided as an annexure to the notice convening the Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which includes criteria for performance evaluation of the Non-Executive Directors and Executive Directors. The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in

which the Company operates, business model of the Company and related matters are put up on the website of the Company at the link: <http://www.pennarindia.com/policy-familiarization-programme.html>.

### **Meetings of the Board:**

Five meetings of the Board of Directors were held during the year. For further details, please refer the same in Corporate Governance report in this Annual Report.

### **Directors Responsibility Statement:**

#### **Your Directors state that:**

- a) in the preparation of the annual accounts for the year ended 31st March, 2016, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the profit of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a 'going concern' basis;
- e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the

provisions of all applicable laws and that such systems are adequate and operating effectively.

### **Corporate Governance:**

The Company is committed to maintain the highest standard of corporate governance and adhere to the corporate governance requirements set out by Securities Exchange Board of India. The Report on corporate governance as stipulated under the Listing Regulations is annexed herewith as Annexure - C. The requisite certificate from M/s. Mohammed Irfan & Associates, Company Secretaries confirming compliance with the conditions of corporate governance is annexed herewith as Annexure - D.

### **Corporate Social Responsibility (CSR):**

In terms of section 135 and Schedule VII of the Companies Act, 2013, and the rules made thereunder the Board of Directors of your Company has constituted a CSR Committee. The Committee comprises of two Independent Directors and two Executive Directors. The Corporate Social Responsibility Committee (CSR Committee) has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken, which has been approved by the Board.

Your company has formed a foundation named 'Pennar Foundation' for undertaking some CSR activities. The Annual Report on CSR activities is annexed herewith as Annexure - E.

### **Nomination and Remuneration Policy:**

The Nomination and Remuneration Committee of the Company identifies the persons, who are qualified to become Directors of the Company / who may be appointed in Senior Management in

accordance with the criteria laid down and recommend to the Board for their appointment and removal. The Committee also carries out evaluation of every Director's performance. The Committee has formulated the criteria for determining qualifications, attributes, independence of the Directors and recommend to the Board a Policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

### **Risk Management:**

Pursuant to section 134 (3) (n) of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, the company has formulated a policy on risk management. At present, the company has not identified any element of risk which may threaten the existence of the company.

### **Statutory Auditors:**

Pursuant to the provisions of section 139 of the Act and the rules framed thereunder, M/s. Rambabu & Co., Chartered Accountants, were appointed as statutory auditors of the company from the conclusion of the 38th Annual General Meeting of the company held on 30th September, 2014 till the conclusion of the 41st Annual General Meeting to be held in the year 2017, subject to ratification of their appointment at every Annual General Meeting. The Notes on financial statements referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation or adverse remark.

### **Cost Auditors:**

The Cost Audit Report for the year ended 31st March, 2015 was reviewed by the Audit Committee at its meeting held on 11th August, 2015 and has been filed with Registrar of Companies on 1st October, 2015.

The Cost Audit for the year ended 31st March 2016 is in progress and the Cost Audit Report will be filed with the Registrar of Companies within the stipulated time. The Board of Directors at its meeting held on 12th August, 2016 appointed M/s. Shaik & Associates., Cost Accountants, Hyderabad as Cost auditors of the company for the year ending 31st March, 2017.

### **Auditor to conduct Secretarial Audit:**

The Board has appointed M/s. Mohammed Irfan and Associates, Company Secretaries, to conduct Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year ended 31st March, 2016 is annexed herewith as Annexure - F. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

### **Audit Committee:**

The details pertaining to composition of audit committee are included in the Corporate Governance Report, which forms part of annual report.

### **Vigil Mechanism/Whistle Blower Policy:**

Pursuant to Section 177 of the Companies Act, 2013 read with Rule 7 of Companies (Meetings of Board and its Powers) Rules, 2014, the Company has established a Whistle Blower Policy to deal with instance of fraud and mismanagement, if any. The details of the Whistle Blower Policy are explained in the Corporate Governance Report. The Policy on vigil mechanism and whistle blower policy may be accessed on the Company's website at the link: <http://www.pennarindia.com/vigil-mechanism.html>

### **Conservation of energy, technology absorption and foreign exchange earnings and outgo:**

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act, is annexed herewith as Annexure - G.

### **Extract of Annual Return:**

Extract of Annual Return of the Company is annexed herewith as Annexure - H.

### **Particulars of Employees and related disclosures:**

The information required under section 197 of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the Statement under Section 134 of the Companies Act 2013 read with Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith as Annexure - I.

### **Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

The Company has in place an Internal Complaints Committee which has been set up to redress complaints regarding sexual harassment. The following is the summary of sexual harassment complaints received and disposed off during the year:

- i) No. of complaints received : nil
- ii) No. of complaints disposed off: nil

### **Listing of Equity Shares:**

The Company's equity shares are listed at the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Metropolitan Stock Exchange of India Limited.

### **Dematerialisation of Shares:**

98.50 % of the company's paid-up Equity Share Capital is in dematerialized form as

on 31st March, 2016 and balance 1.50% is in physical form.

### **Redemption of 0.01% Cumulative Redeemable Preference Shares:**

The company has redeemed the third and final annual installment of 1,66,49,119 Cumulative Redeemable Preference Shares of ₹1.67/- each at a rate of ₹1.67/- per share along with dividend at 0.01% on redemption value as per the terms and conditions of the 'Scheme of Reconstruction and Arrangement' sanctioned by the High Court of Andhra Pradesh.

Your company has filed necessary Corporate Action form for extinguishment of ISIN number for the aforesaid preference shares and the same stands extinguished as on date.

### **Managing Director Certification under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

The Vice-Chairman & Managing Director certification under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed herewith as Annexure-J.

### **Personnel / Industrial Relations:**

The Company maintained cordial and harmonious relations at all levels at the offices and plants of the Company and its

subsidiaries throughout the year under review.

### **The details of significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and company's operations in future:**

In terms of sub rule 5(vii) of Rule 8 of Companies (Accounts) Rules, 2014, there are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

### **Management Discussion and Analysis:**

The "Management Discussion and Analysis Report" highlighting the industry structure and developments, opportunities and threats, future outlook, risks and concerns etc. is furnished separately and forms part of this Board's Report.

### **Listing Agreement:**

The Securities and Exchange Board of India (SEBI), on 2nd September, 2015, issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the aim to consolidate and streamline the provisions of the Listing Agreement for different segments of capital markets to ensure better enforceability. The said regulations were effective 1st December,

2015. Accordingly, all listed entities were required to enter into the Listing Agreement within six months from the effective date. The Company entered into Listing Agreement with National Stock Exchange of India Limited, BSE Limited and Metro Politian Stock Exchange of India Limited.

### **Appreciation:**

Your directors take this opportunity to express their appreciation for the co-operation to all the suppliers and customers who have been associated with the Company as partners. The Directors would also like to take this opportunity to thank the financial institutions, 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. We look forward to further support.

By Order of the Board  
for **Pennar Industries Limited**

Place : Hyderabad  
Date : 12.08.2016

**Nrupender Rao**  
Executive Chairman  
Din: 00089922

## Form No. AOC – 1

(Pursuant to the first provision to sub-section 3 of Section 129, read with Rule 5 of Companies (Accounts) Rules, 2014);  
Salient Features of Financial Statements of Subsidiary/associate companies/joint ventures as per Companies Act, 2013

### Part "A": Subsidiaries

Amount in ₹ Lakhs

1.	Name of Subsidiary	Pennar Engineered Building Systems Limited	Pennar Enviro Limited	New Era Enviro Ventures Karimnagar Private Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable	Not Applicable	Not Applicable
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Not Applicable	Not Applicable	Not Applicable
4.	Share Capital	3,427	837	500
5.	Reserves & Surplus	17,787	168	4,568
6.	Total Assets	48,575	7,974	18,840
7.	Total Liabilities	27,361	6,969	13,772
8.	Investments	3,315	2	0
9.	Turnover	49,121	10,050	0
10.	Profit Before Taxation	4,938	346	7
11.	Provision for Taxation	1,922	201	0
12.	Profit after Taxation	3,016	145	7
13.	Proposed Dividend	-	-	-
14.	% of Shareholding	53.98%	51.03%	99.61%

#### Additional Information:

1.	Names of subsidiaries which are yet to commence operations	New Era Enviro Ventures (Karimnagar) Private Limited
2.	Names of subsidiaries which have been liquidated or sold during the year.	Nil

#### Part "B": Associates/Joint Ventures

1.	Name of Associates/Joint Ventures	Nil
2.	Latest audited Balance Sheet Date	
3.	Shares of Associate/Joint Ventures held by the company on the year end	
4.	Amount of Investment in Associates/Joint Venture	
5.	Extend of Holding %	
6.	Description of how there is significant influence	
7.	Reason why the associate/joint venture is not consolidated	
8.	Networth attributable to Shareholding as per latest audited balance sheet	
9.	Profit/Loss for the year	
	i. Considered in Consolidation	
	ii. Not Considered in Consolidation	

#### Additional Information:

1.	Names of associates or joint ventures which are yet to commence operations	Nil
2.	Names of associates or joint ventures which have been liquidated or sold during the year	

for **Pennar Industries Limited**

**Mirza Mohammed Ali Baig**  
Company Secretary  
ACS 29058

**J S Krishna Prasad**  
Chief Financial Officer

**Aditya Rao**  
Vice-Chairman & Managing Director  
DIN 01307343

**Nrupender Rao**  
Chairman  
DIN 00089922

## Form No. AOC - 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

### Form for disclosure of particulars of contracts / arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis: M/s. Pennar Industries Limited has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2015-16.

a.	Name(s) of the related party and nature of relationship	Not Applicable
b.	Nature of contracts/arrangements/transactions	
c.	Duration of the contracts / arrangements/ transactions	
d.	Salient terms of the contracts or arrangements or transactions including the value, if any	
e.	Justification for entering into such contracts or arrangements or transactions	
f.	date(s) of approval by the Board	
g.	Amount paid as advances, if any	
h.	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

a.	Name(s) of the related party and nature of relationship	1. Pennar Engineered Building Systems Limited (Subsidiary Company) 2. Pennar Enviro Limited (Subsidiary Company) 3. New Era Enviro Ventures (Karimnagar) Private Limited (Subsidiary Company)
b.	Nature of contracts/arrangements/transactions	Sale of Steel Products, Purchase of Steel products, Job works etc.
c.	Duration of the contracts / arrangements/ transactions	April 2015 to March 2016
d.	Salient terms of the contracts or arrangements or transactions including the value, if any	The contract was entered into in the ordinary course of business and on arm's length basis. (for details of transactions during the year refer Note no 34 to the Standalone financial statements).
e.	Date(s) of approval by the Board	13.05.2015; 12.08.2015; 09.11.2015; 11.02.2016
f.	Amount paid as advances, if any	₹840 lakhs paid as advance to M/s. Pennar Enviro Limited.

**By Order of the Board**  
for **Pennar Industries Limited**

**Nrupender Rao**

Chairman

DIN 00089922

# Corporate Governance Report

Pursuant to Regulation 34 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Directors present below a detailed Compliance Report on Corporate Governance. At Pennar Industries Limited (PIL), Corporate Governance is all about maintaining a valuable relationship and trust with all stakeholders. We consider stakeholders as partners in our success, and we remain committed to maximising stakeholders' value, be it shareholders, employees, suppliers, customers, investors, communities or policy makers. This approach to value creation emanates from our belief that sound governance system, based on relationship and trust, is integral to creating enduring value for all.

## 1. Company's philosophy on Code of Corporate Governance:

The Company continues to adhere to the good corporate practices established by it, in all its business activities. The Company aims at achieving transparency, accountability and equity, in its operations, interactions with stakeholders, including

shareholders, lenders and the Government through good governance and best business practices. The Company will continue to focus on maximizing its stakeholders' wealth, adopt best business practices and ensure fairness, transparency and ethical governance in its affairs. The Company adopts a Code of Conduct for its employees including the Board of Directors, Insider Trading Policy and Whistle Blower Policy to ensure compliances and fairness in all its operations and dealings. The Code of Conduct is available on the Company's website at [www.pennarindia.com](http://www.pennarindia.com). The Company is in compliance of requirements of Corporate Governance guidelines stipulated in the Listing Agreement entered with the Stock Exchanges and the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.

## 2. Appropriate Governance Structure with defined roles and responsibilities:

The Company's shareholders appoint the Board of Directors, which in turn governs

the Company. The Board has established six committees to discharge its responsibilities in an effective manner. The Executive Chairman and Vice-Chairman & Managing Director provide overall direction and guidance to the Board. Concurrently, the Vice-Chairman and Managing Director is responsible for overall implementation.

## 3. Board of Directors:

The Board of Directors of the Company have an optimum combination of Executive, Non-Executive and Independent Directors who have an in-depth knowledge of business, in addition to the expertise in their areas of specialization. The Board of the Company comprises Ten Directors that includes one Women Director. None of the Directors on the Board is Member of more than ten Committees or Chairman of more than five Committees across all the public companies in which he/she is a Director. Necessary disclosures regarding Committee positions in other public companies as on 31st March, 2016, have been made by the Directors.

### (a) Composition and Category of Directors as of 31st March, 2016 is as follows:

Category	No. of Directors	%
Executive Directors	3	25
Non-Executive Non-Independent Directors	3	25
Non-Executive Independent Directors	6	50
<b>Total</b>	<b>12</b>	<b>100</b>

### (b) Number of Board meetings held during the financial year and the dates of the Board meetings:

The Board of Directors duly met 4 times during the financial year from 1st April, 2015 to 31st March, 2016. The dates on which the meetings were held are as follows: 13th May, 2015; 12th August, 2015; 9th November, 2015; and 11th February, 2016.

**(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 30th September, 2015
1.	Mr. Nrupender Rao	Executive Chairman	4	3	Yes
2.	Mr. Ravi Chachra	Non-Executive Director	4	4	No
3.	Mr. P V Rao §	Independent Non-Executive Director	Nil	Nil	No
4.	Mr. C Parthasarathy #	Independent Non-Executive Director	2	1	No
5.	Mr. B Kamalaker Rao	Independent Non-Executive Director	4	4	Yes
6.	Mr. Manish Sabharwal	Independent Non-Executive Director	4	3	No
7.	Mr. J Ramu Rao	Independent Non-Executive Director	4	2	No
8.	Mr. Vishal Sood	Non-Executive Director	4	1	No
9.	Mr. Varun Chawla	Independent Non-Executive Director	4	2	No
10.	Mr. Aditya Rao	Vice-Chairman & Managing Director	4	4	Yes
11.	Mr. K Lavanya Kumar	Whole-Time Director	4	4	Yes
12.	Dr. Sita Vanka	Independent Non-Executive Director	4	3	No

The Board taken on record the following:-

# Appointment of Mr. C Parthasarathy on 9th November, 2015;

§ Appointment of Mr. P V Rao on 30th March, 2016;

**(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 Directorships in other Companies		Number of Committee memberships held in other Companies	
		Chairman	Director	Chairman	Member
1.	Mr. Nrupender Rao	3	4	1	-
2.	Mr. Ravi Chachra	-	-	-	-
3.	Mr. P V Rao §	-	3	-	-
4.	Mr. C Parthasarathy #	7	9	5	1
5.	Mr. B Kamalaker Rao	1	3	4	2
6.	Mr. Manish Sabharwal	-	2	-	1
7.	Mr. J Ramu Rao	-	2	-	-
8.	Mr. Vishal Sood	-	3	-	-
9.	Mr. Varun Chawla	-	1	-	-
10.	Mr. Aditya Rao	-	4	-	3
11.	Mr. K Lavanya Kumar	-	2	-	-
12.	Dr. Sita Vanka	-	1	-	-

The Board taken on record the following:-

# Appointment of Mr. C Parthasarathy on 9th November, 2015;

§ Appointment of Mr P V Rao on 30th March, 2016;

Mr. Nrupender Rao and Mr. Aditya are inter-se related. (Mr. Aditya Rao is son of Mr. Nrupender Rao)

#### 4. Independent Directors:

The Company has complied with the definition of Independence as per the Clauses of the Listing Regulations and according to the Provisions of Section 149(6) Companies Act, 2013. The company has also obtained declarations from all the Independent Directors pursuant to section 149 (7) of the Companies Act, 2013.

##### (a) Training of Independent Directors:

Whenever new Non-executive and Independent Directors are inducted in the Board they are introduced to our Company's culture through appropriate orientation session and they are also introduced to our organization structure, our business, constitution, board procedures, our major risks and management strategy. The terms of appointment of Independent Directors has been placed on the Company's website at [http://www.pennarindia.com/pdf/Investor\\_presentation/terms-of-appointment-of-independent-directors.pdf](http://www.pennarindia.com/pdf/Investor_presentation/terms-of-appointment-of-independent-directors.pdf)

##### (b) Familiarisation programmes for Board Members

The Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarise with the Company's procedures and practices. Updates on relevant statutory changes are circulated to the Directors. The details of familiarisation programmes for Independent Directors are available in the website of the company at <http://www.pennarindia.com/pdf/details-familiarization-programmes-imparted.pdf>

##### (c) Performance Evaluation of non-executive and Independent Directors:

The Board evaluates the performance of Non-executive and Independent Directors every year. All the Non-executive and Independent Directors are eminent personalities having wide experience in the field of business, industry and administration. Their presence on the Board is advantageous and fruitful in taking business decisions.

##### (d) Separate Meeting of the Independent Directors:

The Independent Directors held a Meeting on 11th February, 2016, without the attendance of Non-Independent Directors and members of Management. All the Independent Directors were present at the meeting. The following issues were discussed in detail:

- i) Reviewed the performance of non-independent directors and the Board as a whole;
- ii) Reviewed the performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors;
- iii) Assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

#### 5. Audit Committee:

##### (a) Brief description of the terms of reference

The Audit Committee of the Company is entrusted with the responsibility to supervise the Company's internal controls and financial reporting process and, inter alia, performs the following functions:

- overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- reviewing and examining with management the quarterly financial results before submission to the Board;
- reviewing and examining with management the annual financial statements before submission to the Board and the auditors' report thereon;
- review management discussion and analysis of financial condition and results of operations;
- scrutiny of inter-corporate loans and investments made by the Company;

- reviewing with management the annual financial statements as well as investments made by the unlisted subsidiary companies;
- reviewing, approving or subsequently modifying any Related Party Transactions in accordance with the Related Party Transaction Policy of the Company;
- approving the appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;
- recommending the appointment, remuneration and terms of appointment of Statutory Auditors of the Company and approval for payment of any other services;
- reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- reviewing management letters / letters of internal control weaknesses issued by the Statutory Auditors;
- discussing with Statutory Auditors, before the commencement of audit, on the nature and scope of audit as well as having post-audit discussion to ascertain area of concern, if any;
- reviewing with management, Statutory Auditors and Internal Auditor, the adequacy of internal control systems;
- reviewing the financial statements, in particular, the investments made by the unlisted subsidiaries;
- recommending appointment, remuneration and terms of appointment of Internal Auditor of the Company;
- reviewing the adequacy of internal audit function and discussing with Internal Auditor any significant finding and reviewing the progress of corrective actions on such issues;
- evaluating internal financial controls and risk management systems;
- valuating undertaking or assets of the Company, wherever it is necessary;
- reviewing the functioning of the Whistle Blowing mechanism;

The Audit Committee ensures that it has reviewed each area that it is required to review under its terms of reference and under applicable legislation or by way of good practice. This periodic review ensures that all areas within the scope of the Committee are reviewed. The Committee is governed by the Terms of Reference which are in line with the regulatory requirements mandated by the Act and Listing Regulations. The Audit Committee also reviews the functioning of the Code

of Business Principles and Whistle Blower Policy of the Company and cases reported thereunder. The recommendations of Audit Committee are duly approved and accepted by the Board.

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

The Committee comprises of the following:

**1. Mr. B Kamalaker Rao**

- *Chairman (Independent Non-Executive Director)*

**2. Mr. C Parthasarathy**

- *Chairman (Independent Non-Executive Director)@*

**3. Mr. Varun Chawla**

- *Member (Independent Non-Executive Director)*

**4. Mr. Aditya Rao**

- *Member (Non-Independent Executive)*

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

During the year under review, the Committee met fourtimes on 12th May, 2015; 11th August, 2015; 7th November, 2015; and 10th February, 2016. The details of attendance are given below:

Sl. No.	Name of the Member	No. of Meetings held	No. of Meetings attended
1.	Mr. B Kamalaker Rao	4	4
2.	Mr. C Parthasarathy @	4	Nil
3.	Mr.VarunChawla	4	4
4.	Mr. Aditya Rao	4	4

@The Board has taken on record the appointment of Mr. C Parthasarathy as member of the Committee on 11th February, 2016.

Company Secretary is the Secretary to the Audit Committee. All the members are financially literate and possess the requisite financial/business acumen to specifically look into the internal controls and audit procedures.

M/s. Rambabu & Co., Statutory Auditors, M/s. R Krishna & Associates., Internal Auditors and Mr. Krishna Prasad, Chief Financial Officer of the Company 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. The Chairman of the Audit Committee was present at the last Annual General Meeting.

The Committee periodically interacts with the Auditors, reviews the Company's financial and risk management policies and adequacy of internal controls with the management and is responsible

for effective supervision of the financial reporting process and compliance with financial policies etc.,

**6. Nomination and Remuneration Committee:**

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

In terms of Section 178(1) of the Companies Act, 2013 and Regulation 19 of Listing Regulations, the Nomination and Remuneration Committee should comprise of at least three Directors; all of whom should be Non-Executive Directors. At least half of the Committee members should be Independent with an Independent Director acting as the Chairman of the Committee. Pursuant to provisions of Regulation 19(2) of Listing Regulations the Executive Chairman of the Company was appointed as member of the Committee.

The role of Nomination and Remuneration Committee is as follows:

- Determine/ recommend the criteria for

appointment of Executive, Non-Executive and Independent Directors to the Board;

- Determine/ recommend the criteria for qualifications, positive attributes and independence of Director;
- Identify candidates who are qualified to become Directors and who may be appointed in the Management Committee and recommend to the Board their appointment and removal;
- Review and determine all elements of remuneration package of all the Executive Directors, i.e. salary, benefits, bonuses, stock options, pension etc;
- Review and determine fixed component and performance linked incentives for Directors, along with the performance criteria;
- Determine policy on service contracts, notice period, severance fees for Directors and Senior Management;
- Formulate criteria and carry out evaluation of each Director's performance and performance of the Board as a whole;

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

The Nomination and Remuneration Committee of the Company consists of 3 Non-Executive Independent Directors and 1 Executive Chairman of the Company.

**1. Mr. B Kamalaker Rao**

- *Chairman (Independent Non-Executive Director)*

**2. Mr. C Parthasarathy**

- *Member (Independent Non-Executive Director)*@

**3. Mr. Varun Chawla**

- *Member (Independent Non-Executive Director)*

**4. Mr. Nrupender Rao**

- *Member (Chairman - Executive)*

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

During the year the Committee had one meeting i.e., on 9th November, 2015. The details of attendance are given below:

Sl. No.	Name of the Member	No. of Meetings held	No. of Meetings attended
1.	Mr. B Kamalaker Rao	1	1
2.	Mr. C Parthasarathy@	1	Nil
3.	Mr. Varun Chawla	1	1
4.	Mr. Nrupender Rao	1	Nil

@The Board has taken on record the appointment of Mr. C Parthasarathy as member of the Committee on 11th February, 2016.

(d) Performance Evaluation of Board, Committees, Individual Directors and Independent Directors

Pursuant to the provisions of the Companies Act, 2013 read with rules made thereunder and provisions of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015, the Board carried out the annual performance evaluation of its own performance, as well as the evaluation of the working of its Audit, Nomination and Remuneration and Stakeholders Relationship Committees. The evaluation took into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance the Company and its stakeholders. It was observed that the Board played a vital role in formulation and monitoring of policies.

The evaluation in respect of the committees took into consideration inputs received from the Directors, covering various aspects of the Committees functioning such as, the amount of responsibility delegated by the Board to each of the committees is appropriate, the committees take effective and proactive measures to perform its

functions, the reporting by each of the Committees to the Board is sufficient. It was observed that the Board had constituted sufficient committees wherever required with well-defined terms of reference whose composition was in compliance with the legal requirement and their performance reviewed periodically. It was found that the Committees gave effective suggestion and recommendation to the Board.

The evaluation of individual director was made taking into consideration inputs received from the Directors, covering various aspects such as the directors understand their duties, responsibilities, qualifications, disqualifications and liabilities as a director, the directors are familiar with the Company's vision, policies, values and code of conduct, they have adequate knowledge of the Company's key operations, financial condition, key developments and abreast with the latest developments and factors affecting the business of the Company and the sector as a whole. It was observed that the directors understood the governance, regulatory, legal, financial, fiduciary and ethical requirements of the Board, attended all Board/Committee Meetings well prepared and participated in the meetings constructively by providing inputs and suggestions to the Management/Board in

areas of their domain expertise.

The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors at a separate meeting held on 11th February, 2016. The evaluation also assessed the quality, quantity and timeliness of the flow of information between the management and the Board that is necessary for it to effectively and reasonably perform its duties. A separate exercise was carried out to evaluate the performance of Individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company etc. The Chairman and the Non-Independent Directors discharged their responsibilities in an effective manner.

The Board evaluated the performance of Independent Directors considering various parameters such as their familiarity with the Company's vision, policies, values, code of conduct, their attendance at Board and Committee Meetings, whether they participate in the meetings constructively by providing inputs and provide suggestions to the Management/Board in areas of domain expertise, whether they seek clarifications by raising appropriate

issues on the presentations made by the Management/reports placed before the Board, Practice Confidentiality, whether the director is a team player and considers the views of the other members, Engages with the senior management personnel as and when required, Understands the governance, regulatory, legal, financial, fiduciary and ethical requirements of the Board. The directors took advantage of opportunity to upgrade skills by regularly attending familiarization programmes. All the Directors have discharged their responsibilities in an effective manner.

**(e) Remuneration policy:**

The Company has formulated a

Remuneration Policy. It is in consonance with the existing industry practice and also with provisions of the Companies Act, 2013. Following are the objectives covered in the policy:

\* Identifying and selection of candidates for appointment as Directors / Independent Directors based on certain laid down criteria.

\* Identifying potential individuals for appointment as Key Managerial Personnel and to other Senior Management positions.

\* Formulate and review from time to time the policy for selection and appointment of Directors, Key Managerial Personnel and senior management employees and their

remuneration.

\* Review the performance of the Board of Directors and Key Managerial Personnel based on certain criteria as approved by the Board. In reviewing the overall remuneration of the Board of Directors and Key Managerial Personnel, the Committee ensures that the remuneration is reasonable and sufficient to attract, retain and motivate the best managerial talent, the relationship of remuneration to performance is clear and meets appropriate performance benchmarks and that the remuneration involves a balance between fixed and incentive pay reflecting short term and long term objectives of the Company.

(f) 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 2015-16 is given below:

Name of the Director	Designation	Salary	Commission	Provident fund, Superannuation fund and other perquisites (₹)	Sitting Fee	Total
Mr. Nrupender Rao	Executive Chairman	97,99,992	67,95,532	21,00,000	-	1,86,95,524
Mr. Ravi Chachra	Non-Executive Director	-	-	-	20,000	20,000
Mr. P V Rao §	Independent Non-Executive Director	-	-	-	-	-
Mr. C Parthasarathy #	Independent Non-Executive Director	-	-	-	10,000	10,000
Mr. B Kamalaker Rao	Independent Non-Executive Director	-	-	-	66,500	66,500
Mr. Manish Sabharwal	Independent Non-Executive Director	-	-	-	-	-
Mr. J Ramu Rao	Independent Non-Executive Director	-	-	-	-	-
Mr. Vishal Sood	Non-Executive Director	-	-	-	-	-
Mr. Varun Chawla	Independent Non-Executive Director	-	-	-	41,000	41,000
Mr. Aditya Rao	Vice-Chairman & Managing Director	78,00,000	45,30,355	17,16,000	-	1,40,46,355
Mr. K Lavanya Kumar	Whole-Time Director	32,93,400	-	3,06,600	-	36,00,000
Dr. Sita Vanka	Independent Non-Executive Director	-	-	-	15,000	15,000

The Board taken on record the following:-

# Appointment of Mr. C Parthasarathy on 9th November, 2015;

§ Appointment of Mr. P V Rao on 30th March, 2016;

All the Non-Executive Directors receive remuneration only by way of sitting fees for attending the meetings of the Board and Committee thereof. However the Criteria of making payments to non-executive directors is available on the website of the Company viz., <http://www.pennarindia.com/policy-evaluation-directors.html>

**(g) Details of number of shares held by the Non-Executive/Independent Directors as on 31st March 2016:**

Name of the Director	Designation	No. of Shares held
Mr. Ravi Chachra	Non-Executive Director	-
Mr. C Parthasarathy #	Independent Non-Executive Director	-
Mr P V Rao §	Independent Non-Executive Director	6,920
Mr. B Kamalaker Rao	Independent Non-Executive Director	-
Mr. Manish Sabharwal	Independent Non-Executive Director	-
Mr. J Ramu Rao	Independent Non-Executive Director	-
Mr. Vishal Sood	Independent Non-Executive Director	-
Mr. Varun Chawla	Independent Non-Executive Director	-
Dr. Sita Vanka*	Independent Non-Executive Director	-

The Board taken on record the following:-

# Appointment of Mr. C Parthasarathy on 9th November, 2015;

§ Appointment of Mr. P V Rao on 30th March, 2016;

**7. Stakeholders Relationship Committee:**

The role of Stakeholders' Relationship Committee is as follows:

- consider and resolve the grievances of shareholders of the Company with respect to transfer of shares, non-receipt of annual report, non-receipt of declared dividend, etc;
- ensure expeditious share transfer process in line with the proceedings of the Share Transfer Committee;
- evaluate performance and service standards of the Registrar and Share Transfer Agent of the Company;
- provide guidance and make recommendations to improve investor

service levels for the investors.

a) Brief description of terms of reference

The Committee focuses primarily on monitoring expeditious redressal of investors / stakeholders grievances and also function in an efficient manner that all issues / concerns stakeholders are addressed / resolved promptly.

b) Name of Non-Executive Director heading the Committee:

The Committee functions under the Chairmanship of Mr. B Kamalaker Rao, a Non-Executive Independent Director.

Other members include Mr. Aditya Rao, Vice- Chairman & Managing Director and Mr. Varun Chawla, Non-Executive Independent Director.

c) Name and designation of Compliance Officer: Mr. Mirza Mohammed Ali Baig, Company Secretary.

d) Number of complaints received from shareholders: During the period under review, the Company has received and resolved 17 complaints and there were no pending complaints as at the year end.

e) Number of pending share transfers and complaints: Nil

f) Details of meetings and attendance by the members:

During the year the Committee met four times on 12th May, 2015, 11th August, 2015, 7th November, 2015; and 10th February, 2016.

Sl. No.	Name of the Member	No. of Meetings held	No. of Meetings attended
1.	Mr. B Kamalaker Rao	4	4
2.	Mr. Varun Chawla	4	3
3.	Mr. Aditya Rao	4	4

## 8. Corporate Social Responsibility (CSR):

### (a) Brief description of terms of reference

The Committee formulate and recommend to the Board, a CSR Policy and recommend the amount of expenditure to be incurred on CSR activities. Committee framed a transparent monitoring mechanism for implementation of CSR projects or programs or activities undertaken by the Company and also monitor CSR policy from

time to time.

### (b) Composition, name of members and chairperson

The CSR Committee of the Company consists of 2 Non-Executive Independent Directors and 2 Executive Directors of the Company.

1. Mr. B Kamalaker Rao - Chairman (Independent Non-Executive Director)
2. Mr. Varun Chawla - Member (Independent Non-Executive Director)

3. Mr. Nrupender Rao - Member (Chairman - Executive)

4. Mr. Aditya Rao - Member (Vice-Chairman & Managing Director)

### (c) Meetings and attendance during the year

During the year the Committee had two meetings i.e., on 12th May, 2015 and 11th August 2015. The details of attendance are given below:

Sl. No.	Name of the Member	No. of Meetings held	No. of Meetings attended
1.	Mr. B Kamalaker Rao	2	2
2.	Mr. Varun Chawla	2	2
3.	Mr. Nrupender Rao	2	2
4.	Mr. Aditya Rao	2	2

## 9. General body meetings:

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

Date	Year	Type	Venue	Time
30th September, 2015	2014-15	Annual General Meeting	Radisson, Hyderabad	10:00 A.M
30th September, 2014	2013-14	Annual General Meeting	Radisson, Hyderabad	10:00 A.M
31st July, 2013	2012-13	Annual General Meeting	Aditya Sarovar Premiere, Hyderabad	10:00 A.M

### (b) Special resolutions

All resolutions moved at the last Annual General Meeting were passed accordingly 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	Summary of the resolution
30th September, 2015	Yes	<ol style="list-style-type: none"> <li>1. Appointment of Mr. Nrupender Rao as Executive Chairman.</li> <li>2. Appointment of Mr. Aditya Rao as Vice-Chairman and Managing Director</li> <li>3. Appointment of Mr. K Lavanya Kumar as Whole-Time Director.</li> <li>4. Approval of material related party transactions.</li> <li>5. Create of Charges under Section 180(1)(a) of the Companies Act, 2013.</li> <li>6. Borrow in excess of paid-up capital and free reserves under Section 180(1)(c) of the Companies Act, 2013.</li> </ol>
30th September, 2014	Yes	<ol style="list-style-type: none"> <li>1. To designate Mr. Aditya Rao as Vice-Chairman and Managing Director.</li> <li>2. Appointment of Mr. K Lavanya Kumar as Whole-Time Director.</li> <li>3. Increase in investment limit under PIS by SEBI registered FII's from 24% to 35% in the paid-up capital of the company.</li> <li>4. Alteration of Articles of Association of the Company.</li> </ol>
31st July, 2013	No	NA

**(c) Whether any special resolution passed last year through postal ballot - details of voting pattern:**

The Company has issued notice for the Postal Ballot on 9th November, 2015 to the shareholders pursuant to Section 110 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, seeking their approval by means of postal ballot for Approval for Investments / Loans / Guarantees / Securities.

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/Managing Director/Company Secretary after receiving the Scrutiniser's Report announced on 31st December, 2015, that the Resolutions of the Postal Ballot Notice was duly passed as special resolution by the requisite majority.

The results are as follows:

Details	No of votes/shares received in favour of the Resolution (%)	No of votes/shares received against the resolution (%)	Neutral/Invalid/Abstain votes (%)
Physical	81,200	0	0
E-Voting	5,55,96,873	50,92,090	1,62,332
Total	5,56,78,073 (91.62)	50,92,090 (8.38)	1,62,332
	No of Shareholders voted in favour of the resolution	No of Shareholders Voted against the resolution	No. of Shareholders Votes Neutral/Invalid/Abstain
	39	4	1

Result: The resolution is passed with requisite majority

(d) Person who conducted the postal ballot exercise: Mr. S Chidambaram, Practicing Company Secretary, Hyderabad.

(e) Whether any special resolution is proposed to be conducted through postal ballot: No

(f) Procedure for postal ballot - Not Applicable.

(g) Information on Directors re-appointment as required under Clauses of the Listing Regulations with stock exchanges is given as a note appended to the explanatory statement of the AGM notice.

**10. Disclosures:**

**a) Related Party Transactions:**

No transaction of material nature that may have potential conflict with the interests of company at large was entered in to by the Company with the related parties. The 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 applicable accounting standards in the preparation of its financial statements.

by any stock exchange, SEBI on any matters relating to the capital market over the last three years.

**d) Whistle Blower Policy:**

The Company has a Whistle Blower Policy to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy ensures that strict confidentiality is

maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern. Employees may also report to the Chairman of the Audit Committee. During the year under review, no employee was denied access to the Audit Committee. The Policy on vigil mechanism and whistle blower policy may be accessed on the

**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

Company's website at the link: <http://www.pennarindia.com/vigil-mechanism.html>

**e) Risk Management:**

The Board regularly discusses the significant business risks identified by the Management and the mitigation process being taken. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities. At present the company has not identified any element of risk which may threaten the existence of the company.

**f) Code of Conduct:**

The Company has adopted the Code of Conduct which is applicable to the members of the Board and senior management of the Company. The Code of Conduct is available on the Company's website at the link: <http://www.pennarindia.com/code-of-conduct.html>

**g) Policy on Prevention of Insider Trading:**

The Company has also adopted a policy for prevention of Insider Trading which is made applicable to all the Directors and other designated employees who may have access to unpublished price-sensitive information, in accordance with SEBI (Prohibition of Insider Trading) Regulations. Accordingly such officials are prohibited from trading in the securities of the Company during the notified "Trading Window" period.

**h) Proceeds from public issues, rights issues, preferential issues etc.,**

During the financial year ended 31st March, 2016, there were no proceeds from public issues, rights issues, preferential issues, among others.

i) Management Discussion & Analysis is annexed to the Directors' Report and forms part of the Annual Report.

j) 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 Clauses of the Listing Regulations.

(k) Policy for determining 'material' subsidiaries is disclosed at [www.pennarindia.com](http://www.pennarindia.com) In terms of the Listing Agreement, the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Board of Directors has formulated a policy for determining material subsidiaries and the Policy is available on the website of the Company at <http://www.pennarindia.com/policy-determining-material.html>.

(l) Web link where policy on dealing with related party transactions: The Board has approved a policy for related party transactions which has been uploaded on the Company's website at <http://www.pennarindia.com/policy-related-party-transactions.html>.

(m) Disclosure of Commodity price risks and commodity hedging Activities: Not Applicable

**11. The requirements of Corporate Governance Report of sub-paras (2)-(10) of Part C to Schedule V of SEBI (Listing Obligations And Disclosure Requirements) Regulations 2015 are complied with.**

**12. The details of compliance of all discretionary requirements as specified in Part E of Schedule II of SEBI (Listing Obligations And Disclosure Requirements) Regulations 2015 are as under:**

**a. The Board**

The Company has appointed Mr. Nrupender Rao, Executive Director as the Chairman. 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.

**b. Shareholder Rights**

The Company publishes its results on its website at the link <http://www.pennarindia.com/un-audited-financial-results.html> 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 wide national circulation and also in a Telugu newspaper having wide circulation in Telangana. Hence, half-yearly results are not sent to the shareholders individually.

**c. Modified opinion(s) in audit report**

During the period under review, there is no audit qualification in Company's financial statements. The Company continues to adopt best practices to ensure unmodified audit opinion in its audit report.

**d. Separate posts of Chairman and CEO**

The Company has appointed Mr. Nrupender Rao, Executive Director as the Chairman and Mr. Aditya Rao as Managing Director.

**e. Reporting of Internal Auditor**

The Internal auditors are invited to the meetings of the Audit Committee wherein they report to the Audit Committee.

**13. Disclosures:**

The Company has complied with the requirements specified in Regulations 17 to 27 and clauses (b) to (i) of the Regulation 46(2) of the Listing Regulations. The Company has submitted quarterly compliance report on Corporate Governance with the Stock Exchanges, in accordance with the requirements of Regulation 27(2)(a) of the Listing Regulations.

**Website Disclosures**

The information regarding Details of business of the Company, Terms and conditions of appointment of Independent Directors, Composition of various Committees of Board of Directors, Code

of Conduct for Board of Directors and Senior Management Personnel, Details of establishment of vigil mechanism/ Whistle Blower policy, Criteria of making payments to Non-Executive Directors, Policy on dealing with Related Party Transactions, Details of familiarization programmes imparted to Independent Directors, Policy for determination of materiality of events, Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances, Email address for grievance redressal and other relevant details, Financial results, Shareholding pattern has been disseminated on the website of the Company at www.pennarindia.com

#### 14. Disclosures with respect to demat suspense account/ un-claimed suspense account-Not Applicable

#### 15. Means of communication:

(a) The quarterly/half-yearly/annual financial results of the Company are sent to the stock exchanges immediately after they

are approved by the Board.

(b) The Statutory advertisements and financial results of the company (Quarterly, Half-yearly and Annual) are normally published in 'Business Standards' in English and in 'Nava Telangana' regional language dailies (Telugu) within 48 hours of the conclusion of the Board meeting.

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

(d) Scores

The Securities Exchange Board of India has initiated a platform for redressing the investor grievances through SCORES, a web based complaints redressal system. The system processes complaints in a centralized web based mechanism. The company is in compliance with this system. During the financial year 2015-16 there

were no complaints.

(e) BSE Corporate Compliance & Listing Centre (the 'Listing Centre')

BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, among others are also filed electronically on the Listing Centre.

(f) National Electronic Application Processing System ('NEAPS')

National Stock Exchange announced a web based application system NEAPS for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, among others are also filed electronically on NEAPS.

(g) Metropolitan Stock Exchange of India ('mSXI')

Metropolitan Stock Exchange of India announced a web based application system MCX.SX for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, among others are also filed electronically on MCX.SX.

#### 16. General Shareholders Information:

Sl. No.	Particulars	Description
1.	Date, time and venue of Annual General Meeting	30th September, 2016 at 11:30 A.M. at Radisson Hi-Tech City, Gachibowli, Hyderabad - 32
2.	Financial calendar (Tentative schedule)	Financial year : 1st April, 2016 to 31st March, 2017 Board meetings for approval of quarterly results: 1st Quarter ended on 30th June, 2016: within 45 days from the close of quarter. 2nd Quarter ended on 30th September, 2016: within 45 days from the close of quarter. 3rd Quarter ended on 31st December, 2016: within 45 days from the close of quarter. Annual results for financial year ended 31st March, 2017 (audited): Within 60 days of the close of financial year. Annual general meeting for the year 2016-17 : In accordance with Companies Act, 2013 and amendment if any.
3.	Date of book Closure	23rd September, 2016 to 24th September, 2016 (both days inclusive)
4.	Dividend payment due	-
5.	Listing on stock Exchanges	<b>The Bombay Stock Exchange Limited</b> P.J.Towers, Dalal Street, Mumbai – 400001 <b>The National Stock Exchange of India Limited</b> Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051 <b>Metropolitan Stock Exchange Limited</b> 2nd Floor, Exchange Square Suren Road, Chakala, Andheri (East), Mumbai – 400 093

Sl. No.	Particulars	Description
6.	Stock Code	BSE: Equity- 513228 NSE EQUITY: PENIND mSXI EQUITY: PENIND
7.	Electronic connectivity	1. The National Securities Depository Ltd Trade World, Kamala Mills Compound, SenapatiBapatMarg, Lower Parel Mumbai – 400013 2. Central Depository Services (India) Ltd PhirozeJeejeebhoy Towers, 28th Floor Dalal Street, Mumbai – 400023
8.	Registered Office (address for correspondence)	Floor No. 3, DHFLVC Silicon Towers, Kondapur, Hyderabad – 500084 Telangana. India, Tel.No: +91 40 40061623 E-mail: corporatecommunications@pennarindia.com
9.	Registrar and Transfer Agents Communication regarding share transfers and other related correspondence	M/s. Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No. 31 & 32 Gachibowli Financial District Nanakramguda, Seriligampalli, Hyderabad - 500032, Phone: 040 67131524 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 arenormally processed within a period of 15 days from the date oflodging, 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 Registrar.

The Company has paid Listing fees for the year 2016-17 to all the aforesaid Stock Exchanges.

### 17. Distribution of shareholding as on 31st March, 2016 was as under:

Sl. No	Category	No of Holders	% of Holders	No of Shares	% of Shares
1.	upto 1 - 5000	37,865	88.02	88,18,176	7.33
2.	5001 - 10000	22,56	5.24	35,58,172	2.96
3.	10001 - 20000	1,274	2.96	37,95,376	3.15
4.	20001 - 30000	567	1.32	28,42,063	2.36
5.	30001 - 40000	201	0.47	14,24,481	1.18
6.	40001 - 50000	242	0.56	22,93,463	1.91
7.	50001 - 100000	303	0.70	43,89,558	3.65
8.	100001 & ABOVE	312	0.73	9,32,28,225	77.46
	<b>Total:</b>	<b>43,020</b>	<b>100.00</b>	<b>12,03,49,514</b>	<b>100</b>

### Shareholding Pattern as on 31st March, 2016 was as under:

Sl. No	Category	No of Holders	% of Holders	No of Shares	% Equity
1	Banks	9	0.02	68,375	0.06
2	Clearing Members	78	0.18	1,61,502	0.13
3	Foreign Institutional Investor	2	0.00	1,21,42,080	10.09
4	Foreign Nationals	1	0.00	3,079	0.00
5	Foreign Portfolio Investors	5	0.01	10,23,848	0.85
6	H U F	860	2.00	18,91,679	1.57
7	ICICI	1	0.00	100	0.00

Sl. No	Category	No of Holders	% of Holders	No of Shares	% Equity
8	Indian Financial Institutions	2	0.00	71,62,306	5.95
9	Bodies Corporates	645	1.50	64,15,203	5.33
10	Mutual Funds	7	0.02	56,11,841	4.66
11	Nbfc	6	0.01	55,041	0.05
12	Nationalised Bank	5	0.01	785	0.00
13	Non Resident Indians	860	2.00	19,62,942	1.63
14	Promoter Companies	2	0.00	2,09,53,811	17.41
15	Company Promoters	12	0.03	2,22,02,529	18.45
16	Promoters & Directors Relative	5	0.01	6,00,600	0.50
17	Resident Individuals	40515	94.18	3,98,91,886	33.15
18	Trusts	5	0.01	2,01,907	0.17
	Total:	43020	100.00	12,03,49,514	100.00

## 18. Dematerialisation of shares and liquidity:

(a) Equity shares:

The Company's equity shares are in compulsory demat list. The International Securities Identification Number (ISIN) allotted to the Company's scrip is INE932A01024. 98.54% of equity shares are held in dematerialised form as on 31st March, 2016.

(b) Outstanding GDRs/ADRs/Warrants or any convertible instruments,

conversion date and likely impact on equity.

During the financial year 2015-16, the Company has not issued any GDRs/ADRs and there are no outstanding warrants or any convertible instruments.

## 19. Plant locations:

- a) Patancheru : IDA, Patancheru, unit Medak (Dist.), T.S.
- b) Isnapur unit : Isnapur Village, Medak (Dist.), T.S.
- c) Tarapur unit : MIDC, Tarapur, Maharashtra

d) Chennai unit : Kannigaipair Village, ThiruvelloreDist, T.N.

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

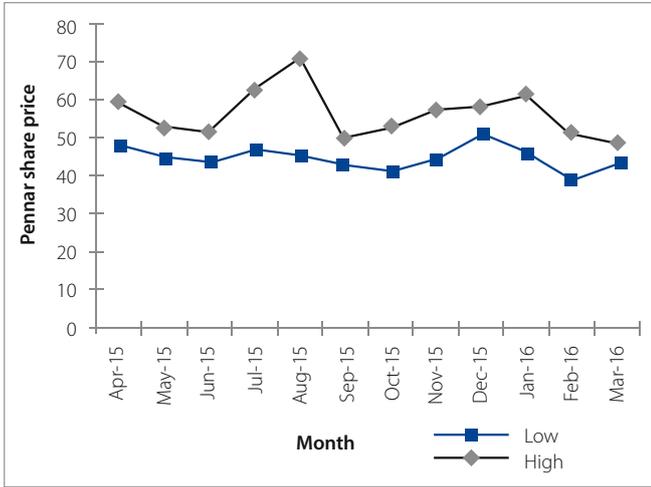
## 20. Market price data:

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 2015-16 were as follows:

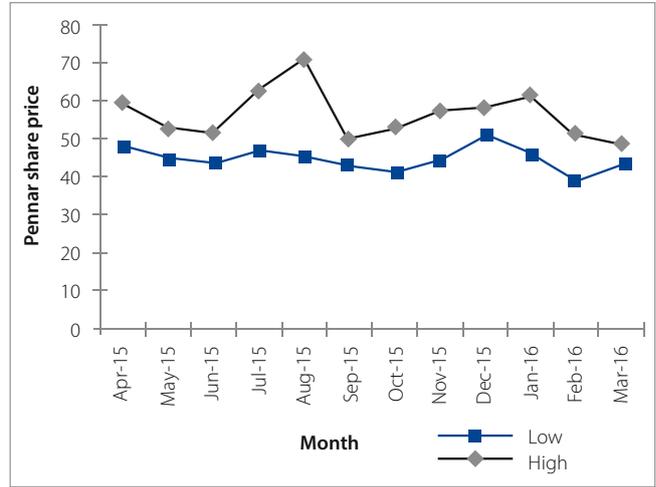
Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April, 2015	59.40	48.10	24,30,137	59.10	48.10	85,90,210
May, 2015	52.70	45.10	17,02,925	52.85	44.10	83,51,345
June, 2015	51.50	43.75	13,48,965	51.65	43.40	66,36,048
July, 2015	62.50	47.15	52,25,486	62.55	47.25	1,94,78,783
August, 2015	71.00	45.45	76,39,909	70.60	45.40	2,53,23,238
September, 2015	49.90	43.00	13,74,991	51.15	43.10	49,24,652
October, 2015	53.25	41.45	17,71,520	53.40	46.50	59,74,982
November, 2015	57.50	44.00	18,96,285	57.40	43.80	71,78,861
December, 2015	58.20	51.00	21,09,258	58.05	51.00	89,58,738
January, 2016	61.35	46.00	31,04,608	61.00	46.00	1,20,95,452
February, 2016	51.20	38.50	16,73,418	51.40	39.25	61,77,552
March, 2016	48.25	43.20	11,23,872	49.75	41.00	42,07,373

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

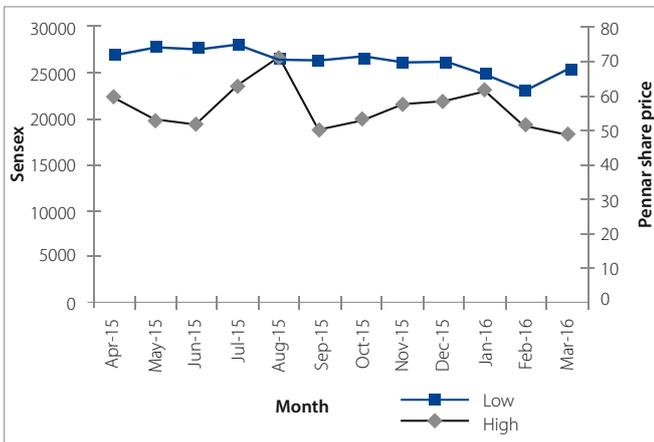
Share prices at BSE



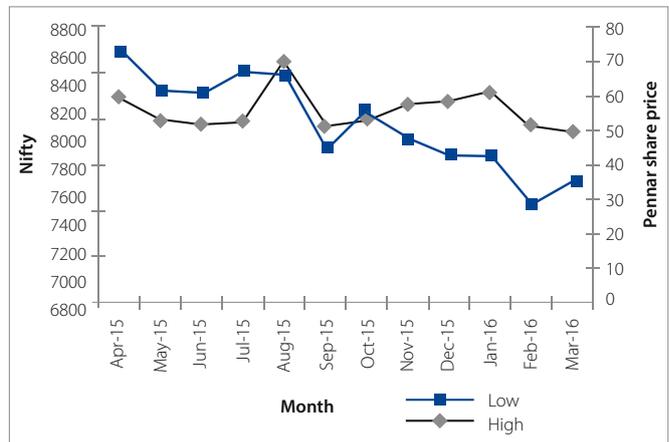
Share prices at NSE



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



Performance in comparison to broad based indices such as Nifty:



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

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

## 21. Unclaimed Dividend Amounts:

Pursuant to the provisions of Section 123 of the Companies Act, 2013, the dividend for the following years, which remain unclaimed for seven years, will be transferred to Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 125 of the Companies Act, 2013. Members who have not so far encashed

their dividend warrant(s) are requested to seek revalidation of dividend warrants in writing to the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited, immediately. Members are requested to note that no claims shall lie against the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in

respect of any such claims.

Members are also advised to update their correspondence address in their demat accounts in case of their holdings in electronic form or inform their latest correspondence address to the Registrars in case of holdings in physical form. Information in respect of such unclaimed dividends due for transfer to the Investor Education and Protection Fund (IEPF) is as follows.

Financial Year	Date of Dividend	Amount outstanding as on 31.03.2016	To be paid within 30 days	Transferred to unpaid dividend account in 7 days	Due for transfer to IEPF
2009-2010 Interim	22.02.2010	6,34,277.00	24.03.2010	30.03.2010	30.03.2017
2009-2010	04.08.2010	8,77,691.18	03.09.2010	10.09.2010	10.09.2017
2010-2011 Interim	09.11.2010	5,62,082.00	08.12.2010	15.12.2010	15.12.2017
2010-2011	16.09.2011	8,40,273.62	15.10.2011	22.10.2011	22.10.2018
2011-2012	25.07.2012	11,01,568.96	23.08.2012	30.08.2012	30.08.2019
2012-2013	08.08.2013	11,60,357.83	07.09.2013	14.09.2013	14.09.2020

## 22. Share Transfer System:

The transactions of shares held in Demat and Physical for are handled by the Company's Depository registrar, M/s. Karvy Computershare Private Limited.

Particulars	2015-2016	2014-2015
Physical Shares Transferred	6,941	54,732
Total No. of shares as on 31st March, 2015	12,03,49,514	12,03,49,514
% on Share Capital	0.005	0.045

## 23) Reconciliation of Share Capital Audit:

As stipulated by SEBI, a qualified Practicing Company Secretary carries out the Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL) and the total issued and paid-up capital. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is placed before the board of directors of the Company. The audit, inter alia, confirms that the listed and paid up capital of the company is in agreement with the aggregate of the total number of shares in dematerialized form held with NSDL and CDSIL and the total number of shares in physical form.

## 24) Corporate Identity Number (CIN):

Corporate Identity Number (CIN) of the

company, allotted by the Ministry of Corporate Affairs, Government of India is L27109AP1975PLC001919.

## 25) Managing Director Certification:

As required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Managing Director Certification is provided in the Annual Report.

## 26) Green Initiative in the Corporate Governance:

As part of the green initiative process, the company has taken an initiative of sending documents like notice calling Annual General meeting, Corporate Governance Report, Directors Report, audited Financial Statements, Auditors Report, Dividend intimations etc., by email. Physical copies are sent only to those shareholders whose email addresses are not registered with the company and for the bounced-mail cases. Shareholders are requested to register their

email id with Registrar and Share Transfer Agent / concerned depository to enable the company to send the documents in electronic form or inform the company in case they wish to receive the above documents in paper mode.

## 27) Declaration of Code of Conduct:

The Board of Directors of M/s. Pennar Industries Limited, at their meeting held on 11th February, 2015, 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. We here by 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 31st March, 2016.

## Secretarial Auditors Certificate of Compliances with the Corporate Governance

(Requirement under Clause 49 of the Listing Agreement and SEBI LODR Regulations,2015)

To  
The Members  
M/s. Pennar Industries Limited

We have examined the compliance of Corporate Governance by M/s. Pennar Industries Limited for the year ended on 31st March, 2016 as stipulated in Clause 49 of the Listing Agreement and SEBI LODR Regulations,2015 of the said Company with Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring to compliance of the conditions of the Corporate Governance. 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 the explanations given to us, We certify that the company has complied with the conditions of the Corporate Governance as stipulated in the above mentioned Listing Agreement.

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.

Place: Hyderabad  
Date: 12.08.2016

for **Mohammed Irfan & Associates**  
**Mohammed Irfan**  
*Proprietor*  
ACS: 32512, CP: 11951  
csirfan12@gmail.com

## Annual Report on CSR Activities

After the introduction of the Section 135 along with the Companies (Corporate Social Responsibility), Rules, 2014 on the 1st of April 2014, the Corporate Social Responsibility Committee (CSR) of the Company was constituted on 7th August, 2013.

### 1. CSR Policy:

Pursuant to section 135 of the Companies Act, 2013 (the act) and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (the Rules) framed thereunder it was a mandatory commitment for a corporate to contribute and operate in an economically, socially and environmentally sustainable manner and also establish a Corporate Social Responsibility Policy and a committee track the transactions relating to CSR initiatives.

Accordingly, henceforth, it is a continuing commitment for a company to contribute to economic development of the society

at large. CSR, therefore, is not a mere philanthropic activity but also comprises of activities that require a company to integrate social, environmental and ethical concerns into the company's vision and mission through such activities.

The detailed policy as per the regulations has been duly established and the same is uploaded on the website of the company at the link: <http://www.pennarindia.com/csr-policy.html>.

A Foundation to undertake the CSR activities have been formed namely Pennar Foundation. The brief details of the activities identified by the company directly are enlisted below:

- Eradicating poverty, hunger and malnutrition;
- Better hygiene and sanitation;
- Adequate and potable water supply;
- Better education facilities and

infrastructure to students of schools;

- Shelters for people;
- Promotion of education;
- Promotion of Health;
- Plantation of trees and their protection.

### 2. Composition:

The composition of the CSR committee is as hereunder:

- Mr. B Kamalaker Rao - Chairman (Non-Executive Independent Director)
- Mr. Varun Chawla - Member (Non-Executive Independent Director)
- Mr. Nrupender Rao- Member (Executive Chairman)
- Mr. Aditya Rao - Member (Vice-Chairman and Managing Director)

The Members of the CSR committee are eminent professionals and financially literate.

### 3. Average net profits of the Company for the last three Financials Years.

Amount in ₹ Lakhs

Financial Years	2014-15	2013-14	2012-13	Average Net Profit for the last three years
Net Profits	3337	1934	4709	3326.67

#### 4. Prescribed CSR Expenditure:

2% of Average net profits i.e. ₹66.53 lakhs.

#### 5. Details of CSR during the financial year:

a) Total Amount spent during the Financial Year: ₹61.86 Lakhs.

b) Amount unspent, if any.: ₹4.67 Lakhs.

c) Manner in which the amount spent during the financial year: Attached as Annexure to the report.

6. During the year under review, Company has spent an amount of ₹61.86 lakhs instead of ₹66.53 lakhs (i.e 2% of the average net profits). The Company could not spend the

balance amount as it could not identify the right project.

7. Responsibility Statement of the CSR committee that the implementation and monitoring of CSR Policy, is in compliance with the CSR objective and Policy of the Company.

for **Pennar Industries Limited**

#### Aditya Rao

Vice-Chairman & Managing Director  
DIN 01307343

#### B Kamalaker Rao

Chairman CSR Committee  
DIN 00038686

### Annexure to the Annual Report on CSR

SI No.	CSR Project or	Sector in which project is covered	Projects / Program - Local Area or Other, Specify the state and district where projects or programs was undertaken	Amount Outlay (Budget) project or Program wise (in ₹ Lakhs)	Amount spent on the projects or programs Sub Heads (1) Direct Expenditure on projects or programs (2) Overheads (in ₹ Lakhs)	Cumulative Expenditure upto the reporting period i.e. FY 2014- 2015 (in ₹ Lakhs)	Amount Spent Direct or through Implementing Agency
1.	Vidya Volunteers, Fee reimbursements and Children parks	Promotion of Education	Throughout Telangana State	6.92	6.92	9.22	Direct
2.	Tree Guards Plantation	Rural Development Project	Throughout Telangana State	19.00	19.00	19.63	District Collector, Medak
3.	Midday Meals and other rural development activities	Rural Development Project	Throughout Telangana State	14.69	14.69	29.68	Direct
4.	Welfare activities through Pennar foundation	Eradicating Poverty	Hyderabad, Telangana	20.25	20.25	20.25	Pennar Foundation
5.	Donations to Charitable Trusts	Eradicating Poverty	Hyderabad, Telangana	1.00	1.00	2.67	Direct
	<b>Total</b>			<b>61.86</b>	<b>61.86</b>	<b>81.45</b>	

## Form MR-3

**SECRETARIAL AUDIT REPORT**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

**FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2016**

To  
The Members of  
M/s. PENNAR INDUSTRIES LIMITED  
L27109AP1975PLC001919  
Floor No. 3, DHFLVC Silicon Towers,  
Kondapur, Hyderabad-500084

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. PENNAR INDUSTRIES LIMITED (hereinafter called "the Company").

Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the financial year commencing from 1st April, 2015 and ended 31st March, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board process and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter :

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

- i The Companies Act, 2013 (the Act) and the rules made there under;
- ii The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment Overseas Direct Investment and External Commercial Borrowings;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(ii) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; (Not applicable to the Company during the Audit Period).

(iv) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 notified on 28 October 2014; (Not applicable to the Company during the Audit Period).

(v) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not applicable to the Company during the Audit Period).

(vi) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(vii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not applicable to the Company during the Audit Period)

(viii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; (Not applicable to the Company during the Audit Period) and

(ix) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by The Institute of Company Secretaries of India to the extent applicable under the provisions of Companies Act, 2013 and

ii. The Listing Agreements entered into by the Company with the Bombay Stock Exchange Limited; National Stock Exchange and Multi Commodity Exchange

I further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, on test-check basis, the Company has complied with the following laws applicable specifically to the Company.

I. Environmental Laws:

- (a) The Environment (Protection) Act, 1986;
- (b) The Water (Prevention and Control of Pollution) Act, 1974
- (c) The Water (Prevention and Control of Pollution) Cess Act, 1977
- (d) The Air (Prevention and Control of Pollution) Act, 1981
- (e) The Petroleum Act, 1934 & Explosion Act, 1884
- (f) The Civil Supplies Act
- (g) Indian Broilers Act, 1923

II. Labour Related Regulations

- (a) The Factories Act, 1948
- (b) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- (c) The Contract Labour (Regulation and Abolition) Act, 1970
- (d) The Employees' State Insurance Act, 1948
- (e) The Industrial Employment (Standing Orders) Act, 1946
- (f) The Payment of Bonus Act, 1965

- (g) The Payment of Gratuity Act, 1972
- (h) The Minimum Wages Act, 1948
- (i) The Payment of Wages Act, 1936
- (j) The Trade Unions Act, 1926
- (k) The Employment Exchange CNV Act, 1959 & Rules
- (l) The Industrial Disputes Act, 1947
- (m) Labour welfare fund Act 1987 & Rules
- (n) Maternity Benefits Act, 1961
- (o) Child Labour (Prohibition and Abolition) Act, 1986
- (p) Apprentices Act, 1961
- III. Fiscal Regulations
  - (a) Foreign Exchange Management Act, 1999

- (b) Foreign Trade (Development and Regulation) Act, 1992
- (c) Foreign Trade Policy
- IV. Miscellaneous Regulations
  - (a) Shops and Establishments Act
  - (b) Approvals from Local Authorities
- We further report that:
  - (a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Companies Act, 2013.

(b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation of the meeting.

(c) Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company with the size and operation of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

for **Mohammed Irfan & Associates**

Sd/-

**CS. Mohammed Irfan**

Proprietor

ACS: 32512, CP: 11951

Place: Hyderabad,  
Date: 12th August, 2016

This report is to be read with our letter of even date, which is annexed as "Annexure – A" and forms an integral part of this report.

"Annexure – A"

To,  
The Members  
PENNAR INDUSTRIES LIMITED  
Floor No.3, DHFLVC Silicon Towers,  
Kondapur, Hyderabad, Telangana – 500084

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of M/s. PENNAR INDUSTRIES LIMITED ("the Company"). Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was

done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **MOHAMMED IRFAN AND ASSOCIATES**

Company Secretaries

Sd/-

**CS. Mohammed Irfan**

Proprietor

ACS: 32512, CP: 11951

Place: Hyderabad,  
Date: 12th August, 2016

## Conservation of Energy, Technology Absorption, and foreign exchange Earning and Outgo etc:

Information on conservation of energy, Technology absorption, Foreign Exchange earnings and outgo required to be disclosed under section 134 of the companies act, 2013 read with companies (accounts) Rules, 2014 are provided hereunder:

(A) Conservation of Energy: I. The steps taken or impact on conservation of energy	The company continued to give major emphasis for conservation of energy, and the measures taken in the previous year were continued .The efficiency of Energy Utilization at each plant is monitored at the corporate level every quarter, in order to achieve effective conservation of energy. The significant Energy conservation measures during the year were as follows: a. Switching off machines/equipment immediately after use and fixing of timers to avoid running of machine idle condition. b. Use of Power Capacitors to improve the Power factor. c. Creating awareness among employees about the necessity of energy conservation by celebrating conducting of classes & display of Board.
II. The steps taken by the company for utilizing alternate sources of energy	The company generated power through solar power plant having a capacity of 2.5 MW during the year under review. Apart from this, the company has also installed energy efficient equipment wherever required.  The generation of power through alternate means such as solar power plant provides power to the company at a rate lower than the market rates for purchasing power from power generating companies and thereby reducing the cost of production.
III. The capital investment on energy conservation equipment;	NIL
(B) Technology absorption: I. The efforts made towards technology absorption	This year the company setup its own Hydrogen Annealing plant making an investment of ₹2.7 crores.
II. The benefits derived like product improvement, cost reduction, product development or import substitution.	The benefits derived are: Improved quality and productivity Conservation of energy & reduced power cost
III. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year) a. The details of technology imported b. The year of import: c. Whether the technology been fully absorbed d. If not fully absorbed, areas where absorption has not taken place, and the reasons thereof	Nil
IV. The expenditure incurred on research and development	Nil
(C)Foreign exchange earnings and outgo	Total Foreign Exchange earnings: Rs: 490 Lakhs. Total Foreign Exchange Outgo: Rs : 452 Lakhs.

## Form No. MGT-9

### Extract of Annual Return

As on the financial year ended on 31st March, 2015

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. Registration and other details

<b>i)</b>	<b>Corporate Identification Number (CIN)</b>	<b>L27109AP1975PLC001919</b>
ii)	Registration Date	08.08.1975
iii)	Name of the Company	M/s. Pennar Industries Limited
iv)	Category/Sub Category of the Company	Public Company/Limited by Shares
v)	Address of the Registered office and contact details	Floor No.: 3, DHFLVC Silicon Towers, Kondapur, Hyderabad, Telangana - 500084
vi)	Whether Listed Company	Yes listed on NSE, BSE and Stock Exchanges with Metropolitan Stock Exchange.
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, Tel: +91 40 67161700, Fax: +91 40 23114087

#### II. Principal business activities of the Company

All the business activities contributing 10% or more of the total turnover of the company shall be stated

Sl. No.	Name & Description of main product/service	NIC code of Product/service	% to total turnover of the company
1.	Manufacture of hot-rolled and cold-rolled products of steel	24105	79.7%
2.	Manufacture of Tubes	24106	16.4%

#### III. Particulars of Holding, Subsidiary and Associate Companies

Sl. No.	Name & Registered Address of the Company	CIN/GLN	Holding Subsidiary/ Associate	% of Shares held	Applicable Section
1.	M/s. Pennar Engineered Building Systems Limited 9th Floor, DHFLVC Silicon Towers, Kondapur Hyderabad - 500 084	U45400AP2008PLC057182	Subsidiary	66.85	2(87)
2.	M/s. Pennar Enviro Limited 186/A, IDA, Mallapur, Hyderabad - 500 076	U74900TG2008PLC058171	Subsidiary	51.03	2(87)
3.	M/s. New Era Enviro Ventures (Karimnagar) Private Limited 9th Floor, DHFLVC Silicon Towers, Kondapur Hyderabad - 500 084	U40108TG2013PTC089133	Subsidiary	99.61	2(87)

#### IV. Shareholding pattern (Equity Share Capital Breakup as Percentage of total Equity)

The Shareholding pattern is attached hereunder as Attachment - A.

**V. Indebtedness**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ Lakhs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i. Principal amount	12761	2,304	Nil	15,065
ii. Interest due but not paid	-	-	NA	-
iii. Interest accrued but not due	-	-	NA	-
Total (i+ii+iii)	12761	2,304	-	15,065
Change in Indebtedness during the financial year				
* Additions	5,260	-	Nil	5,260
* Reductions	1,166	-	Nil	1,166
Net Change	4,094	-	-	4,094
Indebtedness at the end of the financial year				
i. Principal amount	16,855	2,304	Nil	19,159
ii. Interest due but not paid	0	-	NA	-
iii. Interest accrued but not due	0	-	NA	-
<b>Total (i+ii+iii)</b>	<b>16,855</b>	<b>2,304</b>	<b>-</b>	<b>19,159</b>

## VI. Remuneration of Directors and Key Managerial Personnel

### A) Remuneration to Managing Director, Whole-time Directors and/or Manager

(₹ Lakhs)

SI No.	Particulars of Remuneration	Nrupender Rao	Aditya Rao	K Lavanya Kumar	Total Amount
		Chairman	Managing Director	Whole-Time Director	
1.	Gross salary	119	95	36	250
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	–	–	–	–
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission				
	- as % of profit	68	45	–	113
	- others, specify	–	–	–	–
5.	Others, please specify	–	–	–	–
	<b>Total</b>	<b>187</b>	<b>140</b>	<b>36</b>	<b>363</b>

### B) Remuneration to other directors

SI No.	Particulars of Remuneration	Name of the Directors					Total Amount
		B Kamalaker Rao	Varun Chawla	Sita Vanka	Ravi Chachra	C Parthasarathy	
1.	Independent Directors						
	* Fee for attending board committee meetings	66,500	41,000	15,000	–	10,000	1,32,500
	* Commission	–	–	–	–	–	–
	* Others, please specify	–	–	–	–	–	–
	<b>Total (1)</b>	<b>66,500</b>	<b>41,000</b>	<b>15,000</b>	<b>–</b>	<b>10,000</b>	<b>1,32,500</b>
2.	Others Non-Executive Directors						
	* Fee for attending board committee meetings	–	–	–	20,000	–	20,000
	* Commission	–	–	–	–	–	–
	* Others, please specify	–	–	–	–	–	–
	<b>Total (2)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20,000</b>	<b>–</b>	<b>20,000</b>
	<b>Total (1+2)</b>	<b>66,500</b>	<b>41,000</b>	<b>15,000</b>	<b>20,000</b>	<b>10,000</b>	<b>1,52,500</b>

**C) Remuneration to Key Managerial Personnel other than MD/ MANAGER/ WTD**

(₹ Lakhs)

Sl No.	Particulars of Remuneration	J S Krishna Prasad Chief Financial Officer	Mirza Mohammed Ali Baig Company Secretary	Total Amount
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	24	6	30
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	–	–	–
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	–	–	–
2.	Stock Option	–	–	–
3.	Sweat Equity	–	–	–
4.	Commission			
	– as % of profit	–	–	–
	– others, specify			
5.	Others, please specify	–	–	–
	<b>Total</b>	<b>24</b>	<b>6</b>	<b>30</b>

**VII. Penalties / Punishment/ Compounding of Offences**

Type	Sections of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority (RD/ NCLT/Court)	Appeal made if any (give details)
<b>A. Company</b>					
Penalty			Nil		
Punishment					
Compounding					
<b>B. Directors</b>					
Penalty			Nil		
Punishment					
Compounding					
<b>C. Other Officers in Default</b>					
Penalty			Nil		
Punishment					
Compounding					

## Shareholding Pattern (Equity Share Capital Breakup as % to Equity):

### A) Remuneration to Managing Director, Whole-time Directors and/or Manager

(₹ Lakhs)

Category Code	Category of Shareholder	No. of Shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(I)										
(A)	PROMOTER AND PROMOTER GROUP									
(1)	INDIAN									
(a)	Individual /HUF	2,28,03,129	-	2,28,03,129	18.95	2,28,03,129	-	2,28,03,129	18.95	-
(b)	Central Government/State Government(s)	-	-	-	-	-	-	-	-	-
(c)	Bodies Corporate	2,09,53,811	-	2,09,53,811	17.41	2,09,53,811	-	2,09,53,811	17.41	-
(d)	Financial Institutions / Banks	-	-	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total A(1) :	4,37,56,940	-	4,37,56,940	36.36	4,37,56,940	-	4,37,56,940	36.36	-
(2)	FOREIGN									
(a)	Individuals (NRIs/Foreign Individuals)	-	-	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-	-	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total A(2) :	-	-	-	-	-	-	-	-	-
	Total A=A(1)+A(2)	4,37,56,940	-	4,37,56,940	36.36	4,37,56,940	-	4,37,56,940	36.36	-
(B)	PUBLIC SHAREHOLDING									
(1)	INSTITUTIONS									
(a)	Mutual Funds /UTI	38,82,216	-	38,82,216	3.23	56,11,841	-	56,11,841	4.66	-1.44
(b)	Financial Institutions /Banks	80,03,707	2,450	80,06,157	6.65	72,29,116	2,450	72,31,566	6.01	0.64
(c)	Central Government / State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-	-	-	-	-	-
(f)	Foreign Institutional Investors	1,29,32,491	-	1,29,32,491	10.75	1,31,65,928	-	1,31,65,928	10.94	-0.19
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(h)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
(i)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total B(1) :	2,48,18,414	2,450	2,48,20,864	20.62	2,60,06,885	2,450	2,60,09,335	21.61	-0.99
(2)	NON-INSTITUTIONS									
(a)	Bodies Corporate	97,69,065	24,183	97,93,248	8.14	64,46,097	24,147	64,70,244	5.38	2.76
(b)	Individuals									
	(i) Individuals holding nominal share capital upto ₹1 lakh	1,71,92,195	16,23,597	1,88,15,792	15.63	2,23,87,014	15,84,284	2,39,71,298	19.92	-4.28
	(ii) Individuals holding nominal share capital in excess of ₹1 lakh	2,13,82,581	44,000	2,14,26,581	17.80	1,77,71,346	44,000	1,78,15,346	14.80	3.00

Category Code	Category of Shareholder	No. of Shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(c)	Others									
	CLEARING MEMBERS	2,95,438	-	2,95,438	0	1,61,502	-	1,61,502	0.13	0.11
	NON RESIDENT INDIANS	13,15,469	1,12,227	14,27,696	1.19	18,60,977	1,01,965	19,62,942	1.63	-0.44
	TRUSTS	12,955	-	12,955	0	2,01,907	-	2,01,907	0.17	-0.16
	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
	Sub-Total B(2) :	4,99,67,703	18,04,007	5,17,71,710	43.02	4,88,28,843	17,54,396	5,05,83,239	42	0.99
	Total B=B(1)+B(2) :	7,47,86,117	18,06,457	7,65,92,574	63.64	7,48,35,728	17,56,846	7,65,92,574	64	-0.00
	Total (A+B) :	11,85,43,057	18,06,457	12,03,49,514	100.00	11,85,92,668	17,56,846	12,03,49,514	100	-0.00
	Shares held by custodians for ADRs & GDRs	-	-	-	-	-	-	-	-	-
	GRAND TOTAL (A+B+C) :	11,85,43,057	18,06,457	12,03,49,514	100.00	11,85,92,668	17,56,846	12,03,49,514	100	-0.00

## (ii) Shareholding of Promoters :

SI No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year		
		No. of Shares held	% of total shares of the company	% shares pledged encumbered to total shares	No. of Shares held	% of total shares of the company	% shares pledged encumbered to total shares
1	PENNAH HOLDING PRIVATE LIMITED	2,09,53,811	17.41	3.14	2,09,53,811	17.41	3.14
2	ADITYA NARSING RAO	49,62,508	4.12	-	49,62,508	4.12	-
3	J. RAJYALAKSHMI	42,51,000	3.53	-	42,51,000	3.53	-
4	CH. ARATHI	31,96,179	2.66	-	31,96,179	2.66	-
5	J. N. RUPENDER RAO	22,00,400	1.83	-	22,00,400	1.83	-
6	JAYANTHI PULJAL	20,77,500	1.73	-	20,77,500	1.73	-
7	KALPANA PULJAL	17,50,081	1.45	-	17,50,081	1.45	-
8	BHAVANA PULJAL	16,94,017	1.41	-	16,94,017	1.41	-
	J AVANTI RAO	15,37,060	1.28	-	15,37,060	1.28	-
9	NRUPENDER RAO	3,01,284	0.25	0.25	3,01,284	0.25	0.25
10	Y REKHA RAO	1,92,800	0.16	-	1,92,800	0.16	-
11	KONDAPALLI SUMATHA DEVI	1,22,900	0.10	-	1,22,900	0.10	-
12	KONDAPALLI LAKSHMAN RAO	1,20,000	0.10	-	1,20,000	0.10	-
13	Y MURALIDHAR RAO	1,10,400	0.09	-	1,10,400	0.09	-
14	KONDAPALLI LAKSHMAN RAO	95,200	0.08	-	95,200	0.08	-
15	KONDAPALLY LAVANYA KUMAR RAO	82,200	0.07	-	82,200	0.07	-
16	KONDAPALLY SANDHYA	69,600	0.06	-	69,600	0.06	-
17	J RAJYALAKSHMI	40,000	0.03	-	40,000	0.03	-
	<b>TOTAL :</b>	<b>4,37,56,940</b>	<b>36.36</b>	<b>3.39</b>	<b>4,37,56,940</b>	<b>36.36</b>	<b>3.39</b>

(IV) Shareholding Pattern of Top ten shareholders other than directors, Promoters and Holders of ADR & GDR

Sl. No.	Type	Name of the Share Holder	Shareholding at the beginning of the Year		Cumulative Shareholding during the Year	
			Shares	% to Equity	Shares	% to Equity
1	Opening Balance	SAIF ADVISORS MAURITIUS LIMITED A/C SAIF INDIA IV	1,21,38,080	10.09	1,21,38,080	10.09
	Closing Balance				1,21,38,080	10.09
2	Opening Balance	EIGHT CAPITAL MASTER FUND LIMITED	70,90,157	5.89	70,90,157	5.89
	Closing Balance				70,90,157	5.89
3	Opening Balance	FRANKLIN INDIA SMALLER COMPANIES FUND	38,49,169	3.20	38,49,169	3.20
	Purchase					
	24/04/2015		58,096	0.05	39,07,265	3.25
	01/05/2015		3,42,687	0.28	42,49,952	3.53
	08/05/2015		1,36,000	0.11	43,85,952	3.64
	15/05/2015		1,64,000	0.14	45,49,952	3.78
	29/05/2015		26,632	0.02	45,76,584	3.80
	05/06/2015		1,73,368	0.14	47,49,952	3.95
	19/06/2015		1,00,000	0.08	48,49,952	4.03
	03/07/2015		39,402	0.03	48,89,354	4.06
	Sale					
	07/08/2015		1,00,000	0.08	47,89,354	3.98
	14/08/2015		2,00,000	0.17	45,89,354	3.81
	Purchase					
	21/08/2015		3,00,000	0.25	48,89,354	4.06
	28/08/2015		2,00,000	0.17	50,89,354	4.23
	19/02/2016		2,00,000	0.17	52,89,354	4.39
	31/03/2016		29,706	0.02	53,19,060	4.42
	Closing Balance				53,19,060	4.42
4	Opening Balance	PELLURU ANASUYA	23,90,095	1.99	23,90,095	1.99
	Sale					
	03/04/2015		5,000	0.00	23,85,095	1.98
	Purchase					
	01/05/2015		10,000	0.01	23,95,095	1.99
	12/06/2015		62,895	0.05	24,57,990	2.04
	Sale					
	12/06/2015		62,895	0.05	23,95,095	1.99
	Purchase					
	24/07/2015		44,862	0.04	24,39,957	2.03
	Sale					
	24/07/2015		2,00,000	0.17	22,39,957	1.86
	Purchase					
	31/07/2015		6,699	0.01	22,46,656	1.87
	Sale					
	07/08/2015		1,137	0.00	22,45,519	1.87
	Purchase					
	14/08/2015		50,309	0.04	22,95,828	1.91
	21/08/2015		28,421	0.02	23,24,249	1.93
	28/08/2015		47,905	0.04	23,72,154	1.97

Sl. No.	Type	Name of the Share Holder	Shareholding at the beginning of the Year		Cumulative Shareholding during the Year	
			Shares	% to Equity	Shares	% to Equity
	04/09/2015		13,578	0.01	23,85,732	1.98
	11/09/2015		10	0.00	23,85,742	1.98
	Sale					
	18/09/2015		1,287	0.00	23,84,455	1.98
	Purchase					
	25/09/2015		5,391	0.00	23,89,846	1.99
	Sale					
	30/09/2015		2,821	0.00	23,87,025	1.98
	Purchase					
	02/10/2015		2,596	0.00	23,89,621	1.99
	Sale					
	09/10/2015		20,000	0.02	23,69,621	1.97
	Purchase					
	16/10/2015		852	0.00	23,70,473	1.97
	Sale					
	23/10/2015		20,000	0.02	23,50,473	1.95
	Purchase					
	30/10/2015		11,254	0.01	23,61,727	1.96
	06/11/2015		24,102	0.02	23,85,829	1.98
	Sale					
	13/11/2015		13,560	0.01	23,72,269	1.97
	20/11/2015		29,795	0.02	23,42,474	1.95
	27/11/2015		6,700	0.01	23,35,774	1.94
	04/12/2015		6,094	0.01	23,29,680	1.94
	Purchase					
	11/12/2015		20,325	0.02	23,50,005	1.95
	Sale					
	18/12/2015		653	0.00	23,49,352	1.95
	25/12/2015		15,000	0.01	23,34,352	1.94
	08/01/2016		13,010	0.01	23,21,342	1.93
	15/01/2016		16,750	0.01	23,04,592	1.91
	Purchase					
	22/01/2016		57,500	0.05	23,62,092	1.96
	Sale					
	29/01/2016		1,000	0.00	23,61,092	1.96
	Purchase					
	05/02/2016		14,885	0.01	23,75,977	1.97
	12/02/2016		5,000	0.00	23,80,977	1.98
	19/02/2016		12,022	0.01	23,92,999	1.99
	Sale					
	26/02/2016		10,000	0.01	23,82,999	1.98
	04/03/2016		250	0.00	23,82,749	1.98
	11/03/2016		15,250	0.01	23,67,499	1.97
	18/03/2016		10,000	0.01	23,57,499	1.96
	25/03/2016		10,000	0.01	23,47,499	1.95
	31/03/2016		5,000	0.00	23,42,499	1.95
	Closing Balance				23,42,499	1.95

Sl. No.	Type	Name of the Share Holder	Shareholding at the beginning of the Year		Cumulative Shareholding during the Year	
			Shares	% to Equity	Shares	% to Equity
5	Opening Balance	ASHISH KACHOLIA	25,00,000	2.08	25,00,000	2.08
	Sale					
	18/12/2015		7,50,000	0.62	17,50,000	1.45
	25/12/2015		1,01,600	0.08	16,48,400	1.37
	31/12/2015		1,51,292	0.13	14,97,108	1.24
	Closing Balance				14,97,108	1.24
6	Opening Balance	ASHA MUKUL AGRAWAL	9,00,000	0.75	9,00,000	0.75
	Closing Balance				9,00,000	0.75
7	Opening Balance	ROHINTON SOLI SCREWVALA	8,63,826	0.72	8,63,826	0.72
	Closing Balance				8,63,826	0.72
8	Opening Balance	CHINTHIREDDY ANANTHA REDDY	9,75,979	0.81	9,75,979	0.81
	Sale					
	03/04/2015		15,000	0.01	9,60,979	0.80
	10/04/2015		30,000	0.02	9,30,979	0.77
	17/04/2015		8,954	0.01	9,22,025	0.77
	24/07/2015		75,000	0.06	8,47,025	0.70
	31/07/2015		10,000	0.01	8,37,025	0.70
	07/08/2015		50,000	0.04	7,87,025	0.65
	Closing Balance				7,87,025	0.65
9	Opening Balance	MOHUR INVESTMENT & CONSULTANCY P LTD	4,00,000	0.33	4,00,000	0.33
	Purchase					
	30/06/2015		1,50,000	0.12	5,50,000	0.46
	Sale					
	03/07/2015		1,50,000	0.12	4,00,000	0.33
	Purchase					
	11/12/2015		75,000	0.06	4,75,000	0.39
	Sale					
	22/01/2016		75,000	0.06	4,00,000	0.33
	Purchase					
	25/03/2016		1,70,000	0.14	5,70,000	0.47
	Closing Balance				5,70,000	0.47
10	Opening Balance	EIGHT CAPITAL INDIA (M) LIMITED	6,59,557	0.55	6,59,557	0.55
	Sale					
	03/07/2015		1,00,000	0.08	5,59,557	0.46
	14/08/2015		21,210	0.02	5,38,347	0.45
	Purchase					
	11/03/2016		5,38,347	0.45	10,76,694	0.89
	Sale					
	11/03/2016		5,38,347	0.45	5,38,347	0.45
	Closing Balance				5,38,347	0.45

## (V) Shareholding of Directors and Key Management Personnel:

SI No.	Name of the Promoter Shareholders Key Management Personnel	Share holding at the beginning of the year		Cumulative Share holding at the end of the year	
		No. of Shares held	% of total shares of the company	No. of Shares held	% of total shares of the company
1	ADITYA NARSING RAO				
	a) At the Beginning of the year	49,62,508	4.12	49,62,508	4.12
	b) Change during the year	-		-	
	c) At the end of the year	49,62,508	4.12	49,62,508	4.12
2	NRUPENDER RAO				
	a) At the Beginning of the year	25,01,684	2.08	25,01,684	2.08
	b) Change during the year	-		-	
	b) At the end of the year	25,01,684	2.08	25,01,684	2.08
3	KONDAPALLY LAVANYA KUMAR RAO				
	a) At the Beginning of the year	82,200	0.07	82,200	0.07
	b) Change during the year				
	Date and Reason				
	c) At the end of the year	82,200	0.07	82,200	0.07
4	JAMMULAMADAKA SRINIVASA KRISHNA PRASAD				
	a) At the Beginning of the year	789	0.00	789	0.00
	b) Change during the year				
	c) At the end of the year	789	0.00	789	0.00
5	MIRZA MOHAMMED ALI BAIG				
	a) At the Beginning of the year	0	0.00	0	0.00
	b) Change during the year	0	0.00	0	0.00
	c) At the end of the year			0	0

## PARTICULARS OF EMPLOYEES

(a) The information required under section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

- (i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;
- (ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

Amount in ₹ lacs

SI No.	Name of the Director	Designation	Remuneration paid in 2015-16	Remuneration paid in 2014-15	Increase in remuneration from previous year	Ratio/median of employee remuneration (2015-16)
1.	Mr. Nrupender Rao	Chairman	187	154	33	85.32
2.	Mr. Aditya Rao	Vice-Chairman & Managing Director	140	119	21	64.10
3.	Mr K Lavanya Kumar	Whole-Time Director	36	34	2	16.43
4.	Mr. J S Krishna Prasad	Chief Financial Officer	24	21	3	10.95
5.	Mr. Mirza Mohammed Ali Baig (*)	Company Secretary	6	6	0	2.74

\*The remuneration was increased by less than one lakh.

(iii) The percentage increase in the median remuneration of employees in the financial year: 22.97%

(iv) The number of permanent employees on the rolls of company: 1410

(v) The explanation on the relationship between average increase in remuneration and company performance:

The increase in employee remuneration is based on the performance of the individuals and Business units coupled with the company performance. During the current financial year (2015-16) the company has recorded a growth of 26.7% in Profit after tax, compared to last financial year (2014-15). However, the employee remuneration and the performance of the company cannot be directly co-related as it is not practical considering the factors involved.

(vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;

Aggregate remuneration of Key Managerial Personnel (KMP) in FY 2015-16 (₹ in lakhs)	393
Revenue (₹ in lakhs)	87374
Remuneration of KMPs (as a % of revenue)	0.45%
Profit Before Tax (₹ in lakhs)	4,159
Remuneration of KMPs (as a % of Profit before Tax)	9.46%

(vii) Variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year:

Particulars	31.03.2015	31.03.2016
Market Capitalization of the Company (in ₹ Lakhs)	64,447	57768
Closing Price at the National Stock Exchange Ltd. (in ₹)	53.77	48.00
Price Earnings Ratio as at the closing date (MPS/EPS)	30.25	21.33

Percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer:

Particulars	31.03.2016	31.05.1988	Change
Market Price (BSE)	48.00	10 (*)	1071%

\* The face value of the equity share was split from ₹10/- to ₹5/- each.

(viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

(a) The average annual increase for the Financial Year 2015-16 in salaries of employees was 18.53%.

(b) The increase in managerial remuneration for the Financial Year 2015-16 was 17.86%.

(ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

Particulars	Name & Designation				
	Nrupender Rao	Aditya Rao	K Lavanya Kumar	J S Krishna Prasad	
	Chairman	Managing Director	Whole-Time Director	Chief Financial Officer	Company Secretary
Remuneration in FY 2015-16 (₹ in lakhs)	187	140	36	24	6
Revenue (₹ in lakhs)			87,374		
Remuneration as % of revenue	0.21%	0.16%	0.04%	0.03%	0.01%
Profit before Tax (PBT) (₹ in lakhs)			4,159		
Remuneration (as % of PBT)	4.50%	3.38%	0.87%	0.58%	0.14%

(x) The key parameters for any variable component of remuneration availed by the directors: Except commission there is no other variable component of remuneration availed by the Directors.

(xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year: None.

(xii) Affirmation that the remuneration is as per the remuneration policy of the company: The Company affirms remuneration is as per the remuneration policy of the Company.

**Statement under Section 134 of the Companies Act 2013 read with Rule 5 (2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

a) Employed throughout the Financial Year and in receipt of remuneration aggregating ₹60,00,000 or more:

SI No.	Name	Designation	Age	Qualification	Remuneration in ₹ Lacs
1.	Mr. Nrupender Rao	Executive Chairman	72	B. Tech (IIT, Kharagpur), M.S, Operations Research & Industrial Engineering, Purdue University, USA	187
2.	Mr. Aditya Rao	Vice-Chairman & Managing Director	35	Master's degree in Engineering Management from Cornell University, New York, USA	140

## Managing Director Certification under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To,  
The Board of Directors  
M/s. Pennar Industries Limited

1. We have reviewed financial statements and the cash flow statement of M/s. Pennar Industries Limited for the year ended 31st March, 2016 and to the best of our knowledge and belief:

- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violate the Company's Code of Conduct.

3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of Company's internal control systems pertaining to financial reporting. We have not come across any reportable deficiencies in the design or operation of such internal controls.

4. We have indicated to the Auditors and the Audit Committee:

- (i) that there are no significant changes in internal control over financial reporting during the year;
- (ii) that there are no significant changes in accounting policies during the year; and
- (iii) that there are no instances of significant fraud of which we have become aware.

for **Pennar Industries Limited**

Date: 12.08.2016  
Place: Hyderabad

**Aditya Rao**  
Vice-Chairman & Managing Director  
DIN No. 01307343

## Independent Auditor's Report

To the Members of

**PENNAR INDUSTRIES LIMITED**

### Report on the Financial Statements

We have audited the accompanying financial statements of PENNAR INDUSTRIES LIMITED ("the Company") which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under and the Order under Section 143(11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at March 31, 2016, and its Profit and its Cash Flow for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - a. We have sought and 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 it appears from our examination of those books;

- c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations as at 31st March 2016 on its financial position in its financial statements as referred to in note 17.1, 30.3 to the financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection fund by the Company.

FOR **RAMBABU & Co.,**  
*Chartered Accountants*  
FRN: 002976S

**Ravi Rambabu**  
*Partner*  
M.No.018541

Place: Hyderabad  
Date: 20.05.2016

## Annexure “A” to the Independent Auditors’ Report

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2016:

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner. In our opinion the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- ii) In respect of Inventories:
- a) As explained to us the inventories, except the goods in transit and stock lying with the third parties, have been physically verified during the year by the management at reasonable intervals.
- 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 were reasonable and adequate in relation to the size of the company and nature of its business.
- c) In our opinion and according to the information and explanations given to us the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) a) The Company has granted unsecured loans for an amount of Rs. 3,310/- lacs to Companies covered in the register maintained under section 189 of the Company Act, 2013.
- b) In our opinion, the terms and conditions on which loans were granted are not prima facie prejudicial to the interest of the Company. The repayment of principal and payment of interest is as stipulated and the repayments are regular.
- iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- v) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- vi) We have broadly reviewed the cost records maintained by the Company pursuant to the rules prescribed by the Central Government of India under Section 148(1) of the Companies Act 2013 and are of the opinion that prima facie the prescribed cost 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.
- vii) a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2016 for a period of more than six months from the date on when they become payable.
- b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute except.

Name of the Statute	Nature of the dues	Forum where dispute is pending	Amount Involved (Rs. In Lakhs)	Deposit Amount (Rs. in Lakhs)	Unpaid Deposit Amount (Rs. in Lakhs)
Customs Act,1962	Interest on Customs Duty Paid	High Court	45	-	45
Customs Act,1962	Interest on settled dues (Entry Tax on CIX)	Commissioner of customs	223	-	223
<b>Total</b>			<b>268</b>	<b>-</b>	<b>268</b>

- c) In our opinion there are no amounts required to be transferred to Investor Education and Protection Fund by the company.
- viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institution or banks. The Company has not issued any debentures.
- ix) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- x) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- xi) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- xiv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
- xv) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- xvi) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

FOR **RAMBABU & Co.,**  
*Chartered Accountants*  
FRN: 002976S

**Ravi Rambabu**  
*Partner*  
M.No.018541

Place: Hyderabad  
Date: 20.05.2016

## Annexure “B” to the Independent Auditors’ Report

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of PENNAR INDUSTRIES LIMITED (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### Management’s Responsibility for Internal Financial Controls

The Company’s management responsible for establishing and maintaining internal financial controls base on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that:-

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion the Company has, in all material respects, an adequate internal financial control over financial reporting and such

internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

FOR **RAMBABU & Co.,**  
*Chartered Accountants*  
FRN: 002976S

**Ravi Rambabu**  
*Partner*  
M.No.018541

Place: Hyderabad  
Date: 20.05.2016

# Balance Sheet

as at 31st March, 2016

(₹ in Lacs)

	Note	As at 31st March, 2016	As at 31st March, 2015
<b>I EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS</b>			
a) Share Capital	3	6,017	6,295
b) Reserves & Surplus	4	29,572	27,119
		<b>35,589</b>	<b>33,414</b>
<b>2 NON CURRENT LIABILITIES</b>			
a) Long Term Borrowings			
- Secured	5	6,253	2,227
- UnSecured		2,304	2,304
b) Deferred Tax Liability (Net)	6	2,445	2,298
c) Long Term Provisions	7	121	103
		<b>11,123</b>	<b>6,932</b>
<b>3 CURRENT LIABILITIES</b>			
a) Short Term Borrowings			
- Secured	8	9,651	9,391
b) Trade Payables	9	19,940	10,114
c) Other Current Liabilities	10	3,421	3,478
d) Short Term Provisions	11	469	28
		<b>33,481</b>	<b>23,011</b>
<b>Total (1+2+3)</b>		<b>80,193</b>	<b>63,357</b>
<b>II ASSETS</b>			
<b>1 NON CURRENT ASSETS</b>			
a) <b>Fixed Assets</b>			
- Tangible Assets	12	20,482	20,239
- InTangible Assets		1,177	1,240
- Capital Work In Progress		20	54
b) Non Current Investments	13	7,231	2,277
c) Long Term Loans and Advances	14	-	112
d) Other Non Current Assets	15	499	417
		<b>29,409</b>	<b>24,339</b>
<b>2 CURRENT ASSETS</b>			
a) Inventories	16	16,475	13,168
b) Trade Receivables	17	23,125	22,662
c) Cash and Bank Balances	18	5,639	1,008
d) Short Term Loans & Advances	19	5,147	1,703
e) Other Current Assets	20	398	477
		<b>50,784</b>	<b>39,018</b>
<b>Total (1+2)</b>		<b>80,193</b>	<b>63,357</b>

Significant Accounting Policies

Notes on Financial Statements

1 to 37

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer

## Statement of Profit & Loss for the year ended 31st March, 2016

(₹ in Lacs)

	Note	Year ended 31st March, 2016	Year ended 31st March, 2015
<b>Gross Revenue</b>		<b>98,564</b>	<b>95,292</b>
Less : Excise Duty/Service Tax		8,289	9,374
Sales Tax		3,132	3,097
<b>I Revenue from operations (Net Sales)</b>	21	<b>87,143</b>	<b>82,821</b>
<b>II Other Income</b>	22	<b>231</b>	<b>115</b>
<b>III Total Revenue (I + II + III)</b>		<b>87,374</b>	<b>82,936</b>
<b>IV Expenditure :</b>			
Raw Material Consumed	23	62,311	60,381
Change in Inventories	24	(1,427)	(161)
Manufacturing Expenses	25	9,502	7,587
Employee Benefits Expense	26	5,310	4,355
Other Expenses	27	3,586	3,736
		<b>79,282</b>	<b>75,898</b>
<b>Profit before Interest, Depreciation &amp; Tax</b>		<b>8,092</b>	<b>7,038</b>
Finance Cost	28	2,784	2,606
Depreciation and amortisation expense		1,149	1,095
		<b>3,933</b>	<b>3,701</b>
<b>Profit before Tax</b>		<b>4,159</b>	<b>3,337</b>
<b>V Tax Expenses</b>			
Current Tax		1,310	483
Deferred Tax		147	721
		<b>1,457</b>	<b>1,204</b>
<b>Net Profit after Tax</b>		<b>2,702</b>	<b>2,133</b>
Earning Per Share (having a face value of Rs 5 each)			
- Basic and Diluted (Rs.)	29	2.25	1.77

Significant Accounting Policies

Notes on Financial Statements

1 to 37

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer

## Cash Flow Statement for the year ended 31st March, 2016

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>A Cash Flows from operating activities :</b>		
Net Profit Before Tax	4,159	3,337
Add: Loss from sale of assets	8	15
Add : Depreciation	1,149	1,095
Add : Finance Cost	2,784	2,606
Less: Rent Received	(4)	(11)
<b>Operating Profit before working capital changes</b>	<b>8,096</b>	<b>7,042</b>
Adjustment for:		
Trade receivables	(463)	(3,809)
Inventories	(3,307)	(1,047)
Loans and Advances & other assets	(3,291)	(253)
Trade payables and Other Payables	9,813	259
	2,752	(4,850)
<b>Cash Generated From Operation</b>	<b>10,848</b>	<b>2,192</b>
Less : Income Tax Paid	(791)	(25)
<b>Net cash from operating activities "A"</b>	<b>10,057</b>	<b>2,167</b>
<b>B Cash Flows from Investing activities :</b>		
Purchase of fixed assets	(1,665)	(2,795)
Proceedings from sale of fixed assets	291	24
Investment in Subsidiary	(4,954)	-
Rent Received	4	11
<b>Net cash used in investing activities "B"</b>	<b>(6,324)</b>	<b>(2,760)</b>
<b>C Cash Flows from Financing activities:</b>		
Repayment of Equity share capital	-	(26)
Repayment of preference share capital	(278)	(278)
Proceeds from Long Term Borrowings	5,000	1,400
Repayment of Long Term Borrowings	(1,125)	(563)
Net increase/(decrease) of working capital borrowings	260	2,343
Finance Cost	(2,784)	(2,606)
<b>Net Cash used in financing activities "C"</b>	<b>1,073</b>	<b>270</b>
<b>Net ( Decrease ) / Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>4,806</b>	<b>(323)</b>
<b>Cash and Cash Equivalents at the beginning</b>	<b>393</b>	<b>716</b>
<b>Cash and Cash Equivalents at the end</b>	<b>5,199</b>	<b>393</b>

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer

# Notes forming Part of Financial Statements

## NOTE - 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 (Telangana), Chennai and Hosur (Tamil Nadu) Tarapur (Maharashtra).

## NOTE - 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

### 2.1 Accounting Conventions :

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### 2.2 Use of Estimates:

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

### 2.3 Inventories:

Inventories have been valued as under:

- i) Raw materials, stores and spares and traded goods have been valued at cost. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.
- ii) Due allowance is made for slow / non moving items, based on Management estimates
- iii) Finished goods and work-in-progress have been valued at cost or net realizable value whichever is lower. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.
- iv) Excise duty on closing stock of finished goods has been provided in the accounts and considered for valuation of closing stock. A corresponding liability is created for the same amount.

### 2.4 Cash and Cash equivalents (for purposes of Cash Flow Statement):

Cash comprises of cash on hand, amount in current accounts and deposit accounts.

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

### 2.5 Depreciation and Amortization:

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013

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

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each financial year and the amortization method is revised to affect the changed pattern.

### 2.6 Revenue Recognition:

## Notes forming Part of Financial Statements

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

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

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

### 2.7 Expenditure:

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

### 2.8 Tangible Fixed Assets:

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

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

### 2.9 Intangible assets:

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

### 2.10 Foreign Exchange Transactions:

#### Initial Recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

#### Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company at the Balance Sheet date are restated at the year-end rates.

#### Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

### 2.11 Government Grants and Subsidies

Government grants and subsidies are recognized when there is a reasonable assurance that the company will comply with the conditions attached to them and the grants/subsidies will be received.

Income from sales tax and power incentives are recognized on accrual basis when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.

### 2.12 Investments

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

### 2.13 Employee Benefits:

- a) Short Term Employee Benefits

## Notes forming Part of Financial Statements

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

### b) Long Term Employee Benefits

#### Defined Contribution Plan

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

#### Defined Benefit Plans

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

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

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

### 2.14 Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

### 2.15 Taxes on Income

Income tax liability for the year is calculated in accordance with the relevant tax laws and regulations applicable to the Company. Deferred tax is recognized on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

### 2.16 Impairment of Assets

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

### 2.17 Provisions, Contingent Liabilities and Contingent Assets

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

## Notes forming Part of Financial Statements

### NOTE - 3. SHARE CAPITAL

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>3.1 AUTHORISED SHARE CAPITAL</b>		
Equity Shares		
15,00,00,000 Equity Shares of Rs 5/- each (previous year 15,00,00,000 equity shares of Rs 5/- each)	7,500	7,500
<b>3.2 Preference Shares</b>		
Series - A : 5,00,000 Cumulative Redeemable Preference Shares of Rs 100/- each (previous year 5,00,000 Cumulative Redeemable Preference Shares of Rs 100/- each)	500	500
Series - B : 4,00,00,000 Cumulative Redeemable Preference Shares of Rs 5/- each (previous year 4,00,00,000 Cumulative Redeemable Preference Shares of Rs 5/- each)	2,000	2,000
	<b>10,000</b>	<b>10,000</b>
<b>3.3 ISSUED, SUBSCRIBED &amp; PAID UP Equity Shares</b>		
12,03,49,514 Equity Shares of Rs 5/- each (Previous Year 12,03,49,514 Equity Shares of Rs 5/- each) (Note 3.3.1, 3.3.2 and 3.3.3)	6,017	6,017
<b>3.4 Preference Shares - Series B</b>		
(Previous Year 1,66,49,119 Cumulative redeemable Preference Shares of Rs.1.67/- each) (Note 3.4.1)	-	278
<b>Total</b>	<b>6,017</b>	<b>6,295</b>

3.3.1 All Equity Shares issued by the company carry equal voting and participatory rights

3.3.2 The details of share holders holding more than 5% shares :

Name of the Share holder	As at 31st March, 2016		As at 31st March, 2015	
	No. of Shares	% held	No. of Shares	% held
Pennar Holdings Private Limited	20,953,811	17.411%	-	-
Saif Advisors Mauritius Limited A/C Saif India IV FII Holdings	12,138,080	10.086%	12,138,080	10.086%
Eight Capital Master Fund Limited	7,090,157	5.891%	7,090,157	5.891%
Thapati Trading Pvt. Ltd	-	-	19,379,811	16.103%

3.3.3 The reconciliation of the equity shares outstanding is set out below :

Particulars	As at 31st March, 2016	As at 31st March, 2015
	No. of Shares	No. of Shares
Equity Shares at the beginning of the year	120,349,514	120,461,410
Add/(Less) : Shares bought back and extinguished	-	111,896
Equity Shares at the end of the year	120,349,514	120,349,514

3.4.1 During the year, 1,66,49,119 Cumulative redeemable preference shares amounting to Rs.278 Lakhs were redeemed @ Rs.1.67 per share being third and final installment of redemption.

## Notes forming Part of Financial Statements

### NOTE - 4. RESERVES AND SURPLUS

(₹ in Lacs)

Particulars	As at 31st March, 2016		As at 31st March, 2015	
<b>Revaluation Reserve</b>				
Opening Balance	2,257		2,506	
Less : Transferred to statement of Profit and Loss on account of depreciation on revalued assets. (Note 4.1)	249		249	
Closing Balance		2,008		2,257
<b>Capital Redemption Reserve (CRR)</b>				
Opening Balance	907		623	
Add : Transferred from General reserve (Note 4.2)	278	1,185	284	907
<b>Profit on forfeiture of shares</b>				
Opening Balance	6	6	6	6
<b>Securities Premium</b>				
Opening Balance	5,011		5,031	
Less: Utilized for extinguishment of Equity shares	-	5,011	20	5,011
<b>General Reserve</b>				
Opening Balance	1,532		1,951	
Add : Transferred from Statement of Profit and Loss	-		-	
Less : Transferred to CRR (Note 4.2)	278		284	
Less : Transferred to Accumulated Depreciation	-		135	
Closing Balance		1,254		1,532
<b>Balance in Profit and Loss</b>				
Opening Balance	17,406		15,273	
Add : Profit for the year	2,702		2,133	
	20,108		17,406	
Less : Appropriations				
Proposed dividend on Equity Shares	-		-	
Proposed dividend on Preference Shares	-		-	
Dividend Distribution Tax	-		-	
General Reserve	-		-	
Closing Balance		20,108		17,406
<b>Total</b>		<b>29,572</b>		<b>27,119</b>

4.1 Cumulative amount withdrawn from the Revaluation reserve on account of depreciation on revaluation of Fixed Assets is Rs. 4288 Lakhs as on 31.03.2016 out of the total Revaluation reserve of Rs 6,296 lakhs.

4.2 An amount of Rs.278 Lakhs is transferred from General reserve to Capital Redemption reserve on account of third and final installment of redemption of 1,66,49,119 Cumulative redeemable Preference shares at Rs.1.67/- each.

### NOTE - 5. LONG TERM BORROWINGS

(₹ in Lacs)

Particulars	As at	
	31st March, 2016	31st March, 2015
<b>From Banks - Secured</b>		
Axis Bank Limited (Note 5.1)	1,243	2,181
IFCI Limited ( Note 5.2)	5,000	-
<b>From NBFC - Secured</b>		
Kotak Mahindra Prime Ltd (Vehicle loans) (Note 5.3)	10	46
	6,253	2,227
<b>Unsecured</b>		
Sales Tax Deferment Loan (Note 5.4)	2,304	2,304
<b>Total</b>	<b>8,557</b>	<b>4,531</b>

## Notes forming Part of Financial Statements

5.1 During the Financial Year 2011-12, company has taken term loan from Axis Bank Limited for an amount of Rs 1500 lakhs at an interest rate of 12.25% p.a which is repayable in 16 quarterly installments of Rs 93.75 lakhs each starting from Dec 2012.

During the Financial year 2013-14, Axis Bank Limited sanctioned Term Loan for an amount of Rs.3000 Lakhs at an interest rate of 12.25% p.a. The Term loan is repayable in 16 equal quarterly installments of Rs.187.50 lakhs each starting from March 2015.

The above Term Loans obtained from Axis Bank Limited are secured by pari passu first charge on all immovable properties and second charge on all current assets both present and future and further guaranteed by Sri. Nrupendar Rao, Chairman of the company in his personal capacity.

5.2 During the Current Financial year 2015-16, IFCI Limited has sanctioned Term Loan for an amount of Rs.5000 Lakhs at an interest rate of 12.45% p.a. The Term loan is repayable in 16 equal quarterly installments of Rs.312.50 lakhs each starting from April 2017.

The above Term Loan obtained from IFCI Bank is secured by pari-passu first charge on all immovable properties by deposit of title deeds both present and future and further guaranteed by Mr. Aditya N Rao, Vice Chairman & Managing Director of the company in his personal capacity.

5.3 During the Financial Year 2013-14 the company has obtained vehicle loans for an amount of Rs 102 lakhs from Kotak Mahindra Prime Ltd at interest rate of 10.07 % p.a. The said loans are repayable in 60 equal monthly installments. The said loans are secured by way of hypothecation of same vehicles.

5.4 Sales Tax deferment availed till the current account period is due for repayment as under :

Year of repayment	(₹ in Lacs)
2018-19	258
2019-20	375
2020-21	393
2021-22	431
2022-23	298
2023-24	335
2024-25	215
<b>Total</b>	<b>2,304</b>

### NOTE - 6. DEFERRED TAX LIABILITY

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Opening Deferred Tax Liability	2,298	1,577
<b>Deferred Tax Liability recognised during the year</b>		
On a/c of depreciation	147	721
Closing Deferred Tax Liability	2,445	2,298

### NOTE - 7. LONG TERM PROVISIONS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Provision for leave encashment	121	103

### NOTE - 8. SHORT TERM BORROWINGS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Secured</b>		
<b>Cash Credit from Banks (Note 8.1)</b>		
State Bank of India	7,355	6,337
Axis Bank Limited	1,258	1,955
State Bank of Patiala	1,038	1,099
<b>Total</b>	<b>9,651</b>	<b>9,391</b>

## Notes forming Part of Financial Statements

8.1 Working capital facilities sanctioned by Consortium of Bankers comprising of State Bank of India, Axis Bank and State Bank of Patiala are secured by first charge on all current assets both present and future. These are further secured by way of second charge on the immovable properties of the company and also guaranteed by Mr. Aditya N Rao, Vice Chairmana & Managing Director of the company in his personal capacity.

### NOTE - 9. TRADE PAYABLES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Creditors for Raw Material	16,250	6,960
Creditors for Expenses	3,578	3,099
Due to Micro, Small and Medium Enterprises	112	55
<b>Total</b>	<b>19,940</b>	<b>10,114</b>

### NOTE - 10. OTHER CURRENT LIABILITIES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Current Maturities of Long Term Debt :</b>		
<b>From Banks - Secured</b>		
Axis Bank Limited (Note 10.1)	938	1,125
<b>From NBFC - Secured</b>		
Kotak Mahindra Prime Ltd (Vehicle loans)	13	18
Creditors for capital goods	51	19
Unclaimed Dividend	64	64
Preference share capital payable	327	302
Advances from customers	435	179
VAT Payable	237	299
Statutory Liabilities	289	24
Other Liabilities	1,067	1,448
<b>Total</b>	<b>3,421</b>	<b>3,478</b>

10.1 Out of the Axis bank Limited Current maturities of Rs.938 Lakhs an amount of Rs.188 Lakhs pertains to the Term loan of Rs.1500 lakhs taken during the Financial Year 2011-12 and Rs.750 Lakhs pertains to the Term loan of Rs.3000 Lakhs taken during the Financial Year 2013-14

### NOTE - 11. SHORT TERM PROVISIONS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Provision for Gratuity	45	19
Provision for Leave Encashment	17	9
Provision for IncomeTax (Net of prepaid taxes)	407	-
<b>Total</b>	<b>469</b>	<b>28</b>

## Notes forming Part of Financial Statements

### NOTE - 12. FIXED ASSETS SCHEDULE

(₹ in Lacs)

Sr. No.	Particulars	Gross Block (At Cost)			Depreciation & Amortisation				Net Book Value		
		Op Block as on 01.04.2015	Additions	Disposals	As on 31.03.2016	Op Block as on 01.04.2015	For the year	Disposals Adjustment	As on 31.03.2016	As on 31.03.2016	As on 31.03.2015
	<b>TANGIBLE ASSETS</b>										
1	LAND	1,224	11		1,235	-	-		-	1,235	1,224
2	ROADS	499	2		501	151	69		220	281	348
3	BUILDINGS	7,999	473		8,472	2,595	215		2,810	5,662	5,404
4	PLANT & MACHINERY	26,809	1,231	334	27,706	15,305	846	80	16,071	11,635	11,504
5	ELECTRICALS	2,807	135	1	2,941	1,505	84	1	1,588	1,353	1,302
6	COMPUTERS	466	1		467	397	30		427	40	69
7	OFFICE EQUIPMENTS	374	12	-	386	262	47	-	309	77	112
8	FURNITURE	215	6		221	86	19		105	116	129
9	VEHICLES	220	3	63	160	72	24	19	77	83	148
	<b>SUB TOTAL-1</b>	<b>40,612</b>	<b>1,874</b>	<b>398</b>	<b>42,089</b>	<b>20,373</b>	<b>1,334</b>	<b>100</b>	<b>21,607</b>	<b>20,482</b>	<b>20,239</b>
	(Previous Year)	(37,999)	(2,659)	(46)	(40,612)	(19,099)	(1,282)	(8)	(20,373)	(20,239)	(19,035)
	<b>INTANGIBLE ASSETS</b>										
10	LICENCE FEE	1,425	-		1,425	185	63	-	248	1,177	1,240
	<b>SUB TOTAL-2</b>	<b>1,425</b>	<b>-</b>	<b>-</b>	<b>1,425</b>	<b>185</b>	<b>63</b>	<b>-</b>	<b>248</b>	<b>1,177</b>	<b>1,240</b>
	(Previous Year)	(1,425)	-		(1,425)	(122)	(63)	-	(185)	(1,240)	(1,303)
	<b>TOTAL (1 + 2)</b>	<b>42,037</b>	<b>1,874</b>	<b>398</b>	<b>43,514</b>	<b>20,558</b>	<b>1,397</b>	<b>100</b>	<b>21,855</b>	<b>21,659</b>	<b>21,479</b>
	(Previous Year)	(39,424)	(2,659)	(46)	(42,037)	(19,221)	(1,345)	(8)	(20,558)	(21,479)	(20,338)

12.1 Depreciation for the year includes an amount of Rs.249 Lacs on revalued value of the Fixed assets and has been debited to Revaluation Reserve Account.

### NOTE - 13. NON CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Investment in Subsidiaries</b>		
<b>Quoted (At cost)</b>		
1,85,00,000 Equity Shares of Rs. 10/- each fully paid up in Pennar Engineered Building Systems Limited	1,850	1,850
Aggregate market value of quoted investment is Rs.30,867 Lakhs (Quoted during the current Financial Year 15-16)		
<b>Unquoted</b>		
42,70,000 Equity Shares of Rs 10/- each fully paid up in Pennar Enviro Limited	427	427
49,80,392 Equity Shares of Rs 10/- each fully paid up with a premium of Rs.90/- per share for 49,50,981 shares in New Era Enviro Ventures (Karimnagar) Private Limited (Note 13.1)	4,954	-
<b>Total</b>	<b>7,231</b>	<b>2,277</b>

13.1 During the financial year 2015-16 company invested an amount of Rs.4,954 Lakhs. After the said investment M/s New Era Enviro ventures (Karimnagar) Private Limited became subsidiary of the company with effect from 14th October, 2015.

### NOTE - 14. LONG TERM LOANS & ADVANCES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
(Unsecured, considered good, recoverable in cash or in kind for value to be received)		
Prepaid Taxes	11,378	11,314
Less : Provision for Income Tax	11,378	11,202
Prepaid Taxes (Net of Provision)	-	112

## Notes forming Part of Financial Statements

### NOTE - 15. OTHER NON CURRENT ASSETS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
VAT receivable	182	144
Electricity Deposit	188	139
Rent Deposit	107	112
Water Deposit	22	22
<b>Total</b>	<b>499</b>	<b>417</b>

### NOTE - 16. INVENTORIES (AS VALUED AND CERTIFIED BY MANAGEMENT)

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Raw Material	4,058	2,523
Stores & Spares	3,898	3,553
Work in Progress	5,923	5,108
Finished Goods	2,437	1,811
Scrap	159	173
<b>Total</b>	<b>16,475</b>	<b>13,168</b>

### NOTE - 17. TRADE RECEIVABLES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Trade receivables outstanding for a period exceeding six months from the date they were due for payment</b>		
Secured, considered good	-	-
Unsecured, considered good (Note 17.1)	1,979	1,437
<b>Other Trade receivables</b>		
Secured, considered good	-	-
Unsecured, considered good	21,146	21,225
<b>Total</b>	<b>23,125</b>	<b>22,662</b>

17.1 Trade receivables outstanding for a period exceeding 6 months includes an amount of Rs.931 lakhs which is doubtful for recovery, Company has filed legal cases against customers for recovery of such dues and the management is confident of recovering the same. Hence no provision made.

### NOTE - 18. CASH AND BANK BALANCES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Cash and Cash Equivalents</b>		
<b>Balances with banks</b>		
- in current accounts	17	23
- in Collection accounts	167	363
- in Fixed Deposits (Note 18.1)	5010	-
<b>Cash on hand</b>	<b>5</b>	<b>7</b>
<b>Other Bank Balances</b>		
- Fixed Deposit under lien (Note 18.2)	-	200
- in Preference Shares redemption accounts	50	25
- in unclaimed dividend accounts	64	64
- in margin money accounts	326	326
<b>Total</b>	<b>5,639</b>	<b>1,008</b>
<b>Cash and Cash Equivalents for Cash Flow Statement</b>	<b>5,199</b>	<b>393</b>

## Notes forming Part of Financial Statements

18.1 Fixed Deposits having maturity period of less than 12 months are Rs.5010 Lakhs

18.2 The company has given Corporate guarantees of Rs.9,550 Lakhs to State bank of India and Rs. 12,000 Lakhs to Axis Bank Limited and Rs.4,500 Lakhs to Yes bank Limited for Working capital loans taken by the subsidiary M/s Pennar Engineered Building Systems Ltd (PEBSL) further collateral security by way of pledge of shares of Pennar Engineered Building Systems Ltd to the extent of 61,50,000 shares of Rs.10/- each amounting to Rs. 615 Lacs is also provided.

The company also provided a collateral security by way of a lien on fixed deposit of Rs. 200 lacs towards the Term Loans and Working Capital Loans taken by subsidiary M/s Pennar Engineered Building Systems Limited from State Bank of India. The collateral security was withdrawn and Deposits were encashed during the current financial year 2015-16.

### NOTE - 19. SHORT TERM LOANS & ADVANCES

(₹ in Lacs)

Particulars (Unsecured, considered good, recoverable in cash or in kind for value to be received)	As at	As at
	31st March, 2016	31st March, 2015
Loans & Advances to Staff	63	44
Advances for Raw Material	70	278
Advances for Capital Goods (19.1)	478	522
Advances to others	435	348
Loans & Advances to Subsidiaries (Note 19.2)	3,310	-
Cenvat Credit	771	488
Other Deposits	20	23
<b>Total</b>	<b>5,147</b>	<b>1,703</b>

19.1 Advances to Capital Goods include Rs.281 Lakhs given to subsidiary company M/s Pennar Enviro Limited

19.2 Advances to Subsidiaries represents given advance to subsidiary company M/s New Era Enviro ventures (Karimnagar) Private Limited carrying an interest @ 11% Per Annum.

### NOTE - 20. OTHER CURRENT ASSETS

(₹ in Lacs)

Particulars	As at	As at
	31st March, 2016	31st March, 2015
Prepaid Expenses	169	214
Sales tax incentive receivable	133	133
Interest Receivable	96	130
<b>Total</b>	<b>398</b>	<b>477</b>

### NOTE - 21. REVENUE FROM OPERATIONS

(₹ in Lacs)

Particulars	For the year ended	For the year ended
	31st March, 2016	31st March, 2015
Revenue From Operations		
Sale of Products	98,481	95,049
Sale of Services	83	243
	<b>98,564</b>	<b>95,292</b>
Less : Excise Duty/Service Tax	8,289	9,374
Sales Tax	3,132	3,097
	<b>11,421</b>	<b>12,471</b>
<b>Net Revenue</b>	<b>87,143</b>	<b>82,821</b>

## Notes forming Part of Financial Statements

### NOTE - 22. OTHER INCOME

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Interest Income	205	89
Miscellaneous Income	20	15
Rent received	4	11
Profit on sale of fixed assets	2	-
<b>Total</b>	<b>231</b>	<b>115</b>

### NOTE - 23. RAW MATERIAL CONSUMED

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Opening Stocks	2,523	1,708
Add : Purchases	63,846	61,196
	66,369	62,904
Less : Closing Stocks	4,058	2,523
<b>Net Material Cost</b>	<b>62,311</b>	<b>60,381</b>

### NOTE - 24. CHANGES IN INVENTORIES (OTHER THAN RAW MATERIAL)

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>Opening Stocks</b>		
Work in Progress	5,108	4,878
Finished Goods	1,811	1,756
Scrap	173	297
	<b>7,092</b>	<b>6,931</b>
<b>Closing Stocks</b>		
Work in Progress	5,923	5,108
Finished Goods	2,437	1,811
Scrap	159	173
	<b>8,519</b>	<b>7,092</b>
<b>Changes in Stock</b>	<b>(1,427)</b>	<b>(161)</b>

### NOTE - 25. MANUFACTURING EXPENSES

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Job work charges	2,329	1,598
Stores & Spares (Note 25.1)	4,880	3,984
Power	1,438	1,355
Repairs & Maintenance - Buildings	69	35
Repairs & Maintenance - Plant & Machinery	168	133
Repairs & Maintenance - Others	43	117
Miscellaneous manufacturing expenses (Note 25.2)	575	365
<b>Total</b>	<b>9,502</b>	<b>7,587</b>

## Notes forming Part of Financial Statements

### 25.1 STORES AND SPARES CONSUMPTION

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Opening Stocks	3,553	3,482
Add : Purchases	5,225	4,055
Less : Closing Stocks	3,898	3,553
<b>Consumption</b>	<b>4,880</b>	<b>3,984</b>

25.2 Misc. Manufacturing expenses include Rs.219 Lakhs towards customs duty paid as per the order of the Supreme Court vide their order dated 31st July 2015 for Civil appeal no. 4444 - 4445 of 2005

### NOTE - 26. EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Salaries & Wages	4,505	3,814
Contribution to Gratuity, PF & Super Annuation	446	274
Staff Welfare Expenses	359	267
<b>Total</b>	<b>5,310</b>	<b>4,355</b>

### NOTE - 27. OTHER EXPENSES

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Insurance	5	4
Travelling & Conveyance	469	465
Rent	144	188
Rates & Taxes	17	41
Advertisement & Sales Promotion	25	29
Sales Commission	288	270
Communication Expenses	54	61
Freight Outward	1,788	2,099
Technical, Legal & Professional	202	144
Managerial Remuneration	113	92
Directors' Fees & Expenses	2	2
Printing & Stationery	32	40
Repairs and Maintenance	56	21
Office Maintenance	101	97
Auditors' Remuneration (Note 27.1)	27	27
Loss on sale of asset	8	15
Corporate Social responsibility Expenses (Note 28.2)	62	20
Miscellaneous Expenses	193	121
<b>Total</b>	<b>3,586</b>	<b>3,736</b>

### 27.1 AUDITORS REMUNERATION (EXCLUDING SERVICE TAX)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Audit Fees	23	23
Tax Audit Fees	3	3
Other Services	1	1
<b>Total</b>	<b>27</b>	<b>27</b>

## Notes forming Part of Financial Statements

27.2 As per section 135 (1) of Companies Act, 2013 Corporate Social Responsibility provisions are applicable. As per the provisions the Corporate Social Responsibility liability of the company is Rs.66 Lakhs (Previous year Rs.101 Lakhs). The company Constituted sub Committee of Board and approved CSR policy. As per the said policy company has incurred Rs.62 Lakhs (Previous year Rs.20 Lakhs) and balance amount of Rs.4 Lakhs (Previous year Rs.81 Lakhs) could not be incurred as the Company was unable to identify project as per its approved CSR policy. The unspent amount upto 31st March 2016 is Rs.85 Lakhs.

### NOTE - 28. FINANCE COST

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Interest on Term Loans	403	555
Interest on Working Capital	798	904
Interest on Vehicle Loans	6	8
Bank Charges	1,532	1,139
Interest on Income tax	45	-
<b>Total</b>	<b>2,784</b>	<b>2,606</b>

28.1 Bank charges include an amount of Rs. 1147 Lakhs towards Bill discounting charges paid to Banks.

### NOTE - 29. EARNING PER SHARE

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Net profit for basic EPS (₹ in Lakhs)	2,702	2,133
Weighted Average No. of shares	120,349,514	120,351,113
Annualized Basic Earning per share - (₹)	2.25	1.77

### NOTE - 30. CONTINGENT LIABILITIES

(₹ in Lacs)

Sr. No.	Particulars	As at 31st March, 2016	As at 31st March, 2015
i)	Bank Guarantees	292	915
ii)	Corporate Guarantee given for loans taken by subsidiary (Note 30.1 & 30.2)	27,550	23,068
iii)	Claims by Customs (Note 30.3)	268	210
iv)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net)	52	55
v)	LC/Bills Discounted	1,502	185

30.1 The company has given Corporate guarantees of Rs.9,550 Lakhs to State bank of India and Rs. 12,000 Lakhs to Axis Bank Limited and Rs.4,500 Lakhs to Yes bank Limited for Working capital loans taken by the subsidiary M/s Pennar Engineered Building Systems Ltd (PEBSL) further collateral security by way of pledge of shares of Pennar Engineered Building Systems Ltd to the extent of 61,50,000 shares of Rs.10/- each amounting to Rs. 615 Lacs is also provided.

The company also provided a collateral security by way of a lien on fixed deposit of Rs. 200 lacs towards the Term Loans and Working Capital Loans taken by subsidiary M/s Pennar Engineered Building Systems Limited from State Bank of India. The collateral security was withdrawn and Deposits were encashed during the current financial year 2015-16.

30.2 Corporate guarantee to Axis Bank Limited to the tune of Rs 1,500 lakhs for Working capital loans, Letter of credit and Bank guarantee facilities taken by the subsidiary M/s Pennar Enviro Ltd.

## Notes forming Part of Financial Statements

### 30.3 Details of disputed Customs dues are given below:

(₹ in Lacs)

Sl. No.	Nature of Statute	Nature of dues	Forum Where dispute is pending	Amount
1	Customs Act 1962	Interest on Customs Duty Paid	High Court	45
2	Customs Act 1962	Interest on settled dues (Entry Tax on CIX)	Commissioner of Customs	223

### NOTE - 31 DISCLOSURES REQUIRED UNDER SECTION 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year (Refer note 9)	112	55
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	0.38	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

### NOTE - 32. MANAGERIAL REMUNERATION

(₹ in Lacs)

Sr. No.	Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
1	Directors Salaries & Allowances	209	177
2	Providend Fund & Superannuation	37	19
3	Other Perquisites	4	20
4	Commission	113	92
	<b>Total</b>	<b>363</b>	<b>308</b>

### NOTE - 33. RELATED PARTY DISCLOSURES

Sr. No.	Name	Relationship
1	Pennar Engineered Building Systems Limited Pennar Enviro Limited New Era Enviro Ventures (Karimnagar) Private Limited	Subsidiary Companies
2	Mr. Nrupender Rao Mr. Aditya N Rao Mr. Lavanya Kumar Kondapalli	Key Management Personnel
3	Saven Technologies Limited	Common Director

## Notes forming Part of Financial Statements

### 33.1 Aggregate Related Party Transactions:

(₹ in Lacs)

Sl. No.	Particulars	Subsidiaries		Key Managerial Personnel		Common Director	
		For the year ended 31.03.2016	For the year ended 31.03.2015	For the year ended 31.03.2016	For the year ended 31.03.2015	For the year ended 31.03.2016	For the year ended 31.03.2015
1	Purchases Made during the year	12	147	-	-	-	-
2	Sales Made during the year	10,317	4,170	-	-	-	-
3	Other Services Rendered	29	134	-	-	-	-
4	Other Services Received	198	200	-	-	46	20
5	Remuneration	-	-	363	308	-	-
6	Advances Paid	3,591	534	-	-	-	-
7	Investments	4,954	-	-	-	-	-

### NOTE - 34. EMPLOYEE BENEFITS UNDER DEFINED BENEFITS PLAN

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016		For the year ended 31st March, 2015	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Components of employer expense				
Current service cost	33	27	34	31
Interest cost	35	7	40	8
Actuarial losses/(gains)	96	17	(21)	(16)
<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>164</b>	<b>51</b>	<b>53</b>	<b>23</b>
<b>Actual contribution and benefit payments for year</b>				
Actual benefit payments	(51)	(16)	(38)	(18)
Actual contributions	145	16	105	18
<b>Net liability recognised in the Balance Sheet</b>				
Present value of defined benefit obligation	480	102	465	97
Expenses as above	164	51	53	23
Benefit payments	(51)	(16)	(38)	(18)
	<b>593</b>	<b>137</b>	<b>480</b>	<b>102</b>
<b>Classification of Net liability recognised in the Balance Sheet</b>				
Long term provision	548	121	461	96
Short term provision	45	16	19	6
	<b>593</b>	<b>137</b>	<b>480</b>	<b>102</b>

## Notes forming Part of Financial Statements

### 34.1 EMPLOYEE BENEFITS UNDER DEFINED BENEFITS PLAN (contd.)

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016		For the year ended 31st March, 2015	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
<b>Change in defined benefit obligations (DBO) during the year</b>				
Current service cost	33	27	34	31
Interest cost	35	7	40	8
Actuarial (gains) / losses	96	17	(21)	(16)
Benefits paid	(51)	(16)	(38)	(18)
<b>Present value of DBO at the end of the year</b>	<b>593</b>	<b>137</b>	<b>480</b>	<b>102</b>
<b>Actuarial assumptions</b>				
Discount rate	7.46%	7.46%	9.00%	9.00%
Salary escalation	1.00%	1.00%	2.00%	2.00%
Attrition	1.00%	1.00%	3.00%	3.00%

### NOTE - 35. SEGMENT DETAILS

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

### NOTE - 36. FOREIGN CURRENCY TRANSACTIONS

(₹ in Lacs)

Sr. No.	Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>a)</b>	<b>Outflow in foreign currency</b>		
i)	Foreign Travel Expense	27	17
ii)	Raw Material	-	-
iii)	Capital Equipment & Components	425	53
<b>b)</b>	<b>Inflow in foreign currency</b>		
i)	FOB value of exports	490	397

### NOTE - 37.

Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest Lac of rupees.

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer

# Independent Auditor's Report

To the Members of  
**PENNAR INDUSTRIES LIMITED**

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of PENNAR INDUSTRIES LIMITED ("the Holding Company") and its subsidiary companies (collectively referred to as "the Group") which comprise the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (here in referred as "the consolidated financial statements")

## Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under and the Order under Section 143(11) of the Act.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Directors, 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 on the consolidated financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at March 31, 2016, and its consolidated Profit and its consolidated Cash Flow for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by section 143 (3) of the Act, we report that:
  - a. we have sought and 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 it appears from our examination of those books;
- c. The consolidated Balance Sheet, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account
- d. In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the

Companies (Audit and Auditors) Rules, 2014 and in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations as at 31st March 2016 on its consolidated financial position in its financial statements as referred to in note 19.1 and 33.1 to the financial statements.
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

FOR **RAMBABU & Co.,**  
Chartered Accountants  
FRN: 002976S

**Ravi Rambabu**  
Partner  
M.No.018541

Place: Hyderabad  
Date: 20.05.2016

## Annexure “A” to the Independent Auditors’ Report

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of PENNAR INDUSTRIES LIMITED (“the Holding Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### Management’s Responsibility for Internal Financial Controls

The Company’s management responsible for establishing and maintaining internal financial controls base on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls over financial reporting.

#### Meaning of Internal Financial Controls over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

#### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### Opinion

In our opinion the Holding Company has in all material respects, an adequate internal financial control over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance, Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

FOR **RAMBABU & Co.,**  
Chartered Accountants  
FRN: 0029765

Place: Hyderabad  
Date: 20.05.2016

**Ravi Rambabu**  
Partner  
M.No.018541

# Consolidated Balance Sheet

as at 31st March, 2016

(₹ in Lacs)

Particulars	Note	As at	
		31st March, 2016	31st March, 2015
<b>I EQUITY AND LIABILITIES</b>			
<b>1 SHAREHOLDERS' FUNDS</b>			
a) Share Capital	3	6,017	6,295
b) Reserves & Surplus	4	45,408	34,194
c) Minority Interest		8,520	4,359
		<b>59,945</b>	<b>44,848</b>
<b>2 NON CURRENT LIABILITIES</b>			
a) Long Term Borrowings			
- Secured	5	6,290	2,238
- UnSecured		2,304	2,304
b) Deferred Tax Liability (Net)	6	2,963	2,736
c) Other Long Term Liabilities	7	354	357
d) Long Term Provisions	8	294	313
		<b>12,205</b>	<b>7,948</b>
<b>3 CURRENT LIABILITIES</b>			
a) Short Term Borrowings			
- Secured	9	17,132	13,776
b) Trade Payables	10	43,235	19,612
c) Other Current Liabilities	11	7,818	6,509
d) Short Term Provisions	12	2,171	450
		<b>70,356</b>	<b>40,347</b>
<b>Total (1+2+3)</b>		<b>142,506</b>	<b>93,143</b>
<b>II ASSETS</b>			
<b>1 NON CURRENT ASSETS</b>			
a) Goodwill (Refer Note 41)		4,345	-
b) Fixed Assets			
- Tangible Assets		40,512	26,583
- InTangible Assets	13	1,561	1,591
- Capital Work In Progress		266	319
c) Non Current Investments	14	2	2
d) Long Term Loans and Advances	15	18	165
e) Other Non Current Assets	16	1,992	1,039
		<b>48,696</b>	<b>29,699</b>
<b>2 CURRENT ASSETS</b>			
a) Current Investments	17	3,315	2,603
b) Inventories	18	25,671	20,471
c) Trade Receivables	19	38,322	33,756
d) Cash and Bank Balances	20	17,091	1,676
e) Short Term Loans & Advances	21	6,561	3,101
f) Other Current Assets	22	2,850	1,837
		<b>93,810</b>	<b>63,444</b>
<b>Total (1+2)</b>		<b>142,506</b>	<b>93,143</b>

Significant Accounting Policies

Notes on Financial Statements

1 to 43

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer

## Consolidated Statement of Profit & Loss for the year ended 31st March, 2016

(₹ in Lacs)

Particulars	Note	Year ended 31st March, 2016	Year ended 31st March, 2015
I Revenue from operations (Net Sales)	23	130,636	126,340
II Other Operating Revenue	24	31	406
III Other Income	25	339	333
<b>Total Revenue (I + II + III)</b>		<b>131,006</b>	<b>127,079</b>
IV Expenses :			
Raw Material Consumed	26	83,009	85,347
Change in Inventories	27	(2,410)	(766)
Manufacturing Expenses	28	18,694	15,340
Employee Benefits Expense	29	9,348	7,828
Other Expenses	30	7,232	7,244
		<b>115,873</b>	<b>114,993</b>
<b>Profit before Interest, Depreciation &amp; Tax</b>		<b>15,133</b>	<b>12,086</b>
Finance Cost	31	3,841	3,641
Depreciation		1,888	1,785
		<b>5,729</b>	<b>5,426</b>
<b>Profit before Tax</b>		<b>9,404</b>	<b>6,660</b>
V Tax Expenses			
Current Tax		3,352	1,475
Deferred Tax Liability/(Asset)		228	872
		<b>3,580</b>	<b>2,347</b>
<b>Net Profit after Tax</b>		<b>5,824</b>	<b>4,313</b>
Less : Minority Interest		1,439	723
<b>Net Profit after Tax after Minority Interest</b>		<b>4,385</b>	<b>3,590</b>
Earning Per Share (having a face value of Rs 5 each)			
- Basic (Rs.)	32	3.64	2.98
- Diluted (Rs.)		3.64	2.97

Significant Accounting Policies  
Notes on Financial Statements

1 to 43

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer

## Consolidated Cash Flow Statement for the year ended 31st March, 2016

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>A Cash Flows from operating activities :</b>		
Net Profit Before Tax	9,404	6,606
Loss from sale of assets	25	21
Depreciation	1,888	1,795
Finance Cost	3,977	3,636
Bad Debts written off	105	159
Misc Expenses written off	(5)	-
Dividend received	(40)	(73)
Interest Received	(96)	(42)
Rent Received	(4)	(124)
Net gain on sale of current investments	(3)	-
Liabilities no longer required written back	(81)	-
Operating Profit before working capital changes	15,170	11,978
Adjustment for:		
Trade receivables	(6,951)	(10,385)
Inventories	(5,172)	(1,581)
Loans and Advances & other assets	(8,451)	104
Trade payables and Other Payables	27,465	4,095
	6,891	(7,767)
Cash Generated From Operation	22,061	4,211
Less : Income Tax Paid	(1,548)	(1,202)
<b>Net cash from operating activities "A"</b>	<b>20,513</b>	<b>3,009</b>
<b>B Cash Flows from Investing activities :</b>		
Purchase of fixed assets	(16,079)	(2,999)
Proceedings from sale of fixed assets	306	32
Purchase of Current Investments	(712)	(53)
Investments	-	(40)
In Margin Money Deposits	(10,359)	-
Interest Received	96	42
Dividend Received	40	72
Net gain on sale of current investments	3	-
Increase in other Non current assets	(138)	(139)
Rent Received	4	124
<b>Net cash used in investing activities "B"</b>	<b>(26,839)</b>	<b>(2,961)</b>

## Consolidated Cash Flow Statement for the year ended 31st March, 2016

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>C Cash Flows from Financing activities:</b>		
Repayment of Equity share capital	-	(26)
Repayment of preference share capital	(278)	(278)
Proceeds from issue of Equity Share Capital	5,242	-
Proceeds from Long Term Borrowings	5,048	1,400
Repayment of Long Term Borrowings	(1,144)	(572)
Net increase/(decrease) of working capital borrowings	3,149	2,247
Repayment of other short-term borrowings	3,332	500
Finance Cost	(3,891)	(3,639)
Net Cash used in financing activities "C"	11,458	(368)
Net ( Decrease ) / Increase in Cash and Cash Equivalents (A+B+C)	5,132	(320)
Cash and Cash Equivalents at the beginning #	601	921
Cash and Cash Equivalents at the end	5,733	601

# Cash and Cash equivalents includes cash and cash equivalents of the company and subsidiaries Pennar Engineered Building Systems Limited, Pennar Enviro Limited and New Era Enviro Ventures (Karimnagar) Private Limited.

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer

# Notes forming Part of Consolidated Financial Statements

## NOTE - 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 (Telangana), Chennai and Hosur (Tamil Nadu) Tarapur (Maharashtra). Further Pennar has set up subsidiaries namely Pennar Engineered Building Systems Limited, Pennar Enviro Limited. During the year the company has acquired a new subsidiary M/s New Era Enviro Ventures (Karimnagar) Private Limited.

## NOTE - 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

### 2.1 Accounting Conventions :

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### 2.2 Use of Estimates:

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

### 2.3 Inventories:

Inventories have been valued as under:

- i) Raw materials, stores and spares and traded goods have been valued at cost. Cost includes freight, taxes and duties and is net of credit under VAT and CENVAT scheme, where applicable.
- ii) Due allowance is made for slow / non moving items, based on Management estimates
- iii) Finished goods and work-in-progress have been valued at cost or net realizable value whichever is lower. Cost includes all direct costs and applicable production overheads to bring the goods to the present location and condition.
- iv) Excise duty on closing stock of finished goods has been provided in the accounts and considered for valuation of closing stock. A corresponding liability is created for the same amount.

### 2.4 Cash and Cash equivalents (for purposes of Cash Flow Statement):

Cash comprises of cash on hand, amount in current accounts and deposit accounts.

Cash flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

### 2.5 Depreciation and Amortization:

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

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

The estimated useful life of the intangible assets and the amortization period are reviewed at the end of each financial year and the amortization method is revised to effect the changed pattern.

### 2.6 Revenue Recognition:

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

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

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

## Notes forming Part of Consolidated Financial Statements

### 2.7 Expenditure:

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

### 2.8 Tangible Fixed Assets:

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

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

### 2.9 Intangible assets:

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

### 2.10 Foreign Exchange Transactions:

#### Initial Recognition

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

#### Measurement of foreign currency monetary items at the Balance Sheet date

Foreign currency monetary items (other than derivative contracts) of the Company at the Balance Sheet date are restated at the year-end rates.

#### Treatment of exchange differences

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

#### Accounting of forward contracts

Premium / discount on forward exchange contracts, which are not intended for trading or speculation purposes, are amortised over the period of the contracts if such contracts relate to monetary items as at the balance sheet date.

### 2.11 Government Grants, Subsidies and Export Incentives

Government grants and subsidies are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and the grants / subsidy will be received. Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire capital assets are presented by deducting them from the carrying value of the assets. The grant is recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same.

### 2.12 Investments

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

Current investments are carried individually, at the lower of cost and fair value.

### 2.13 Employee Benefits:

#### a) Short Term Employee Benefits

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

## Notes forming Part of Consolidated Financial Statements

### b) Long Term Employee Benefits

#### Defined Contribution Plan

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

#### Defined Benefit Plans

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

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

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

### 2.14 Earnings Per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

### 2.15 Taxes on Income

Income tax liability for the year is calculated in accordance with the relevant tax laws and regulations applicable to the Company. Deferred tax is recognized on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

### 2.16 Impairment of Assets

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

### 2.17 Provisions, Contingent Liabilities and Contingent Assets

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

### 2.18 Share issue expenses

Share issue expenses are adjusted against the Securities Premium Account as permissible under Section 52 of the Companies Act, 2013, to the extent any balance is available for utilisation in the Securities Premium Account, Share issue expenses in excess of the balance in the Securities Premium Account is expensed in the Statement of Profit and Loss.

## Notes forming Part of Consolidated Financial Statements

### NOTE - 3. SHARE CAPITAL

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>3.1 Authorised Share Capital</b>		
<b>Equity Shares</b>		
15,00,00,000 Equity Shares of Rs 5/- each (previous year 15,00,00,000 equity shares of Rs 5/- each)	7,500	7,500
<b>3.2 Preference Shares</b>		
Series - A : 5,00,000 Cumulative Redeemable Preference Shares of Rs 100/- each (previous year 5,00,000 Cumulative Redeemable Preference Shares of Rs 100/- each)	500	500
Series - B : 4,00,00,000 Cumulative Redeemable Preference Shares of Rs 5/- each (previous year 4,00,00,000 Cumulative Redeemable Preference Shares of Rs 5/- each)	2,000	2,000
	<b>10,000</b>	<b>10,000</b>
<b>3.3 Issued, Subscribed &amp; Paid Up Equity Shares</b>		
12,03,49,514 Equity Shares of Rs 5/- each (Previous Year 12,03,49,514 Equity Shares each) (Note 3.3.1, 3.3.2 and 3.3.3)	6,017	6,017
<b>3.4 Preference Shares - Series B</b>		
(Previous Year 1,66,49,119 Cumulative redeemable Preference Shares of Rs.1.67/- each) (Note 3.4.1)	-	278
<b>Total</b>	<b>6,017</b>	<b>6,295</b>

3.3.1 All Equity Shares issued by the company carry equal voting and participatory rights

3.3.2 The details of share holders holding more than 5% shares :

Name of the share holder	As at 31st March, 2016		As at 31st March, 2015	
	No. of Shares	% held	No. of Shares	% held
Pennar Holdings Private Limited	20,953,811	17.41%	-	-
Saif Advisors Mauritius Limited A/C Saif India IV FII Holdings	12,138,080	10.09%	12,138,080	10.09%
Eight Capital Master Fund Limited	7,090,157	5.89%	7,090,157	5.89%
Thapati Trading Pvt. Ltd	-	-	19,379,811	16.10%

3.3.3 The reconciliation of the no. of shares outstanding is set out below :

Particulars	As at 31st March, 2016 No. of Shares	As at 31st March, 2015 No. of Shares
Equity Shares at the beginning of the year	120,349,514	120,461,410
Add/(Less) : Shares bought back and extinguished	-	111,896
Equity Shares at the end of the year	120,349,514	120,349,514

3.4.1 During the year ,1,66,49,119 Cumulative redeemable preference shares amounting to Rs.278 Lakhs were redeemed @ Rs.1.67 per share being third and final installment of redemption.

## Notes forming Part of Consolidated Financial Statements

### NOTE - 4. RESERVES AND SURPLUS

(₹ in Lacs)

Particulars	As at 31st March, 2016		As at 31st March, 2015	
<b>Revaluation Reserve</b>				
Opening Balance	2,257		2,505	
Less : Transferred to Statement of Profit and Loss on account of depreciation on revalued assets. (Note 4.1)	249		249	
Closing Balance		2,008		2,257
<b>Capital Redemption Reserve</b>				
Opening Balance	907		623	
Add : Transferred from General reserve (Note 4.2)	278	1,185	284	907
<b>Capital Reserve on account of consolidation of Pennar Enviro Limited</b>	23	23	23	23
<b>Profit on forfeiture of shares</b>	6	6	6	6
<b>Securities Premium</b>				
Opening Balance	7,028		7,066	
Add : Premium on shares issued	7,394		(18)	
Less: Conversion of convertible Preference shares into Equity	(16)		-	
Less: Writing off Share issue expenses	(301)		-	
Less: Utilized for extinguishment of equity shares	-	14,105	(20)	7,028
<b>General Reserve</b>				
Opening Balance	1,507		1,951	
Less : Transferred to Capital Redemption Reserve (Note 4.2)	(278)		(284)	
Less : Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with NIL remaining useful life	-		(160)	
Add : Transferred from statement of Profit and Loss	-		-	
Closing Balance		1,229		1,507
<b>Statement of Profit and Loss</b>				
Opening Balance	22,466		18,883	
Less : Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with NIL remaining useful life	-		(7)	
Add : Profit for the year	4,385		3,590	
	26,852		22,466	
Less : Appropriations	-		-	
Closing Balance		26,852		22,466
<b>Total</b>		<b>45,408</b>		<b>34,194</b>

4.1 Cumulative amount withdrawn from the Revaluation reserve on account of depreciation on revaluation of Fixed Assets is Rs. 4288 Lakhs as on 31.03.2016 out of the total Revaluation reserve of Rs 6,296 lakhs.

4.2 An amount of Rs.278 Lakhs is transferred from General reserve to Capital Redemption reserve on account of third and final installment of redemption of 1,66,49,119 Cumulative redeemable Preference shares at Rs.1.67/- each.

## Notes forming Part of Consolidated Financial Statements

### NOTE - 5. LONG TERM BORROWINGS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>From Banks - Secured</b>		
Axis Bank Limited (Note 5.1)	1,243	2,181
IFCI Limited ( Note 5.2)	5,000	-
<b>From NBFC - Secured</b>		
Kotak Mahindra Prime Ltd (Vehicle loans) (Note 5.3)	47	57
	6,290.00	2,238
<b>Unsecured</b>		
Sales Tax Deferment Loan (Note 5.4)	2,304	2,304
<b>Total</b>	<b>8,594</b>	<b>4,542</b>

5.1 During the Financial Year 2011-12, company has taken term loan from Axis Bank Limited for an amount of Rs 1500 lakhs at an interest rate of 12.75% p.a which is repayable in 16 quarterly installments of Rs 93.75 lakhs each starting from Dec 2012..

During the Financial year 2013-14, Axis Bank Limited sanctioned Term Loan for an amount of Rs.3000 Lakhs at an interest rate of 12.25% p.a. The Term loan is repayable in 16 equal quarterly installments of Rs.187.50 lakhs each starting from March 2015.

The above Term Loans obtained from Axis Bank Limited are secured by pari passu first charge on all immovable properties and second charge on all current assets both present and future and further guaranteed by Sri. Nrupendar Rao, Chairman of the company in his personal capacity.

5.2 During the Current Financial year 2015-16, IFCI Limited has sanctioned Term Loan for an amount of Rs.5000 Lakhs at an interest rate of 12.45% p.a. The Term loan is repayable in 16 equal quarterly installments of Rs.312.50 lakhs each starting from April 2017.

The above Term Loan obtained from IFCI Bank is secured by pari-passu first charge on all immovable properties by deposit of title deeds both present and future and further guaranteed by Mr. Aditya N Rao, Vice Chairman & Managing Director of the company in his personal capacity.

5.3 Vehicle loans from Kotak Mahindra Prime Ltd are secured by way of hypothecation of same vehicles. The said loans are repayable in 60 equal monthly installments.

5.4 Sales Tax deferment availed till the current account period is due for repayment as under :

Year of repayment	(₹ in Lacs)
2018-19	258
2019-20	375
2020-21	393
2021-22	431
2022-23	297
2023-24	335
2024-25	215
<b>Total</b>	<b>2,304</b>

### NOTE - 6. DEFERRED TAX LIABILITY

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Opening Deferred Tax Liability	2,736	1,872
<b>Deferred Tax Liability recognised during the year</b>		
On a/c of depreciation	118	864
On a/c of Deferred Revenue Expenses	109	
<b>Net Deferred Tax Liability</b>	<b>2,963</b>	<b>2,736</b>

## Notes forming Part of Consolidated Financial Statements

### NOTE - 7. OTHER LONG TERM LIABILITIES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Trade Payables	274	277
Trade/Security Deposits Received	80	80
<b>Total</b>	<b>354</b>	<b>357</b>

### NOTE - 8. LONG TERM PROVISIONS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Compensated absences	204	175
Gratuity	90	138
<b>Total</b>	<b>294</b>	<b>313</b>

### NOTE - 9. SHORT TERM BORROWINGS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Secured</b>		
Cash Credit from Banks - Secured (Note 9.1 to 9.6)		
State Bank of India	12,983	9,391
Axis Bank Limited	1,852	3,286
State Bank of Patiala	1,038	1,099
Yes Bank	1,250	
<b>Unsecured</b>		
From others (Note 9.7)	9	
<b>Total</b>	<b>17,132</b>	<b>13,776</b>

- 9.1 Working capital facilities sanctioned by Consortium of Bankers comprising of State Bank of India, Axis Bank and State Bank of Patiala are secured by first charge on all current assets both present and future. These are further secured by way of second charge on the immovable properties of the company and also guaranteed by Mr. Aditya N Rao, Vice Chairman & Managing Director of the company in his personal capacity.
- 9.2 Working Capital loan of Subsidiary M/s Pennar Engineered Building Systems Limited of Rs. 4500 Lakhs from State Bank of India (SBI) is primarily secured by Pari passu first charge on present and future Current Assets of the Company along with Axis Bank and secured by second charge on fixed assets of the Company including Equitable Mortgage of Acre 32.07 1/2 guntas under Survey numbers 88 to 92 (part) of Ankanapally Village & Survey Numbers 144 to 145 (part) of Chandapur Village Sadasivapet Mandal, Medak District (the land on which the plant is located), on pari passu basis along with Axis Bank, and pledge of 24.60% of the total paid up equity capital (61,50,000 shares of Rs. 10 each) held by Pennar Industries Limited. Further secured by personal guarantee of Aditya N Rao and corporate guarantee of Pennar Industries Limited. The loan carries interest rate of 10.55% per annum (31 March, 2015 - 11.25% per annum).
- 9.3 Working Capital loan of Subsidiary M/s Pennar Engineered Building Systems Limited of Rs. 1,000 lakhs from Axis Bank Limited is primarily secured by Pari passu first charge on present and future Current Assets of the Company and pari passu secured by second charge on present and future fixed assets of the Company including Equitable Mortgage of Acre 32.07 1/2 guntas under Survey numbers 88 to 92 (part) of Ankanapally Village & Survey Numbers 144 to 145 (part) of Chandapur Village Sadasivapet Mandal, Medak District (the land on which the plant is located). Further secured by personal guarantee of Promoter Director Aditya N Rao and Corporate guarantee of Pennar Industries Limited. The loan carries interest rate of 11.55% per annum (31 March, 2015 - 12.15% per annum).
- 9.4 Working Capital loan of Subsidiary M/s Pennar Engineered Building Systems Limited from Yes Bank Limited is exclusively secured by receivables. Further secured by personal guarantee of Director Aditya N Rao and Corporate guarantee of Pennar Industries Limited. The loan carries interest rate of 10.25% per annum. (31 March, 2015 - Nil).
- 9.5 Working Capital loan of Subsidiary M/s Pennar Enviro Limited of Rs 600 lakhs from Axis Bank is secured by first charge on the entire current assets of the company both present and future and entire movable fixed assets (excluding vehicles) and factory land and

## Notes forming Part of Consolidated Financial Statements

### NOTE - 9. SHORT TERM BORROWINGS (contd.)

buildings standing in the name of the company. The said working capital facilities are further secured by way of corporate guarantee given by Pennar Industries Limited, holding company and personal guarantee of Mr. Aditya N Rao, Vice Chairman and Director of the Company.

- 9.6 State Bank of India sanctioned Buyes Credit to subsidiary M/s New Era Enviro Ventures (Karimnagar) Private Limited in Foreign Currency through State Bank of India, Sydney for an amount of USD 22,50,000 interest@2.26145% p.a. yearly rests for a period of 1080 days. The said Buyers credit is repayable at the end of the period and secured by Lien on Rs.341 Lakhs Fixed Deposit.
- 9.7 Unsecured loans from others are related to our Subsidiary M/s New Era Enviro Ventures Karimanagar (Private) Limited which includes Rs. 2 Lakhs each from M/s New Era Enviro Ventures (Medak) Privae Limited and M/s New Era Enviro Ventures (Adilabad) Private Limited.

### NOTE - 10. TRADE PAYABLES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Creditors for Raw Materials	25,987	5,739
Creditors for expenses	16,855	13,628
Due to Micro, Small and Medium Enterprises	393	245
<b>Total</b>	<b>43,235</b>	<b>19,612</b>

### NOTE - 11. OTHER CURRENT LIABILITIES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Current Maturities of Long Term Debt		
a. From Banks - Secured (Note 11.1)		
Axis Bank Limited	938	1,125
b. From NBFC - Secured		
Kotak Mahindra Prime Ltd (Vehicle loans)	21	23
c. Sales Tax Deferment Loan	-	23
Interest accrued but not due on borrowings	-	15
Interest accrued and due on borrowings	178	-
Creditors for capital goods	82	47
Unclaimed Dividend	64	64
Preference share Capital payable	327	302
Advances from customers	4,264	2,563
VAT Payable	348	504
Statutory Liabilities	767	333
Other Liabilities	829	1,510
<b>Total</b>	<b>7,818</b>	<b>6,509</b>

- 11.1 Out of the Axis bank Limited Current maturities of Rs.938 Lakhs an amount of Rs.188 Lakhs pertains to the Term loan of Rs.1500 lakhs taken during the Financial Year 2011-12 and Rs.750 Lakhs pertains to the Term loan of Rs.3000 Lakhs taken during the Financial Year 2013-14.

### NOTE - 12. SHORT TERM PROVISIONS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Provision for Gratuity	77	42
Provision for Leave Encashment	81	48
Provision for Tax (net of advance tax)	2,010	360
Provision for estimated Loss on Derivatives	3	
<b>Total</b>	<b>2,171</b>	<b>450</b>

## Notes forming Part of Consolidated Financial Statements

### NOTE - 13. FIXED ASSETS SCHEDULE

(₹ in Lacs)

Sr. No.	Asset Group	Gross Block (At Cost)				Accumulated Depreciation & Amortisation					Net Book Value		
		Op Block as on 01.04.2015	Additions F.Y. 2015-16	Disposals F.Y. 2015-16	Other Adjustment	As on 31.03.2016	Op Block as on 01.04.2015	For the year 2015 - 16	Disposals Adj F.Y.15-16	Other Adjustment	As on 31.03.2016	As on 31.03.2016	As on 31.03.2015
<b>TANGIBLE ASSETS</b>													
1	LAND	1,445	98	-	-	1,543	-	-	-	-	-	1,543	1,445
2	ROADS	499	2	-	-	501	151	69	-	-	220	281	348
3	BUILDINGS	11,815	934	-	-	12,749	3,037	342	(2)	1	3,378	9,371	8,778
4	PLANT & MACHINERY	30,073	14,820	359	30	44,504	16,156	1,193	(24)	1	17,326	27,178	13,917
5	ELECTRICALS	2,934	136	1	-	3,069	1,533	99	(1)	-	1,631	1,438	1,401
6	COMPUTERS	791	76	1	-	866	654	81	(1)	-	734	132	137
7	OFFICE EQUIPMENTS	565	27	10	-	582	416	58	(13)	-	461	121	149
8	FURNITURE	389	19	-	-	408	171	35	(2)	-	204	204	218
9	VEHICLES	286	62	92	-	256	109	31	(29)	-	111	145	177
10	LEASE HOLD IMPROVEMENTS	62	37	-	-	99	48	9	-	-	99	99	14
	<b>SUB TOTAL-1</b>	<b>48,858</b>	<b>16,211</b>	<b>463</b>	<b>30</b>	<b>64,576</b>	<b>22,275</b>	<b>1,917</b>	<b>(72)</b>	<b>2</b>	<b>24,065</b>	<b>40,512</b>	<b>26,583</b>
	<i>Previous year</i>	45,629	3,334	105	-	48,858	20,458	1,849	(49)	17	22,275	26,583	25,303
<b>INTANGIBLE ASSETS</b>													
11	LICENCE FEE	1,904	85	-	-	1,989	312	116	-	-	428	1,561	1,591
	<b>SUB TOTAL-2</b>	<b>1,904</b>	<b>85</b>	<b>-</b>	<b>-</b>	<b>1,989</b>	<b>312</b>	<b>116</b>	<b>-</b>	<b>-</b>	<b>428</b>	<b>1,561</b>	<b>1,591</b>
	<i>Previous year</i>	1,673	231	-	-	1,904	204	108	-	-	312	1,591	1,468
	<b>TOTAL (1 + 2)</b>	<b>50,762</b>	<b>16,296</b>	<b>463</b>	<b>30</b>	<b>66,565</b>	<b>22,587</b>	<b>2,033</b>	<b>(72)</b>	<b>2</b>	<b>24,493</b>	<b>42,073</b>	<b>28,174</b>
	<i>Previous year</i>	47,302	3,565	105	-	50,762	20,662	1,957	(49)	17	22,587	28,174	26,771

13.1 Depreciation for the year includes an amount of Rs.249 Lacs on revalued value of the Fixed assets and has been debited to Revaluation Reserve Account.

### NOTE - 14. NON CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Unquoted at cost</b>		
200 Equity shares of Rs.1000/- each in Mana Effluent Treatment Plant Limited	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

### NOTE - 15. LONG TERM LOANS & ADVANCES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Unsecured and Considered Good Advance Tax (Net of Provision)	18	165
<b>Total</b>	<b>18</b>	<b>165</b>

### NOTE - 16. OTHER NON CURRENT ASSETS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
VAT receivable	302	144
Electricity Deposit	189	140
Rental and Other Deposit	318	299
Water Deposit	22	22
Long Term trade advances (Unsecured and considered good)	831	-
Deferred Revenue Expenses (Note 16.1)		
- Expenses for increasing Authorised Share Capital	-	1
- Water Treatment Chemical (Market Development)	3	6
- Water Projects Division	327	427
<b>Total</b>	<b>1,992</b>	<b>1,039</b>

## Notes forming Part of Consolidated Financial Statements

### NOTE - 16.1

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Expenses Increasing Authorised Share Capital	1	1
A: Less Written off during the Year	1	1
	<b>0</b>	<b>1</b>
Market Development Expenses Chemical Division	6	9
B: Less Written off during the Year	3	3
	<b>3</b>	<b>6</b>
Water Projects Division	427	361
C: Less Written off during the Year	100	72
Additions during the year	0	138
	<b>327</b>	<b>427</b>
Technology Fee written off	0	1
Deferred Revenue Expenses Written off A+B+C	103	77

### NOTE - 17. CURRENT INVESTMENTS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Investment in mutual funds (Note 17.1)	3,315	2,603
<b>Total</b>	<b>3,315</b>	<b>2,603</b>
<b>Aggregate value of quoted Investment</b>	<b>3,315</b>	<b>2,603</b>
<b>Aggregate market value of quoted Investment</b>	<b>3,318</b>	<b>2,603</b>

### NOTE - 17.1 INVESTMENT IN MUTUAL FUNDS

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
SBI Premier Liquid Fund (31 March, 2015 - 99,806.084) units of Premier Liquid - Daily Dividend face value of ₹1,003.2500	500	1,001
Birla Sunlife Cash Plus Collection	250	-
ICICI Prudential Mutual Fund	250	-
Reliance Liquid Fund- Treasury plan (31 March, 2015 - 16,362.051) units of Reliance Liquid - Daily Dividend face value of ₹1,528.7400	250	250
Axis Bank Liquid Fund Daily Dividend (31 March, 2015 - 95,066.733) units of Axis Liquid - Daily Dividend face value of ₹1,000.3396	500	951
IDFC Cash Fund (31 March, 2015 - 20,032.723) units of IDFC Liquid - Daily Dividend face value of ₹1,000.5382	250	200
Religare Invesco Liquidity Fund	250	-
Kotak Floater - Short Term - D	250	-
HDFC RIF STF WP - UST	102	-
Franklin India Ultra Short Bond	204	-
UTI-Treasury Advantage Fund-Ins	102	-
Reliance Medium Term Fund -UST	102	-
ICICI-UST	100	-
Birla Sun Life Savings Fund-UST	204	-
SBI Ultra Short Term Debt Fund	-	201
<b>Total</b>	<b>3,315</b>	<b>2,603</b>

## Notes forming Part of Consolidated Financial Statements

### NOTE - 18. INVENTORIES (AS VALUED AND CERTIFIED BY MANAGEMENT)

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Raw Material	7,670	5,248
Raw Material - in transit	347	273
Work in Progress	7,764	7,591
Finished Goods	5,463	3,284
Stores & Spares	4,162	3,869
Stores & Spares - in transit	67	25
Scrap	198	181
<b>Total</b>	<b>25,671</b>	<b>20,471</b>

### NOTE - 19. TRADE RECEIVABLES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
<b>Outstanding for more than 6 months</b>		
Secured, Considered good	69	-
Unsecured, Considered good (Note 19.1)	7,855	5,333
Unsecured, Doubtful (Note 19.2)	451	355
	8,375	5,688
Less : Provision for doubtful trade receivables	(446)	(355)
	7,929	5,333
<b>Other Trade Receivables</b>		
Secured, Considered good	319	375
Unsecured, Considered good	30,074	28,048
	30,393	28,423
<b>Total</b>	<b>38,322</b>	<b>33,756</b>

19.1 Trade receivables outstanding for a period exceeding 6 months includes an amount of Rs.931 lakhs which is doubtful for recovery, Company has filed legal cases against customers for recovery of such dues and the management is confident of recovering the same. Hence no provision made.

19.2 Trade receivables outstanding for a period exceeding 6 months includes an amount of Rs. 5lakhs of Subsidiary M/s Pennar Enviro Limited which is doubtful for recovery, however the company is confident of recovering the same hence no provision made.

### NOTE - 20. CASH AND BANK BALANCES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
i) Cash and Cash Equivalents		
a. Cash on hand	9	11
b. Balances with banks		
- in Current accounts	547	227
- in Collection accounts	167	363
- in Fixed Deposit	5,010	-
ii) Other Bank Balances		
a. in Unclaimed dividend accounts	64	64
b. in Margin money accounts	5,313	786
c. Fixed Deposit under lien	-	200
d. Preference Shares redemption accounts	50	25
e. Other Fixed Deposits	5,931	-
<b>Total</b>	<b>17,091</b>	<b>1,676</b>
<b>Cash and Cash Equivalents for Cash Flow Statement</b>	<b>5,733</b>	<b>601</b>

## Notes forming Part of Consolidated Financial Statements

### NOTE - 21. SHORT TERM LOANS & ADVANCES

(Unsecured, considered good, recoverable in cash or in kind for value to be received)

(₹ in Lacs)

Particulars	As at	As at
	31st March, 2016	31st March, 2015
Security Deposits	441	25
Loans & Advances to Staff	72	52
Advances for Raw Material	371	520
Advances for Capital Goods	481	522
Advances to others	3,832	1,105
Balances with Government authorities	1,340	851
Other Deposits	24	26
<b>Total</b>	<b>6,561</b>	<b>3,101</b>

### NOTE - 22. OTHER CURRENT ASSETS

(₹ in Lacs)

Particulars	As at	As at
	31st March, 2016	31st March, 2015
Prepaid Expenses	547	371
Sales tax incentive receivable	788	1,134
Interest Receivable	119	132
Unbilled Revenue (Note 22.1)	1,387	158
Interest Accrued on Deposits	9	9
Other Current Assets	-	33
<b>Total</b>	<b>2,850</b>	<b>1,837</b>

22.1 Our Subsidiary M/s Pennar Engineered Building Systems Limited has received an order from State Government of Telangana for construction of Agri-Marketing Godowns, for which revenue is recognised for the work certified value and not billed. Hence the same is treated as Unbilled revenue and the expenditure related to the said unbilled revenue has been accounted under respective heads.

### NOTE - 23. REVENUE FROM OPERATIONS

(₹ in Lacs)

Particulars	For the year ended	For the year ended
	31st March, 2016	31st March, 2015
Revenue From Operations		
Sale of Products	134,376	138,248
Contract Sales	9,153	2,084
Sale of Services	4,525	3,910
	148,054	144,242
Less : Excise Duty	12,487	13,384
Sales Tax	4,931	4,518
	17,418	17,902
<b>Total</b>	<b>130,636</b>	<b>126,340</b>

### NOTE - 24. OTHER OPERATING REVENUE

(₹ in Lacs)

Particulars	For the year ended	For the year ended
	31st March, 2016	31st March, 2015
Incentives on Sales tax & Power (Note 24.1)	31	406
<b>Total</b>	<b>31</b>	<b>406</b>

24.1 Our Subsidiary Company M/s Pennar Engineered Buildings Systems Limited has claimed Sales Tax Incentive for only one month during the current Financial year 2015-16 due to completion of eligible period.

## Notes forming Part of Consolidated Financial Statements

### NOTE - 25. OTHER INCOME

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Interest Income	187	133
Dividend Income on mutual funds	40	73
Rent received	4	11
Gain on Foreign exchange fluctuations	-	1
Profit on sale of fixed assets	2	-
Miscellaneous Income	106	115
<b>Total</b>	<b>339</b>	<b>333</b>

### NOTE - 26. RAW MATERIAL CONSUMED

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Opening Stocks	5,105	4,098
Add : Purchases	85,590	86,378
	90,695	90,476
Less: Expenses incurred towards capital projects	16	24
Less : Closing Stocks	7,670	5,105
<b>Consumption</b>	<b>83,009</b>	<b>85,347</b>

### NOTE - 27. CHANGES IN INVENTORIES (OTHER THAN RAW MATERIAL)

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>Opening Stocks</b>		
Work in Progress	7,591	6,994
Finished Goods	3,243	3,000
Scrap	182	297
	<b>11,016</b>	<b>10,291</b>
<b>Closing Stocks</b>		
Work in Progress	7,765	7,591
Finished Goods	5,463	3,284
Scrap	198	182
	<b>13,426</b>	<b>11,057</b>
<b>Net (Increase)/Decrease</b>	<b>(2,410)</b>	<b>(766)</b>

### NOTE - 28. MANUFACTURING EXPENSES

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Job Work Charges	4,872	4,054
Stores & Spares	7,129	6,419
Erection Expenses	3,906	2,361
Power	1,619	1,523
Repairs & Maintenance - Buildings	69	35
Repairs & Maintenance - Plant & Machinery	185	145
Repairs & Maintenance - Others	46	130
Miscellaneous manufacturing expenses (Note 28.1)	868	673
<b>Total</b>	<b>18,694</b>	<b>15,340</b>

## Notes forming Part of Consolidated Financial Statements

28.1 Misc. Manufacturing expenses includes Rs.219 Lakhs towards customs duty paid by Pennar Industries Limited as per the order of the Supreme court vide their order dated 31st July 2015 for Civil appeal no. 4444 - 4445 of 2005

### 28.2 STORES AND SPARES CONSUMPTION

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Opening Stocks	3,894	3,990
Add : Purchases	7,464	6,323
	11,358	10,313
Less : Closing Stocks	4,229	3,894
<b>Consumption</b>	<b>7,129</b>	<b>6,419</b>

### NOTE - 29. EMPLOYEE BENEFITS EXPENSE

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Salaries & Wages	8,147	6,921
Contribution to Gratuity, PF & Super Annuation	696	507
Staff Welfare Expenses	505	400
<b>Total</b>	<b>9,348</b>	<b>7,828</b>

29.1 Out of the contribution to Gratuity, PF & Superannuation, Gratuity is a funded Scheme.

### NOTE - 30. OTHER EXPENSES

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Insurance	59	48
Travelling & Conveyance	1,061	1,038
Rent	456	400
Rates & Taxes	37	58
Advertisement & Sales Promotion	36	35
Sales Commission	618	706
Communication Expenses	133	124
Freight Outward	3,316	3,567
Technical, Legal & Professional	459	392
Managerial Remuneration	113	92
Directors' Fees & Expenses	2	2
Printing & Stationery	74	81
Provision for Doubtful Trade and Other Receivables	105	159
Repairs and Maintenance	58	21
Office Maintenance	219	216
Loss on sale of Fixed Assets	25	21
Auditors' Remuneration (Note 30.1)	59	38
Corporate Social Responsibility expenses	81	28
Miscellaneous Expenses	337	224
Less : Capitalised towards capital projects	(16)	(6)
<b>Total</b>	<b>7,232</b>	<b>7,244</b>

## Notes forming Part of Consolidated Financial Statements

### 30.1 AUDITORS REMUNERATION (EXCLUDING SERVICE TAX)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Audit Fees	53	34
Tax Audit Fees	4	2
Other Services	2	2
<b>Total</b>	<b>59</b>	<b>38</b>

### NOTE - 31. FINANCE COST

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Interest on Term Loans	403	555
Interest on Working Capital	1,244	1,244
Interest on delayed payment of Taxes	116	32
Interest others	23	5
Bank Charges	2,049	1,797
Interest on Vehicle Loan	6	8
<b>Total</b>	<b>3,841</b>	<b>3,641</b>

### NOTE - 32. EARNING PER SHARE (EPS)

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Net profit after adjusting minority interest (Rs in Lakhs)	4,385	3,590
Weighted Average No. of shares	120,349,514	120,351,113
Annualized Basic Earning per share (Rs.)	3.64	2.98

### NOTE - 33. CONTINGENT LIABILITIES

(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Bank Guarantees given by banks	717	1,474
Claims by Customs (Note 33.1)	268	210
Disputed excise duty liability	94	-
Estimated amount of contracts remaining to be executed on capital account and not provided for (net)	52	55
LC/Bills Discounted	1,648	381

### 33.1 Details of disputed dues to Customs are given below:

(₹ in Lacs)

Nature of Statute	Nature of dues	Forum Where dispute is pending	Amount
Customs Act 1962	Interest on Customs Duty Paid	High Court	45
Customs Act 1962	Interest on settled dues (Entry Tax on CIX)	Commissioner of Customs	223

## Notes forming Part of Consolidated Financial Statements

NOTE - 34 DISCLOSURES REQUIRED UNDER SECTION 22 OF THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006  
(₹ in Lacs)

Particulars	As at 31st March, 2016	As at 31st March, 2015
Principal amount remaining unpaid to any supplier as at the end of the accounting year	394	142
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	2	42
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
The amount of interest due and payable for the year	22	32
The amount of interest accrued and remaining unpaid at the end of the accounting year	64	42
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

NOTE - 35. MANAGERIAL REMUNERATION

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Directors Salaries & Allowances	209	177
Providend Fund & Superannuation	37	19
Other Perquisites	4	20
Commission	113	92
<b>Total</b>	<b>363</b>	<b>308</b>

NOTE - 36. RELATED PARTY DISCLOSURES

Name	Relationship
Saven Technologies Limited	Common Director
Mr. Nrupender Rao	Key Management Personnel
Mr. Aditya N Rao	
Mr. Lavanya Kumar Kondapalli	

36.1 Aggregate Related Party Transactions:

(₹ in Lacs)

Particulars	Common Director		Key Managerial Personnel	
	For the year ended 31.03.2016	For the year ended 31.03.2015	For the year ended 31.03.2016	For the year ended 31.03.2015
Other Services Received	46	28	-	-
Remuneration	-	-	363	308

## Notes forming Part of Consolidated Financial Statements

### NOTE - 37. EMPLOYEE BENEFITS UNDER DEFINED BENEFITS PLAN

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016		For the year ended 31st March, 2015	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
Components of employer expense				
Current service cost	75	80	78	94
Interest cost	47	13	50	13
Actuarial losses/(gains)	92	1	(25)	(19)
<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>214</b>	<b>94</b>	<b>103</b>	<b>88</b>
<b>Actual contribution and benefit payments for the year</b>				
Actual benefit payments	(52)	(26)	(41)	(18)
Actual contributions	2.31	16	105	18
<b>Net liability recognised in the Balance Sheet</b>				
Present value of defined benefit obligation	640	211	578	162
Fair value of Plan assets	(87)	-	-	-
Expenses as above	214	94	103	88
Settlements made	(52)	(26)	(41)	(39)
	<b>715</b>	<b>279</b>	<b>640</b>	<b>211</b>
<b>Classification of Net liability recognised in the Balance Sheet</b>				
Long term provision	638	204	598	168
Short term provision	77	75	42	43
	<b>715</b>	<b>279</b>	<b>640</b>	<b>211</b>

### 37.1 EMPLOYEE BENEFITS UNDER DEFINED BENEFITS PLAN (contd.)

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016		For the year ended 31st March, 2015	
	Gratuity	Compensated Absences	Gratuity	Compensated Absences
<b>Change in defined benefit obligations (DBO) during the year</b>				
Present value of DBO at beginning of the year	640	211	578	163
Current service cost	75	80	78	93
Interest cost	47	13	50	13
Actuarial (gains) / losses	92	1	(25)	(19)
Fair value of Plan assets	(87)	-	-	-
Benefits paid	(52)	(26)	(41)	(39)
<b>Present value of DBO at the end of the year</b>	<b>715</b>	<b>279</b>	<b>640</b>	<b>211</b>

### NOTE - 38. SEGMENT DETAILS

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

## Notes forming Part of Consolidated Financial Statements

### NOTE - 39. FOREIGN CURRENCY TRANSACTIONS

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>Outflow in foreign currency</b>		
Foreign Travel Expense	32	44
Raw Material	2,189	114
Capital Equipment & Components	653	53
Royalty	8	10
Consultancy Fee	7	-
<b>Inflow in foreign currency</b>		
FOB value of exports	1619	809

### NOTE - 40. DETAILS OF LEASING ARRANGEMENTS

(₹ in Lacs)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
<b>Details of leasing arrangements</b>		
<u>As Lessee</u>		
The Company has entered into operating lease arrangements for certain surplus facilities. The lease is non-cancellable for a period of 5 years from 01 May, 2013 and may be renewed for a further period of 5 years based on mutual agreement of the parties.		
Future minimum lease payments		
not later than one year	222	211
later than one year and not later than five years	736	648
later than five years	262	361
	<b>1,220</b>	<b>1,220</b>

40.1 Rent includes lease rental recognized in Statement of Profit and Loss for the year Rs.84 lakhs (Previous year 30 lakhs).

40.2 Aggregate operating lease income amounting to Rs.69 lakhs (Previous year Rs.11 lakhs ) has been net off with rent expense.

### NOTE - 41.

An Amount of Rs. 4,345 Lakhs is recognised as Goodwill for the acquisition of M/s. New Era Enviro Ventures (Karimnagar) Private Limited during the current financial year FY 2015-16.

### NOTE - 42.

During the current Financial year M/s. New Era Enviro Ventures (Karimnagar) Private Limited has become subsidiary. Hence the previous year consolidation figures are not directly comparable with that of current year figures.

### NOTE - 43.

Figures for the previous year have been regrouped / reclassified / recast wherever necessary. Figures are rounded off to the nearest Lac of rupees.

As per our report of even date attached.

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

**Ravi Rambabu**  
Partner  
Membership.No:018541

Place : Hyderabad  
Date : 20.05.2016

For and on behalf of the Board of Directors

**Aditya N Rao**  
Vice Chairman and MD  
DIN : 01307343

**Mirza Mohammed Ali Baig**  
Company Secretary

**Nrupender Rao**  
Chairman  
DIN : 00089922

**JS Krishna Prasad**  
Chief Financial Officer





## Pennar Industries Limited

**Registered Office:** Floor No. 3, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084

**Tel No.:** 40 4006 1621, **e-Mail ID:** corporatecommunications@pennarindia.com

**Website:** www.pennarindia.com, **Corporate Identification No.** L27109AP1975PLC001919

### 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 : _____

I certify that I am a registered shareholder / Proxy for the Registered Shareholder of the Company. I hereby record my presence at the 40th Annual General Meeting held on Friday, the 30th September, 2016 at 11.30 a. m. at Radisson Hyderabad, Hitech City, Gachibowli, Hyderabad - 500 032.

Name of the Member/Proxy (in BLOCK Letters):	
Signature of the Shareholder/Proxy:	

**Note :**

- i. Please complete the Folio/DP ID-Client ID No. and name, sign the Attendance Slip and hand it over at the Attendance Verification counter at the entrance of the Meeting Hall
- ii. Electronic copy of the Annual Report along with the Attendance Slip and Proxy Form is being sent to all the members whose e-mail address is registered with the Company / Depository Participant unless any member has requested for a hard copy of the same. Members receiving electronic copy and attending the AGM can print copy of this Attendance Slip.
- iii. Physical copy of Annual Report along with Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email is not registered or have requested for a hard copy.

\* Applicable for investors holding shares in electronic form.





Pennar

## Pennar Industries Limited

Registered Office: Floor No. 3, DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084

Tel No.: 40 4006 1621, e-Mail ID: corporatcommunications@pennarindia.com

Website: www.pennarindia.com, Corporate Identification No. L27109AP1975PLC001919

### PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Members(s):		
Registered address:		
e-Mail ID:	Folio No. /Client ID:	DP ID:

I/We, being the member (s) of \_\_\_\_\_, Shares of the above named Company, hereby appoint:

1	Name:	
	Address:	
	e-Mail ID:	
	Signature:	
Or failing him/her		
2	Name:	
	Address:	
	e-Mail ID:	
	Signature:	
Or failing him/her		
3	Name:	
	Address:	
	e-Mail ID:	
	Signature:	

as my/our proxy to vote (on a poll) for me/us on my/our behalf, at the 40th Annual General Meeting of the Company to be held on Friday, the 30th September, 2016 at 11.30 a. m. at Radisson Hyderabad, Hitech City, Gachibowli, Hyderabad - 500 032 or at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolutions	Optional*	
		For	Against
	<b>Ordinary Business:</b>		
1.	To receive, consider and adopt the audited financial statements (including audited consolidated financial statements) of the company for the financial year ended 31st March, 2016 together with the reports of the Board of directors and the auditors thereon.		
2.	To appoint a Director in the place of Mr. Aditya Rao (DIN: 01307343) who retires by rotation and being eligible offers himself for re-appointment.		
3.	To appoint a Director in the place of Mr. Vishal Sood (DIN: 01780814) who retires by rotation and being eligible offers himself for re-appointment.		
4.	To Ratify the appointment of M/s. Rambabu & Co., as Statutory Auditors of the Company and to fix their remuneration.		

Resolution No.	Resolutions	Optional*	
		For	Against
<b>Special Business:</b>			
5.	To confirm the appointment of Mr. C Parthasarathy (DIN: 00079232) as Director.		
6.	To appoint Mr. C Parthasarathy (DIN: 00079232) as an Independent Director.		
7.	To confirm the appointment of Mr. P V Rao (DIN: 03157581) as Director who was appointed as Additional Director.		
8.	To ratify the remuneration payable to M/s. Shaik & Associates, Cost Auditors for the financial year ending 31st March, 2017		
9.	To approve the material related party transactions.		
10.	To Create Charges.		
11.	To borrow in excess of paid-up capital and free reserves.		
12.	To serve documents on its members.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

Affixing Revenue Stamp
------------------------------

Signature of the Member

Signature of the Proxy Holder(s)

**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.
- \*iv. It is optional to put a 'X' in the appropriate column against the Resolution indicated in the Box. If you leave the 'For' and 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he / she think appropriate.
- v. Please complete all details including detail of member(s) in above box before submission.

# Corporate Information

## Board of Directors

Mr. Nrupender Rao - *Executive Chairman*  
Mr. Ravi Chachra - *Non-Executive Director*  
Mr. Vishal Sood - *Non-Executive Director*  
Mr. P V Rao - *Non-Executive Director*  
Mr. C Parthasarathy - *Independent Director*  
Mr. B Kamalaker Rao - *Independent Director*  
Mr. Manish Sabharwal - *Independent Director*  
Mr. J Ramu Rao - *Independent Director*  
Mr. Varun Chawla - *Independent Director*  
Ms. Sita Vanka - *Independent Director*  
Mr. K Lavanya Kumar - *Whole-Time Director*  
Mr. Aditya Rao - *Vice Chairman and Managing Director*

## Cost Auditors

M/s. Shaik & Associates  
Cost Accountants  
Flat No. 111, Block A, Gayathri Hills Apartments,  
Prashanth Hills, Near Raidurgam Police Station Junction,  
Hyderabad - 500 032

## Secretarial Auditor

M/s. Mohammed Irfan & Associates  
Company Secretaries  
# H.NO.16-2-741/ D/55, Beside Sham Hotel,  
TV. Tower, Malakpet, Hyderabad-500 036

## Key Managerial Personnel

### Chief Financial Officer

Mr. J S Krishna Prasad

### Company Secretary & Compliance Officer

Mr. Mirza Mohammed Ali Baig

## Registered Office Address

Floor No. 3, DHFLVC Silicon Towers,  
Kondapur, Hyderabad - 500 084  
CIN: L27109AP1975PLC001919  
e-Mail ID: corporatecommunications@pennarindia.com

## Statutory Auditors

M/s. Rambabu & Co.,  
Chartered Accountants  
31, Pancom Chambers, 6-3-1090/1/A, Rajbhavan Road,  
Somajiguda, Hyderabad - 500 003

## Registrar and Transfer Agents

M/s. Karvy Computershare Private Limited  
Karvy Selenium Tower B, Plot No. 31 & 32 Gachibowli,  
Financial District, Nanakramguda, Seriligampalli,  
Hyderabad - 500 008

## Internal Auditors

M/s. R Krishna & Associates  
Chartered Accountants  
Flat No. 501, Indra Dhanush Pavani Estates,  
Road No.2, Banjara Hills, Hyderabad-500 034

## Bankers

State Bank of India  
State Bank of Patiala  
M/s. Axis Bank Limited

## Plants

### Patancheru Unit:

IDA Patancheru - 502 319  
Medak (Dist), T.G.

### Isnapur Unit:

Isnapur Village - 502 307 Medak (Dist), T.G.

### 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

### Pennar Engineered Building Systems Limited

Chandapur Village, Sadasivpet Mandal, Medak (Dist)

### Pennar Enviro Limited

186/A & 188/A, IDA Mallapur, RR (Dist) - 500 076



**PENNAR INDUSTRIES LTD**  
FLOOR NO. 3, DHFLVC SILICON TOWERS  
KONDAPUR, HYDERABAD 500 084  
TELANGANA, INDIA