

Date: September 30, 2016

To,

M/s. Bombay Stock Exchange of India Limited  
PJ Towers, Dalal Street  
Mumbai Samachar Marg, Mumbai - 400 001

M/s. National Stock Exchange of India Limited  
Exchange Plaza, Bandra Kurla Complex  
Bandra (E), Mumbai-400051

Dear Sir/Madam,

**Subject: Annual Report**

**Reference: Company Name: Pennar Engineered Building Systems Limited**

**Security ID/ Symbol: PENPEBS**

**Security Code: 539333**

**ISIN: INE455O01019**

Dear Sir/Madam,

With reference captioned subject, we are hereby submitting Annual Report of the Company for the financial year 2015-2016.

Thanking you,

**For Pennar Engineered Building Systems Limited**

  
**Subhash Kishan Kandrapu**  
**Company Secretary & Compliance Officer**  
**ACS 32743**



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## REVOLUTIONISING CONSTRUCTION





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### CAUTIONARY STATEMENT

The report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward looking-statements. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

*Asia's largest clear span building for the fourth largest cement company in the world*

Coal Shed at Ultratech, Kotputti, Rajasthan



The Indian infrastructure and construction industry encountered a challenging 2015-16.

Weakening order flows, declining realisations and shrinking margins.

The Company (in its first year since going public) reported a 39.24% growth in EBIDTA and 37.65% improvement in profit after tax.

This was the eighth successive year of profitable growth since the Company established its business.

Leveraging the talents of its engineering team and proven project execution capabilities, **the Company executed complex projects within stipulated deadlines generating repeat orders from leading business houses.**

Pre-engineered building systems. Simply known as PEBS. Modern India is going to hear more of this abbreviation in the years to come.

## Why?

Because it has helped address several longstanding challenges.

Shrunk turnaround times for constructing offices, factories, warehouses, airports and others.

Prevented construction costs from spiraling out of control.

Allowed a number of entrepreneurs companies to break even faster.

Following the advent of PEB technology, India has witnessed several modern engineering marvels.

**The bottomline:** what is good for PEBS is good for the economy; what is good for the economy must be good for India.



### Vision

To be a leader in the metal building solutions industry by leveraging our engineering expertise.



### Mission

PEBS delivers end-to-end building solutions for commercial, industrial, logistics, aviation, agriculture, sports stadium and other sectors – powered by technical collaborations with global leaders, to surpass customer expectations through innovation, design versatility, world-class service, high end engineering expertise and cost-effective solutions.



### Values

- Enterprising ■ Perseverance
- Collaborate ■ Empower



### Where we are

- Headquartered in Hyderabad, Telangana
- Established a state-of-art manufacturing facility near Hyderabad across an area of 29,000 square metres and a production capacity of 90,000 metric tonnes per annum
- Listed and traded actively on the Bombay and National Stock Exchanges

### Products delivered

**58,195**

Metric tonnes  
(as on 31st March 2016)

**53,784**

metric tonnes  
(as on 31st March 2015)

## Who we are

### 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 led by Mr. Nrupender Rao (Chairman), Mr. Aditya Rao (Vice-Chairman) and Mr. PV Rao (Managing Director) supported by a team of experienced and talented professionals.

## What we offer

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.

## Our customers



## Diversified products and solutions

Pre-engineered buildings	Structural and high-rise steel buildings	Solar module mounting structures	Designing and engineering services
<ul style="list-style-type: none"> <li>Custom designed and fabricated, available in large multi-dimensional spans</li> <li>Enhanced speed, flexibility and resistance against meteorological vagaries</li> </ul>	<ul style="list-style-type: none"> <li>Comprising steel and cement plants, multi-level car parking, high-rise buildings, telecom towers</li> <li>In-house designing, manufacturing and installing capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Designing, supplying and erecting module mounting structures for solar plants</li> <li>Applications in solar photovoltaic plants, solar canal tops, solar rooftops, solar thermal plants and solar car parks</li> </ul>	<ul style="list-style-type: none"> <li>Developing integrated and comprehensive engineering design solutions</li> <li>In-house team comprising 181 experienced engineers</li> <li>Engineering services outsourcing agreement with a leading US-based entity</li> </ul>

### Area covered

**2,97,000**

Square metres  
(in FY 2015-16)

**2,65,000**

Square metres  
(in FY 2015-16)

### Employees

**509**

(as on 31st March 2016)

**404**

(as on 31st March 2015)

### Order book

**424**

₹ Crore  
(as on 31st March 2016)

**340**

₹ Crore  
(as on 31st March 2015)

### Production capacity

**90,000**

Metric tonnes  
(as on 31st March 2016)

**90,000**

Metric tonnes  
(as on 31st March 2015)



## Chairman's statement

Nrupender Rao, Chairman

*Dear friends,*  
I write to you in  
the first Annual  
Report of Pennar  
Engineered  
Building  
Systems after it  
has become a  
publicly listed  
company.



Pennar Engineered Building Systems commenced commercial operations in 2010 and has quickly grown to become one of the largest companies in the custom designed building systems space in India. I intend to use this opportunity to present this company's history as well as the way forward as we implement our growth strategy.

**PEBS' journey so far:**  
Pennar Engineered Building Systems (PEBS) added engineering capabilities to

Pennar's existing strengths in the manufacture of building components. Pennar made a wide variety of building components but the addition of structural engineering capabilities and project management helped scale up the company. We undertook a detailed market survey to map the company's addressable market size. We focused on building a strong core team and with Mr. P. V. Rao coming on board as the CEO, we created an effective and experienced management team.

The company's management team exceeded our expectations. I am glad to share that PEBS reached the gross turnover of ₹500 crores in FY15-16. It is a remarkable

achievement in a span of just five years. Profitability was achieved in the very first year. The company's long-term debt – initially at a 2:1 Debt Equity level – was completely re-paid and the company became long term debt-free and is now a strong generator of free operating cash flow. From an initial capacity of 30,000MT the company kept adding capacity and currently has 120,000MT of production capacity (in the Hyderabad and Baroda plants). The company was able to grow its market substantially by providing Solar MMS (module mounting systems), high rise buildings, structural fabrication and engineering services. We are proud of PEBS' management team led by Mr. P. V. Rao, Managing Director,



Over five years, the company achieved gross sales of over  
**₹500** crores

and I have every confidence that we can further scale in the future.

The markets for our products and services are currently primarily in India – with the exception of engineering services. While we have historically exported to other countries in Africa, Nepal and Sri Lanka, the vast majority of our revenue is derived from India.

Over the past five years, the Indian infrastructure sector has not performed well. The construction, power (with the notable exception of wind and solar), automotive and process industries have all witnessed growth rates ranging from very low to negative. However, this same period has seen PEBS grow

its revenues by an average 40% CAGR. The rationale behind this growth has to do with PEBS' value proposition to cut project execution timelines for customers and also bring in value engineering and optimisation through solutions. This has allowed us to differentiate not only from conventional construction but also from competitors in the metal building space. We expect that this competitive advantage will continue to persist as we continue to scale our revenue in the metal buildings space. This will allow us to implement a five-year strategy that evolves us into India's premier structural solutions company.

#### **PEBS currently operates in the following business**

#### **verticals:**

- Pre-engineered buildings
- Solar module mounting systems
- Structural steel fabrication
- Engineering services

These four verticals have generated gross sales of ₹508.63 Crores (including all taxes) in the financial year ending March 2016. The company achieved an EBIDTA of ₹65.04 Crores and a PAT of ₹30.16 Crores.

PEBS has engineering offices in Hyderabad and Vizag and its manufacturing plants in Hyderabad and Baroda. The engineering offices of the company boast one of the largest aggregation of structural engineers in the country. The manufacturing plant for the company is in Sadashivpet near Hyderabad and is the first Gold-rated Green Factory in India under the LEED 2.0 © rating system of the Green Building Council. The company has sales offices across India. These sales offices are the primary points of generation of enquiries that are converted into orders, and revenue and positive operating cash flow.

The company has an operating cycle of three months and

maintains two operating cycles worth of revenue in the form of an order book. The company's order book as of March 2016 was ₹424 Crores.

Our total employee strength in the company is 509. These include our engineering team of 182, manufacturing operations team of 133, sales team of 51, supply chain team of 5, and the project management team of 12 and 79. The other members make up our administration, finance, corporate planning and legal team. PEBS' strong engineering and manufacturing strengths, augmented by an excellent project management capability, allow to provide services to a wide variety of industries and engineering sectors.

Over the course of the last financial year the company invested in growing its manufacturing strengths with capacity augmentation and new product development. The company also invested in improving its structural engineering team and reaped the benefits with high growth in this vertical.

#### **Expectations for the next financial year and the medium-term:**

We are confident that the initiatives undertaken by the company as well as our order book position will allow us to grow revenues over the next year. As a result of each business vertical's growth strategy, we are confident that growing market share will allow us to expand each vertical.

Pre-engineered buildings cater to the industrial, engineering,

According to the World Bank's Doing Business Report 2016, India now ranks 130 out of 189 countries in the ease of doing business, moving up four places from the previous year's adjusted ranking of 134.



**The Solar Module Mounting Systems vertical has exhibited strong growth and we are very sure of this growth in the financial year ending March 2017**

warehousing and commercial sectors. The order book for the sector remains strong. Our references include one of the largest single buildings in India with a covered area of 1.4 million square meters, a 100-meter clear span buildings, a one-kilometer-long building, a 250MT live load carrying building. The expansion of our manufacturing capabilities to Gujarat will also allow us to tap the North Indian market.

The Solar Module Mounting Systems vertical has exhibited strong growth and we are sure of this growth in the financial year ending March 2017. Driving this growth in order book and revenue is the expansion of the grid

connected solar photo voltaic market in India. India's National Solar Mission, followed by individual state solar policies have resulted in a virtual explosion in the installation of grid connected solar photo voltaic power plants. Consequently, the demand for MMS structures is at an all-time high and projected to continue growing. The cumulative installed capacity of PV power plants in India as of March 2016 was 7 Gigawatts and plans for the current financial year are to add a further 7 gigawatts. As one of the market leaders in this space, PEBS will continue to deliver optimised MMS solutions to developers of India's power projects.

Engineering Services started a year-and-a-half ago. The company intends to leverage its large structural engineering team to provide design, detailing and other engineering solutions to companies in the metal buildings and structural engineering space in the US and other geographies. The company is the process of building a strong customer base in the US and is also looking at potential acquisitions to boost the sales and project management presence in the US. The current financial year will see a good proportion of the company's EBIDTA from this vertical.

We believe that the company is in a strong position to record high growth in the financial year ending March 2017. We will continue to focus on retaining and growing balance sheet strength and look forward to ensuring all the company's verticals continue to be good cash flow generators.

Over the long-term, PEBS' core strengths of strong engineering and execution, liquidity, low debt and international presence will allow us to craft

a five-year strategy that will help us evolve into one of the largest building solutions players in India. Some of the opportunities that can be game-changers include high-rise buildings, rooftop solar, engineering services, building facades and composite construction.

#### **Conclusion:**

On behalf of PEBS' management team, I welcome all new shareholders to the PEBS family. It will be our focus to keep you informed of our plans to grow the company. It gives me a lot of pride and comfort to know that I can count on your support and I look forward to working with all of you to ensure we meet your expectations.

**Nrupender Rao**

Chairman

#### The PEBS IPO

₹ in Lakhs

Particulars	Objects of the issue as per prospectus	Utilisation upto 31st March 2016	Unutilised amount upto 31st March 2016
Repayment / prepayment, in full or part, of certain working capital facilities availed by our Company	3,400	3,400	-
Financing the procurement of infrastructure (including software and hardware) for the expansion of our design and engineering services	800	92	708
General corporate purposes	1,079	1,079	-
Issue-related expenses *	521	517	4
<b>Total</b>	<b>5,800</b>	<b>5,088</b>	<b>712</b>

## Awards & accolades



Scroll of Honour for overall business excellence and industry practices



Business Today - Yes Bank Emerging Companies Excellence Awards 2014 in Corporate Governance



Certificate of Commendation from INSDAG in National Competition for Professionals on Structural Steel Design and Construction: 2012-2013



VCCircle Award in Best Manufacturing Company Category 2015



CIDC Vishwakarma Award in Best Professionally Managed Company (₹100 - 500 Cr. turnover)



TV5 Business Leader Award 2015 in Infrastructure Category (Medium)

Single largest building in Asia, built for  
ONGC OPAL at Dahej, Gujarat with  
an area of 14.50 lakh sq. ft





"One of the landmark projects we recently completed was a warehouse building for ONGC OPAL, which is 1 km long. It was a challenge to execute such a huge and prestigious project of 1 km within 8 months with hardships. Major design issues were resolved with the support of our experienced team. Structures were designed with a continuous jack portal where a 24m jackbeam was used as the portal to make a columnless space inside the building as the customer required free end space of 135m by 24m along the length of the building. Successful installation of the structure was done by deploying multiple teams and resources with manpower of 250 and 9.2 lakh safe person hours approximately. By the team's accomplishment through this project, PEBS Pennar ventured into several challenging and innovative projects in the residential and commercial multistorey buildings segment."

*– P. V. Rao, Managing Director, Pennar Engineered Building Systems Limited*

[CONTINUED ON THE NEXT PAGE]

A product warehouse building was conceptualised by ONGC Petro additions Limited (OPaL) and Engineers India Ltd for IOT Infra to cater to the requirement of product handling and storage of OPaL's Petrochemical Complex. The building is at Dahej, Gujarat, and this is a 1 km long and 135m wide structure covering an area of 1,40,000 sqm. The complete product warehouse including Pre Engineered Building was awarded by a joint venture of Katoen Natie and IOT Infrastructure based on International Competitive Bidding (ICB). PEBS Pennar was selected by IOT Infrastructure for design, fabrication and installation of Pre Engineered Building of product warehouse, which was accomplished with peak manpower of 250 workers and approximately 9.2 lac safe person hours.

#### **Project features**

With a brief given to design the state-of-art product warehouse with flexibility to select bagging machines vis-a-vis silos and to have maximum possible storage space, the building is designed with

unsymmetrical frames. The silo frames are the mainstay of the structure with rafters resting on the RCC building. The building is the widest multigable building ever done by the company. Designing of the structure was done using continuous jack portal, where 24m jack beam was used as the portal to make columnless space inside the building as the customer required free end space of 135m by 24m along the length of the building. The complete design was vetted by Engineers India Limited, which gave the approval for the design after being satisfied with the codes and the design methodology adopted. Star columns were used at each expansion joint to maintain portal stability in longitudinal and transverse direction. In addition to space restriction, the clear height had to be maintained to facilitate the movement of machineries and vehicles. The complete building was installed with Double Lok roofing system, which ensures 10 years of leak proof.



#### **Structural elements**

The basic structural system consisted of main frames with secondary members provided between these frames for sheeting support. The columns and rafters of the building were of varying web depth, with a maximum web depth of 1000mm. The rafters were resting on jack beams at the interior of the building. These jack beams were spanning 24m and these were for full length of the building at five locations maximum web depth of the jack beam was 1400m. The secondary members were cold formed "Z" or "C" sections varying in thickness and of maximum thickness of 2.5mm.

#### **Structurally exclusive**

The project was unique in respect to designing and as installation. Stability was the major concern with collateral load of dust, wind speed and seismic load. Fabrication and transportation of huge structures was an exceptionally arduous task as it was not possible to carry out welding onsite. Apart from this, the biggest challenge was to gather and maintain a huge task force of skilled workers

and maintain momentum at project site.

Despite several challenges and constraints, the team at Pennar accomplished the project successfully around the best quality and on time.

The complete building was installed with Double Lok roofing system, which ensures 10 years of leak proof.

### **Steel specifics**

Considering the application of steel in the realm of Pre - Engineered Building and ease of usability, steel was selected as the material of choice. This impressive structure was using multiple deployments of resources and was erected from different expansion joints and by connecting the junctions.

The built up "I" sections and jack beams were fabricated from plates of ASTM with minimum yield strength of 345 mpa. These built-up "I" sections were fabricated with flange to web fillet welding which was carried out in a continuous submerged arc welding machine. The end plates/ gusset plates etc. were joined by continuous

fillet welding. The secondary members were from ASTM A 653 m with minimum yield strength of 345mpa. Other hot rolled sections used such as angles/rods etc. were of I.S 2062 with minimum yield strength of 240 mpa.

### **Challenges**

The biggest challenge for this project was the huge volume in terms of area of work. During the conceptualisation and design stages, the challenges were cost optimisation and minimum construction time. The sheer size of the structure proved a challenge even when it came to deploying multiple teams and resources. The limited

timeline of 8 months was yet another area that contributed to the difficulties faced by the team. The manpower used in the project was in proportion to the size and mobilising sufficient manpower while working overtime was a major contributor to the list of difficulties overcome by the team of qualified professionals.

### **Salient features**

**Area:** 1, 40,000 SQM for a 1 km long building

**Steel usage:** 5083MT of structural steel delivered to site within 5 months

**Project duration:** The building was erected in 8 working months

### **Safety first**

For a project of this size, it was absolutely essential to comply completely with safety regulations. The project saw safety screening of deployed manpower, imparting onsite safety training, job safety analysis of individual work methods, safety gears like full body harness for workers, using safe access methods like boomlifts, man-basket etc. in order to successfully and safely complete erection.

Despite several challenges and constraints, the team at Pennar accomplished the project successfully.





## Managing Director statement

PV Rao, Managing Director

**"A new era of innovative, smart and high-efficient Construction Technologies"**

I am pleased to present our annual financial performance for the first time following our successful IPO in August 2015 and listing of the company's shares on the stock exchanges in September 2015.

During the year, the company has raised ₹156.18 Cr from Initial Public Offering.

I am pleased that the company vindicated the trust in its prospects through its 2015-16 performance.

We reported a gross revenue of ₹508.63 crore (including all taxes), 1.27% higher than 2014-15; EBIDTA of ₹65.04 crore, 39.22% growth over 2014-15; PAT of ₹30.16 crore, 37.65% growth over 2014-15.

The company reported an ROCE of 38% in 2015-16 that was 7 basis points higher than 2014-15.

x

### Highlights 2015-16

The year under review represented a landmark on account of the nature of projects executed.

Until recently, the construction of pre-engineered buildings in India was restricted to commercial, industrial and warehousing segments only, largely among them being logistics hubs, factories and office buildings.

During the year under review, the company extended beyond the frontier. It is executing a high-rise residential building comprising 11 storeys of which three are below ground level and eight above.

The unique value proposition is that the construction of this property is consuming a mere 60% of the time compared to the conventional concrete buildings, showcasing that this is indeed a modern construction technique.

More than merely constructing projects that we consider benchmarks, we are pleased that these addressed prominent brand-enhancing clients. For instance, we are executing a 12-storey building for ITC; we also executed two major projects for MRF

We reported a gross revenue of ₹508.63 crore, 1.27% higher than 2014-15; EBIDTA of ₹65.04 crore, 39.22% growth over 2014-15; PAT of ₹30.16 crore, 37.65% growth over 2014-15.

Contribution of exiting customers to our revenues

55%

at Trichy. We received a large warehouse project from the Telangana government through successful open-bidding. The evident value of what we delivered is reflected in the fact that repeat orders from existing customers accounted for nearly 55% of our revenues in 2015-16.

At PEBS Pennar, we believe that the solar power segment is likely to endure as one of the fastest growing in the country for the next couple of decades. The company (along with parent company) entered the business of

designing, making foundations and erection of solar module mounting structures. The company executed projects worth ₹75 crore during the year under review. The outlook for the business appears optimistic; with the solar power sector expected to double capacity to 7 GW in 2016. We expect to capitalise on a higher number of projects on one hand and a larger configuration of orders on the other, strengthening our overall profitability.

The third attractive feature

of our working during the year under review was the company's breakthrough into the business of engineering services for customers in USA. The company signed an agreement with NCI, which is one of the largest PEB companies in USA, to provide engineering services in the pre-engineered building segment. There is a growing need for the outsourcing of design and detailing services in the area of pre-engineered buildings. In this margin-accretive business, the Company reported revenues of around ₹5 crore in its first year.

The company finished the year under review with an order book of ₹424 crore, which is to be executed over 11 months. We believe that the speed of order book accretion, the composition of order book, the corresponding margins at which these orders have been booked and the nature of clients from whom these orders have been procured





**PEBS Pennar is in the process of establishing an office in New Jersey, USA, to capitalise on emerging outsourcing opportunities back-ended by an office in India for providing detailing services.**

augur well for the company's prospects.

#### **Challenges and optimism**

The company delivered attractive growth in the face of extensive challenges during the year under review. Growth in the building construction sector was slower than anticipated. The 'Make in India' initiative is yet to mature; the country's prevailing interest rate is still higher than the level at which it can catalyse capital formation.

Even as this reality prevails, there are pockets of optimism.

The pharmaceutical and automobile sectors witnessed significant activity, reporting strong order books. The Defence sector was marked by major expansions by DRDO. The aviation sector is driving prospects; we are proud to be executing the Kannur International Airport project. The revival of stalled power projects is creating new opportunities; the announcement of solar projects is a promising development. With the Indian Railways emphasising the use of steel in bridge construction (as opposed to the erstwhile dependence on RCC construction), we expect rail bridge orders following

Research Design & Standards Organisation (RDSO) approval obtained by the company.

One of the biggest opportunities is that of affordable residential buildings. We believe that our association with affordable buildings is not incidental; it is integral to the concept of cold-formed buildings. We build faster, economical and aesthetically appealing buildings. As the acceptability increases for steel buildings, we believe this segment will grow faster than ever.

At PEBS Pennar, we believe that our edge will be derived from complex projects customised around customer requirements. We believe that even as the Indian market is growing, there is a larger global opportunity in Africa, Indonesia and North America. We are evaluating possibilities of entering partnerships/alliances to enter these markets. We outlined a capital expenditure of ₹400-450mn

to commission ~30,000 MT capacity to address the large North India market with quicker deliveries.

We believe that our engineering services business also holds attractive prospects. In the US, the world's largest economy, general contractors generally engage fabricators for the steel-centric side of their contract. In the instance that fabricators do not possess an engineering department, they outsource engineering sub-contracts to external agencies. Also many pre-engineered building companies in USA are in the process of downsizing their engineering teams to reduce fixed costs by outsourcing such services to companies in India.

PEBS Pennar is in the process of establishing an office in New Jersey, USA, to capitalise on emerging outsourcing opportunities back-ended by an office in India for providing detailing services. To support outsourcing capabilities, the company has set-up an engineering office in Visakhapatnam in

#### **For the first time by PEBS Pennar ...**

- Execution of a 99m clear span building with 27m peak height, the single largest clear span building executed by a PEB player in India
- Execution of the first pre-engineered building in India with EOT crane capacity of 250 MT
- Execution of a multi-storied building in the pharma sector with a height of 33 metre (ground + 7 floors)
- Execution of a 400,000 sq.ft. National Distribution Centre for Reliance Retail
- Execution of 11-storey residential building (including three underground floors) at Hyderabad

addition to Hyderabad office and is contemplating the acquisition of engineering services providers to strengthen its service base.

#### **Prospects in 2016-17**

At PEBS, FY 2017 is expected to be one of the strongest, a strong order book translating into attractive topline growth. Following the plant in North India, topline and profitability are expected to improve. The Company will commence its first international operation in the engineering services space.

At PEBS, we are not focusing only on revenue growth; we expect margins to improve for the following reasons: adequate operating leverage that should disproportionately enhance margins following revenue increase; the Engineering

Services vertical will continue to drive EBIDTA and margins; higher margin projects will constitute a significant percentage of revenues.

#### **Outlook**

PEBS Pennar is among few Indian companies to reconcile engineering with design capabilities with more than 95% in-house manufacturing. Integrated players like us can reduce project cost while keeping the core structural requirements as per design codes. The company has already demonstrated its credibility in executing large residential buildings, now graduating towards complex projects. This engineering insight has also been

leveraged in the creation of solar power structures, a prudent instance where engineering competence has been extended across multiple businesses. PEBS Pennar is built on firm foundations, inspired by a spirit of excellence and a determination to succeed having a talented and experienced team. Above anything, the company is always focused on the needs of its employees and the communities in which we operate and serve.

We are hopeful that the journey will be exciting and we will add significantly to shareholder value going forward.



## Pre-Engineered Steel Buildings (PEBs)

### Structural Weight

- Pre-engineered buildings are on an average 30% lighter through the efficient use of steel. Primary framing members are tapered (varying depth). Built-up plate sections have greater depth in areas of higher stress. Use of high strength steel plates to form column and beams reduces total structural weight
- Secondary members are light gauge (light weight) roll formed (low labour cost) 'Z' or 'C' shaped members.

### Design

- Quick and efficient, Since PEB's are mainly formed of standard section and connection, design time is significantly reduced. Basic designs are used over and over.
- Specialised computer analysis and design programs optimise material required. Drafting is also computerised using standard details that minimise project custom details.

### Delivery

25% to 30% savings in delivery times

### Foundations

Simple design, easy to construct and light weight. Less numbers due to larger bay spacing (7m- 12m) and less foundation cost.

### Erection Cost and Time

- Both cost & time of erection are accurately known, based upon extensive experience with similar buildings. PEB's are often erected by specialised PEB builders with extensive experience in the erection of similar buildings.
- The erection process is easy, fast, step and with hardly any requirement of any equipment.

### Seismic Resistance

The low-weight flexible frames offer higher resistances to seismic Forces.

### Overall Price

Price per square meter may be as much as 30% lower than conventional steels.

### Architecture

Outstanding architectural design can be achieved at low cost using standard architectural feature and interface details. Traditional wall and fascia material, such as concrete, masonry and wood can be utilised.

### Source & Co-ordination

Building is supplied complete with cladding and all accessories, including erection(if desired) from one single source.

### Safety & Responsibility

Single source of supply results in total responsibility by one supplier including design liability. PEB manufacturers can be relied upon to service their buildings long after they have supplied, to protect their reputation.

### Performance

All components have been designed specifically to act together as a system, for maximum efficiency, precise fit and peak performance on the field.

## Conventional Steel Buildings

- Primary steel members are selected from standard hot rolls 'I' selection, which are in many segments of the members heavier than what is actually required by design. Members have constant cross-section regardless of varying magnitude of the local stresses along the member length.
- Secondary member are selected from standard hot rolled 'I' & 'C' Section, which are heavier.

- Each conventional steel structure is designed from scratch by the consultant, with fewer design aids available to the engineer.
- Substantial engineering & detailing is required on every project. Generalised computer analysis programs require extensive input/output & design alterations.

Extensive heavy foundation required. More numbers due to closer bay spacing(4m-5m) and huge foundation cost.

- Typical, they are 20% more Expensive than PEB. In most of the cases the erection cost and time are not estimated accurately.
- Erection is slow and extensive design and drafting is required time from consultants.

Rigid heavy structure do not perform well in seismic zone.

High price per square meter.

Special architectural design and feature must be developed for each project which often requires research and thus resulting in much higher costs.

Many sources of supply: project management time is required to coordinate supplier and sub-contractors.

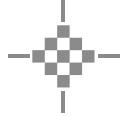
Multiple sources of supply can result in confusion over the identity of person responsible when components do not fit properly, insufficient material is supplied, or material fails to perform at the supplier contractor interface. The consultant carries total design liability.

Components are custom designed for a specific application on a specific job, design and errors possible when assembling the diverse components into unique building.



## Our business model

## Sectoral presence



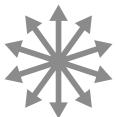
PEBS Pennar is present in the fast-growing pre-engineered building segment, a segment with increasing acceptance, replacing RCC and conventional steel structures. The Indian PEBS market's size has seen ~14% CAGR in four years (~₹45bn in FY15). With growing demand for warehouses owing to rising e-commerce and agri-warehousing, increasing investments in manufacturing segment, metro railways, aviation, solar, and auto sectors with new demand from housing and commercial high-rise buildings, the sector is poised to grow significantly.

# Capability



Design capability is a success driver in pre-engineered products, helping balance structural weight-to-strength with minimum raw material consumption.

## Diversified



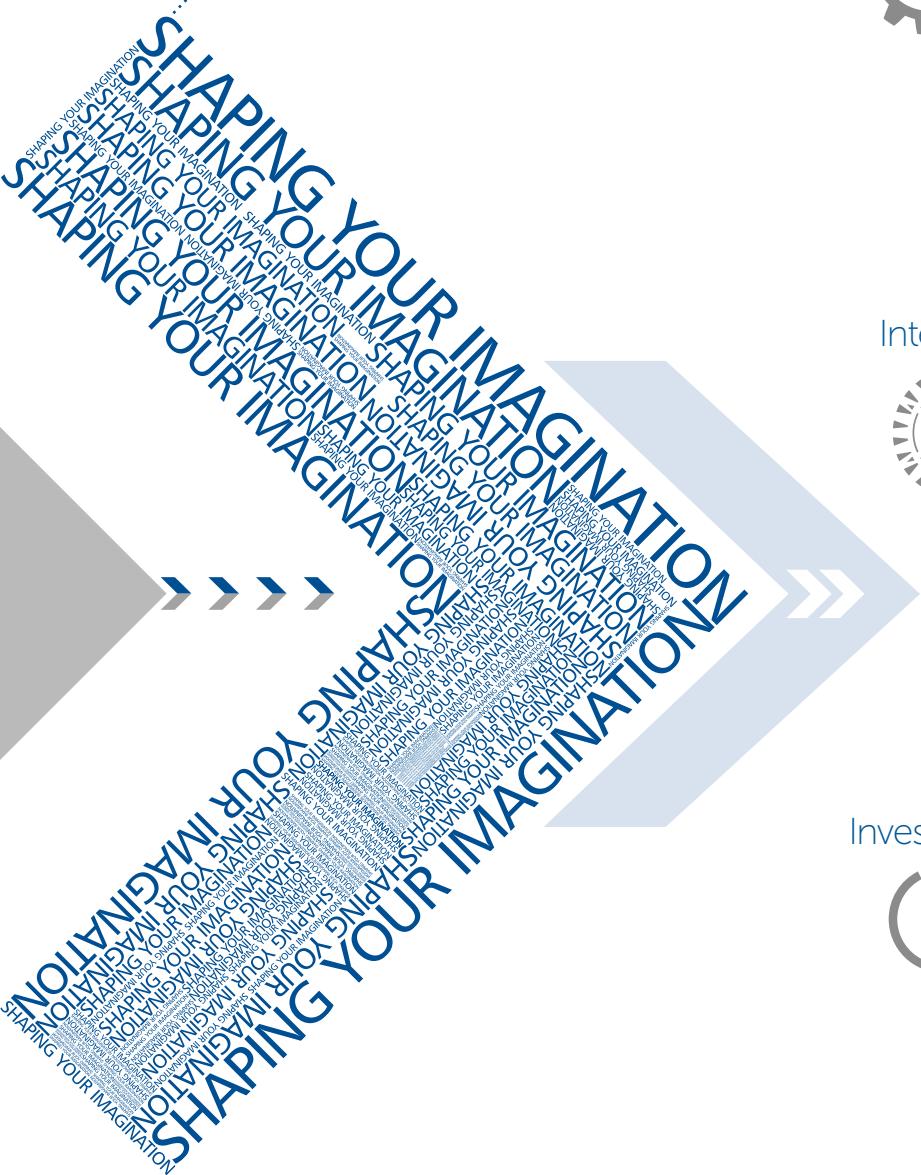
PEBS Pennar has diversified capabilities beyond pre-engineered buildings. It has capability to design, fabricate, supply and install structures for solar plants, commercial high-rise buildings, multi-level car parks, cold-form structures for schools and low cost housing, and telecom towers.

The company entered into engineering services business for pre-engineered building companies in the US.

## Financials



PEBS Pennar has built its business around margin expansion. Despite the business being working capital-intensive (54% of the total capital employed and 29% of the total revenues), the Company possesses a strong Balance Sheet without long-term debt. The Company possesses ample space for enhancing capacities in its existing location at marginal additional capital expenditure.



## Commitment



PEBS Pennar enjoys impeccable reputation for timely delivery. It executed more than 461 projects on time. The entire eco-system (design, procurement, manufacture and installation) contribute significantly to complete projects on-time without cost-overruns.

Integrated



PEBS Pennar provides integrated solutions; comprising product concept, design, manufacture, testing, supply and assembly, making the Company a preferred pre-engineered buildings solution provider.

## Investments



The Company invested in a 90,000 MT per annum manufacturing capacity close to Hyderabad to service its growing pan-India clientele. It has start-of-the-art engineering capability which can produce optimised designs using latest engineering tools.

## Presence

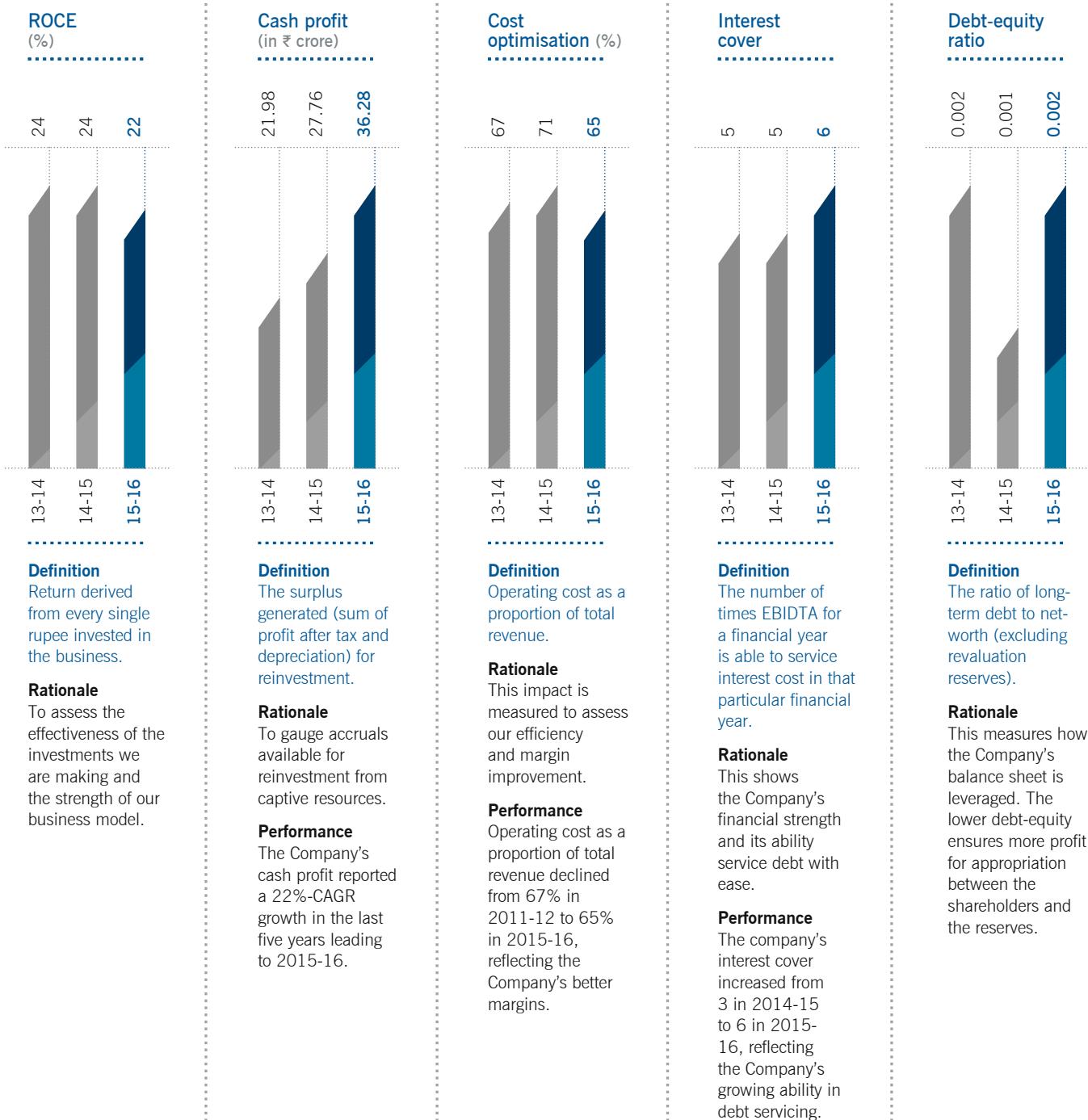


PEBS Pennar is addressing national demand with a pan-India integrated service delivery model (through sales offices). It is planning to commission a manufacturing base in North India to cater to growing regional demand.



## Impact of the business model







# Why PEBS Pennar is different

- Most PEB companies are asset-heavy; PEBS Pennar is asset-light, servicing clients pan-India
- Most PEB companies focus on maximising revenues; PEBS Pennar focuses on revenue quality and margins
- Most PEB companies focus on buildings only; PEBS Pennar has extended to solar power mounting structures, high-rise towers and engineering services
- Most PEB companies focus on design or manufacture or execution; PEBS Pennar provides all three (integration)

## How this differentiation has translated into superior numbers

PEBS Pennar achieved ₹500 cr-plus topline within six years of commencing operations. Although the businesses of PEBS perform diverse functions, they are united by the company's shared vision, mission and time honoured set of core values.

The company has grown and prospered based upon the vision of leadership team through creation of value. Our administrative functions are centralised to ensure continuity and a streamlined approach.



## PEBS knowledge strength

Our strength lies in our ability to attract and retain talent. Honing the teams in cross-functional abilities and training initiatives is on top of our resource plan.

# Notice

NOTICE is hereby given that the 8th Annual General Meeting (AGM) of members of M/s. Pennar Engineered Building Systems Limited will be held on Friday, the 30th day of September, 2016 at 09:30 A.M. at Hotel 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 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. Nrupender Rao (DIN: 00089922) who retires by rotation and being eligible offers himself for re-appointment.
3. 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.
4. Ratification of appointment of Auditors

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 139, 142 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, the Company hereby ratifies the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 008072S), as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the 9th Annual General Meeting of the Company to be held in year 2017 to examine and audit the accounts of the Company for the Financial Year 2016-17 at such remuneration plus service tax, out-of-pocket, travelling and living expenses etc., as may be mutually agreed between the Board of Directors and the Auditors.”

## Special Business:

5. Ratification of Remuneration to Cost Auditor

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(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration payable during the year 2016-17, to Kandikonda & Associates, Cost Accountants having Firm Registration No. 101361 appointed by

the Board of Directors of the Company to conduct the audit of the cost records of the Company for the financial year 31st March 2017, amounting to ₹70,000/- (Rupees Seventy Thousand Only) as also the payment of service tax as applicable and re-imbursement of out of pocket expenses incurred by them in connection with the aforesaid audit be and is hereby ratified and confirmed."

6. To confirm the appointment of Mr. C Parthasarathy (DIN: 00079232) as Director who was appointed as an 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."

7. 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 SEBI (LODR) Regulations 2015, 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."

8. To confirm the appointment of Mr. Mukul Gulati (DIN: 00746183) as Director who was appointed as an 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. Mukul Gulati, who was appointed as an Additional Non-Executive Director by the Board of Directors with effect from 09.11.2016 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, signifying his intention to propose Mr. Mukul Gulati 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."

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

"RESOLVED THAT pursuant to provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 read with applicable Rules under Companies (Meetings of Board and its Powers) Rules, 2014 and to the extent applicable Regulations of SEBI (LODR) Regulations 2015, consent of the members of the Company be and is hereby accorded for entering into the Related Party

Transaction by the Company with its holding Company, Pennar Industries Limited for the financial year 2016-2017, up to the maximum per annum amounts as appended in table below :

S. No.	Name of the related party	Nature of Transactions	Salient features of the transaction	Amount of Transaction (₹ in Crores)
1.	M/s. Pennar Industries Limited (PIL) (Holding Company)	Purchase of goods	As per the sale/purchase orders to be entered into between the Company and PIL at the time of entering in to transaction	100.00
		Sale of Goods		
		Purchase of Fixed Assets		
		Other Services Received		
		Other Services Rendered		
		Receipt of Rent and Other Expenses		
		Others, if any incidental thereto		
<b>Total</b>				<b>100.00</b>

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all 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 Engineered Building Systems Limited

Place : Hyderabad

Date : 04.08.2016

Registered Office: 9th Floor, DHFLVC Silicon Tower (Westwing)  
Kondapur, Hyderabad -500084

**Subhash Kishan Kandrapu**

*Company Secretary & Compliance Officer*  
ACS No. 32743

#### Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN THE MEETING 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 (on or before Wednesday, September 28, 2016 at 9.30 AM IST). A proxy form for the Annual General Meeting is enclosed.
3. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send

a certified copy of the Board resolution authorising their representative to attend and vote on their behalf at the meeting.

4. Members / proxies / authorised representatives should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
5. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company
6. Relevant documents and registers will be available for inspection by the members at the registered office of the Company.

7. Members are requested to address all correspondence 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 Seriligungampalli Hyderabad - 500008.
  8. With a view to using natural resources responsibly, we request shareholders to update their email address with their Depository Participants to enable the Company to send communications electronically.
  9. The Register of Members and the Share Transfer Books of the company will be closed from 23rd September, 2016 to 24th September, 2016 (both days inclusive) in connection with the Annual General Meeting.
  10. 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.
  11. 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.
  12. 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.
  13. Members may also note that the Notice of the 8th AGM and the Annual Report 2015-16 will be available on the Company's website, [www.pebspennar.com](http://www.pebspennar.com). The physical copies of the documents will also be available at the Company's registered office for inspection during normal business hours on working days. Members who require communication in physical form in addition to e-communication, or have any other queries, may write to us at: [cs@pebspennar.com](mailto:cs@pebspennar.com)
  14. Additional information, pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of the directors seeking appointment / re-appointment at the AGM, is furnished as annexure to the Notice. The directors have furnished consent / declaration for their appointment / re-appointment as required under the Companies Act, 2013 and the Rules thereunder.
  15. 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 Registrar and Share Transfer Agents, M/s. Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No. 31 & 32 Gachibowli Financial District Nanakramguda Seriligungampalli Hyderabad - 500008.
  16. Members/Proxies are requested to bring their copy of the Annual Report to the AGM.
  17. 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 exercise 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. S. Chidambaram, Practicing Company Secretary (Membership No: 2286) has been appointed as the Scrutiniser to scrutinise the e-voting process in a fair and transparent manner. The facility for voting through ballot paper or any other mode permitted will also be made available at the AGM and members attending the AGM, who have not already cast their votes by remote e-voting shall be able to exercise their right at the AGM through ballot paper. Members who have cast their votes by remote e-voting prior to the AGM may attend the AGM but shall not be entitled to cast their votes again.
- 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 Ballot Form or via email. 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 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 27th September, 2016 @ 10:00 A.M. to 29th September, 2016 @ 5.00 P.M. During this period, shareholders of the company holding shares either in dematerialised 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: Then Vote accordingly, but the total number of shares voted taken should not exceed your total shareholding. If the shareholder do not wants to cast, select ‘ABSTAIN’
- i) 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.
- k) Once you ‘CONFIRM’ your vote on the resolution, you will not be allowed to modify your vote.
- l) Corporate/Institutional Members (corporate /FIs/FII/ Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutiniser through e-mail to schid285@gmail.com or manishcs31@gmail.com with copy to evoting@karvy.com and cs@pebspennar.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 - Ratification of Remuneration to Cost Auditor

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the M/s. Kandikonda & 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 ₹70,000/- (Rupees Seventy Thousand Only) as audit fee, Service tax as may be applicable at the time of payment.

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. 5 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 # 6&7 - Appointment of Mr. C Parthasarathy (DIN: 00079232) 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 44 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 organisations. He oversees the group's 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. 6&7 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 # 8 - Appointment of Mr. Mukul Gulati (DIN: 00746183) as Non-Executive Director**

The Board, at its meeting held on 9th November, 2015 appointed Mr. Mukul Gulati as an Additional Non-Executive Director of the Company, pursuant to Section 161 of the Companies Act, 2013, read with Article 44 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. Mukul Gulati 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.

Mukul Gulati is a cum laude graduate of the University of Maryland, where he was a Dean's Scholar at the Department of Economics and also holds masters of business administration degree from Columbia University in the City of New York. He is the co-founder and managing partner of Zephyr Peacock India. He has over 18 years of experience in the field of investment

management including private equity, investment research and general management. Mukul Gulati is responsible for overall leadership of Zephyr's business activities in South Asia. Mukul Gulati was previously associated with Multex.com, where he was involved in setting up and managing the firm's quantitative equity research business. He is also a charter member of the Bangalore chapter of The Indus Entrepreneurs (TiE) Global, member of Young Presidents' Organisation (YPO) and serves on the Asia Council of Emerging Markets Private Equity Association (EMPEA).

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. Mukul Gulati 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. Mukul Gulati for the office of director.

The Board recommends the resolution set out at item no. 8 of the notice for your approval. No director, key managerial personnel or their relatives, except Mr. Mukul Gulati, to whom the resolution relates, is interested or concerned in the resolution.

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

Section 188 of the Companies Act, 2013 read with rules 15 and 16 of Companies (Meetings of Board and its Powers) Rules, 2014 prescribe certain procedure for approval of related party transactions. The proviso to section 188 also states that nothing in section 188(1) will apply to any transaction entered into by the company in its ordinary course of business and at arm's length basis. All the proposed transactions put up for approval are in ordinary course of business and at arm's length. Pursuant to the applicable provisions of SEBI (LODR) Regulations, 2015, the following contracts / arrangements / transactions are material in nature and require the approval of the unrelated shareholders of the Company by a special resolution:

S. No.	Name of the related party	Nature of Transactions	Salient features of the transaction	Amount of Transaction (₹ in Crores)
1.	M/s. Pennar Industries Limited (PIL) (Holding Company)	Purchase of goods Sale of Goods Purchase of Fixed Assets Other Services Received Other Services Rendered Receipt of Rent and Other Expenses Others, if any incidental thereto	As per the sale/purchase orders to be entered into between the Company and PIL at the time of entering in to transaction	100.00
	<b>Total</b>			<b>100.00</b>

The Board recommends the resolution for your approval. No director, key managerial personnel or their relatives, except Mr. Nrupender Rao (being a Chairman and promoter group), Mr. Aditya Rao (being a Vice Chairman and Managing Director and promoter group holding more than 2 % of shareholding in Pennar Industries Limited and to which the resolution relates, is interested or concerned in the resolution in the capacity stated above.

By Order of the Board  
for Pennar Engineered Building Systems Limited

Place : Hyderabad

Date : 04.08.2016

Registered Office: 9th Floor, DHFLVC Silicon Tower (Westwing)  
Kondapur, Hyderabad -500084

**Subhash Kishan Kandrapu**

*Company Secretary & Compliance Officer*  
ACS No. 32743

## Annexure to items 2 and 3 of the Notice

Details of Directors seeking re-appointment at the Annual General Meeting

Name of the Director	Mr. Nrupender Rao	Mr. Aditya Rao	Mr. C Parthasarathy	Mr. Mukul Gulati
Director Identification Number (DIN)	00089922	01307343	00079232	00746183
Date of Birth	23/06/1945	06/12/1981	07/07/1955	06/09/1973
Nationality	Indian	Indian	Indian	USA
Date of Appointment on Board	Since Incorporation	Since Incorporation	09th November 2015	09th November 2015
Qualification	B.Tech, M.S.	B.S, M.Eng	BSC, LLB, ICSI, ICAI	MBA
Shareholding in the Company	516000 equity shares	772498 equity shares	NIL	NIL
List of Directorships held in other Companies (excluding foreign, private and Section 8 Companies)	Pennar Industries Limited Saven Technologies Limited Pennar Enviro Limited Pennar Solar Limited	Pennar Industries Limited Pennar Enviro Limited Pennar Solar Limited	Karvy Stock Broking Limited Karvy Comtrade Limited Karvy Consultants Limited Karvy Investment Advisory Services Limited Karvy Investor Services Limited Karvy Data Management Services Limited Ocean Sparkle Limited Granules India Limited	NIL
Memberships / Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies	NIL	Pennar Industries Limited	NIL	NIL

Apart from Mr. Nrupender Rao and Mr. Aditya Rao who are related to each other as father and son, none of the other Board Members are related to each other.

# Directors' Report

DEAR MEMBERS,

Your Directors hereby submits the Eighth (8th) report of the business and operations of the Company ('the Company' or 'PebsPennar') along with audited financial statements, for the financial year ended March 31, 2016.

## 1. Results and Operations

### Financial Results and Performance:

(₹ in Lakhs)

Particulars	2015-16	2014-15
Revenue from operations (Gross)	49,121	48,558
Less : Excise Duty	4,429	4,043
Revenue from operations (Net)	44,692	44,515
Less: Total Expenditure except Depreciation	39,328	41,217
Profit from Operations before Depreciation, Other Income	5,364	3,298
Less: Depreciation	612	585
Profit from Operations before Other Income	4,752	2,713
Add: Other Income	186	613
Profit before tax	4,938	3,326
<b>Tax Expenses</b>		
Current Tax	1,767	988
Tax Pertaining to earlier years	185	-
Deferred Tax	(30)	147
Profit for the year	3,016	2,191

### Review of Business and Company Affairs:

The gross revenues of the Company for the current financial year are ₹49,121 Lakhs and net revenues are ₹44,692 Lakhs. EBITDA for the current financial year is ₹6,504 Lakhs up 39% compared to previous financial year; profit after tax is ₹3,016 Lakhs up 38% compared to previous financial year.

The Company has executed significant portion of prestigious projects of MRF, Tian, Reliance NDC Tumkur, Kannur International airport, ITC Green Center, Reliance data center, Station buildings at Hyderabad Metro, IOT Anwesha.

There is improvement in the revenue in solar division. Also, there is considerable increase in revenue in Engineering Services division and the Company opened a new office at Vishakhapatnam. In Structural steel, there has been considerable growth this year. The Company developed and supplied Toilet blocks for Greater Hyderabad Municipal Corporation (GHMC).

In addition to repeat customers like L&T, Ultratech, Reliance, Schindler, PL Raju, AGI Glasspac, Kumar Raja, Kaveri Seeds, Hyderabad Metro Rail, Azure Power, Pokarna, Myhome Cements, the Company was able to get orders from new customers like Tata Projects, Biological E, UK Textiles, Rane Diecast, Kongavi, Hetero Pharma, Mylan, Tian, Siemens, KEC, New Era. Also, this year the Company got approval from RDSO (Indian Railways) for supply of Railway Bridge Girders.

For the next financial year, the Company has significant backlog of ₹424 crores and should aim for significant growth in revenue and profitability in next year.

During the year under review, the Company made its Initial Public Offering of 8,774,567 Equity Shares of ₹10 each consisting of a Fresh Issue of 3,258,426 Equity Shares and an offer for sale of 5,516,141 Equity Shares from selling shareholders. Out of the total proceeds from the IPO of ₹15,619 lakhs the Company share is ₹5,800 lakhs. The fresh issue of 3,258,426 Equity Shares of face value ₹10 each was at a premium of ₹168 per share aggregating of ₹5,474 lakhs. The said premium was recognised in share premium account of the Company. The shares of the Company were listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on September 10, 2015. The utilisation of IPO Proceeds of the Company as on March 31, 2016 is as follow:

(₹ in Lakhs)

S. No.	Particulars	Objects of the issue as per prospectus	Utilised up to March 31, 2016	Unutilised up to March 31, 2016
1	Repayment / prepayment, in full or part, of certain working capital facilities availed by our Company	3,400	3,400	-
2	Financing the procurement of infrastructure (including software and hardware) for the expansion of design and engineering services	800	92	708
3	General corporate purposes	1,079	1,079	-
4	Issue related expenses *	521	517	4
	<b>Total</b>	<b>5,800</b>	<b>5,088</b>	<b>712</b>

\* Company's Share

As on March 31, 2016, unutilised funds have been temporarily invested in short term liquid scheme of mutual funds and in bank balances.

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

There was no change in the nature of business of the Company

#### **Dividend:**

The Board considering future prospects of the Company and considering the investment required for future projects, the Board has not recommended any Dividend to the shareholders for the financial year 2015-2016.

**Reserves:**

The Board does not propose to transfer any amount to reserves this year.

**Deposits:**

The Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet Date.

**Particulars of loans, guarantees or investments**

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the Notes to the financial statements provided in this Annual Report

**Particulars of contracts or arrangements with related parties:**

The particulars of contracts or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 is disclosed in the prescribed Form No. AOC-2 which forms part of the report as Annexure A.

**Particulars of Subsidiary / Joint Ventures/ Associate Companies:**

The Company doesn't have any Subsidiary/Joint Ventures/ Associate Companies for the financial year 2015-2016.

**Material changes and commitments affecting the financial position between the end of the financial year and the date of the report:**

There are no Material changes that have occurred subsequent to the end of the financial year and the date of the report.

**Significant and material orders:**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

## 2. Human Resources Management

We have set up a strategical recruitment and human resources management process. Human resources management at Pebspennar goes beyond the set boundaries of compensation, performance reviews and development. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can give of their best. We look at the employee's entire lifecycle, to ensure timely interventions that help build a long-lasting and fruitful career. Employee value should appreciate with time. We also invest in employee training. The Company added 105 employees this year, taking the total strength to 509 at the end of the financial year.

**Particulars of Employees and Directors:**

The employees drawn salary above ₹60 Lakhs in aggregate per annum and ₹5 Lakhs in aggregate per month and Median Employee Comparison is enclosed as Annexure B.

Apart from the above, no other director is receiving any elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc. Mr. Aditya Rao in his professional capacity is providing services to the Company as Strategic Business Advisor and is received a remuneration of ₹2,50,000/- per month till September 2015.

The Sitting fees of ₹8,500/- has been paid to Mr. Kamalakar Rao Bandari – Independent Director

**Employee Stock options:**

Employee Stock Option Plan 2014 (ESOP 2014 or Plan)

The Board of Directors ("the Board") of the Company approved ESOP 2014 at their meeting held on September 30, 2014 subject to the approval of the Members and authorised the Nomination & Remuneration Committee (erst while Compensation Committee) to formulate the detailed terms and conditions of ESOP 2014 and to administer and implement ESOP 2014 in accordance with the provisions of SEBI Regulations. The Shareholders of the Company have approved ESOP 2014 at the Extra Ordinary General Meeting held on November 11, 2014.

As per SEBI Regulations, any Pre-IPO ESOP Plan has to be ratified by Shareholders Post IPO, the Company accordingly took the approval of the Post IPO shareholders by way of Postal Ballot on November 09, 2015 and the details are available on website ([www.pebspennar.com](http://www.pebspennar.com)). The ESOP plan of the Company is in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014

**The purpose of the Plan is to**

- Award the employees who are associated with the Company since its inception and had been responsible for the growth of the Company
- Encourage employees to align individual performance with Company objectives; and
- Reward employee performance with ownership of shares

The maximum number of grants or shares to be issued by way of the plan is 1000000 (Ten Lakhs Only), each option granted is equal to one equity share of the Company, the issue will be by way of newly issued equity shares. The Plan shall be directly administered by the Company through its nomination

and remuneration committee of the Board constituted by the Company pursuant to the provisions of Section 178 of the Companies Act, 2013 ('the Administrator'). The Administrator's decisions, determinations, and interpretations will be final and binding on all eligible employees and participants under the Plan.

Till date the Company has not granted any options nor allotted any equity shares under the said ESOP plan 2014

### **3. Auditors**

#### **Statutory Auditors:**

The Company in its General Meeting held on August 06, 2014 appointed M/s Deloitte Haskins & Sells, Chartered Accountants, (ICAI Registration Number 008072S) as Statutory Auditors of the Company from 2014-2015 to 2018-2019 subject to ratification of the appointment by shareholders at every Annual General Meeting. Accordingly, the appointment of M/s Deloitte Haskins & Sells, Chartered Accountants, (ICAI Registration Number N0008072S), Chartered Accountants, as statutory auditors of the Company, is placed for ratification by the shareholders. The Auditors' Report for fiscal 2016 does not contain any qualification, reservation or adverse remark. The Auditors' Report is enclosed with the financial statements in this Annual Report.

#### **Secretarial Auditor and Secretarial Audit Report:**

In terms of Section 204 of the Act and Rules made there under, S. Chidambaram, Practicing Company Secretary in Practice (Membership No: 2286), has been appointed Secretarial Auditors of the Company. The secretarial audit report for fiscal 2016 forms part of the Annual Report as Annexure C. The Secretarial Audit Report does not contain any Qualification, reservation or adverse remark.

#### **Cost Auditors:**

The Board appointed Kandikonda & Associates, Cost Accountant having firm Registration No. 101361 as Cost Auditors of the Company for conducting cost audit of the Company for the financial year 2016-2017. The remuneration proposed by the Board of ₹70,000/- (Rupees Seventy Thousand Only) excluding service Tax and out of pocket expenses shall be paid on actuals and requires ratification of the shareholders of the Company. The shareholders ratification for payment of remuneration to Cost Auditors is being sought at the ensuing AGM.

#### **Auditors Certificate on Corporate Governance**

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the auditors' certificate on corporate governance forms part of this report. The auditors'

certificate for fiscal 2016 does not contain any qualification, reservation or adverse remark

#### **Internal Financial Control and its adequacy:**

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the 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 disclosures.

### **4. Corporate Governance and Corporate Social Responsibility**

#### **Pebspennar Corporate Governance philosophy**

Corporate governance is about maximising shareholder value legally, ethically and sustainably. At Pebspennar, the goal of corporate governance is to ensure fairness for every stakeholder. We believe sound corporate governance is critical to enhance and retain investor trust. We always seek to ensure that our performance is driven by integrity. Our Board exercises its fiduciary responsibilities in the widest sense of the term. Our disclosures seek to attain best practices in corporate governance. We also endeavor to enhance long-term shareholder value and respect minority rights in all our business decisions.

Corporate governance report for financial year end 2016 forms part of this Annual Report

#### **Pebspennar' code of conduct for the prevention of insider trading**

The Board of Directors has adopted Insider Trading Policy in accordance with the requirements of the SEBI (Prohibition of Insider Trading) Regulation, 2015. The Insider Trading Policy of the Company lays down guidelines and procedures to be followed, and disclosures to be made while dealing with shares of the Company, as well as the consequences of violation. The policy has been formulated to regulate, monitor and ensure reporting of shares bought or sold by employees and to maintain the highest ethical standards of dealing in Company securities.

The Insider Trading Policy of the Company covering code of practices and procedures for fair disclosure of unpublished price sensitive information and code of conduct for the prevention of insider trading is available on website ([www.pebspennar.com](http://www.pebspennar.com)).

#### **Listing Agreement**

The Securities and Exchange Board of India (SEBI), on September 2, 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 December 1, 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 BSE Limited and the National Stock Exchange of India Limited.

### **Board Diversity**

The Company recognises and embraces the importance of a diverse board. We believe that a truly diverse board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will help us to retain our competitive advantage. The Board has adopted the Board Diversity Policy and it is available on our website ([www.pebspennar.com](http://www.pebspennar.com)).

### **Board Meetings**

The Board met eight (8) times during the financial year, the details of which are given in the corporate governance report. The maximum interval between any two meetings did not exceed 120 days, as prescribed in the Companies Act, 2013.

### **Woman Director on the Board**

Dr. Sita Vanka is the women director on the Board of the Company

### **Declaration by Independent Directors:**

The Company has received necessary declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as laid down in Section 149 of the Companies Act, 2013 and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **Board evaluation**

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the provisions of the Companies Act 2013, mandates that the Board shall monitor and review the Board evaluation framework.

The framework includes the evaluation of directors on various parameters such as

- Board dynamics and relationships
- Decision-making
- Relationship with stakeholders
- Company performance and strategy
- Tracking Board and committees' effectiveness

The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual directors. Schedule IV of

the Companies Act, 2013 states that the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board on February 11, 2016.

### **Policy on directors' appointment and remuneration**

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and separate its functions of governance and management. As on March 31, 2016, the Board consisted of nine members, one of whom is executive, three are non-executive and five are independent directors. The policy of the Company on directors' appointment and remuneration, including criteria for determining qualifications, positive attributes, independence of a director and other matters, as required under sub-section (3) of Section 178 of the Companies Act, 2013, is available on our website ([www.pebspennar.com](http://www.pebspennar.com)). We affirm that the remuneration paid to the directors is as per the terms laid out in the nomination and remuneration policy of the Company.

### **Familiarisation program for independent directors**

All new independent directors inducted into the Board are to attend an orientation program informing the business and background of the Company and Pennar Group. Further, at the time of the appointment of an independent director, the Company issues a formal letter of appointment outlining his / her role, function, duties and responsibilities. The format of the letter of appointment is available on website ([www.pebspennar.com](http://www.pebspennar.com)).

### **Policies**

We seek to promote and follow the highest level of ethical standards in all our business transactions guided by our value system. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandated the formulation of certain policies for all listed companies. All policies are available on our website ([www.pebspennar.com](http://www.pebspennar.com)). The policies are reviewed periodically by the Board and updated based on need and new compliance requirement.

In the opinion of the Board, there is no element of risk which may threaten the existence of the Company.

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy is uploaded in the website of the Company, [www.pebspennar.com](http://www.pebspennar.com).

### **Transfer of Amounts to Investor Education and Protection Fund:**

Your Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).

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

The Company has adopted a policy for prevention of Sexual Harassment of Women at workplace which is uploaded in the website of the Company, [www.pebspennar.com](http://www.pebspennar.com). During the year Company has not received any complaint of sexual harassment of women at work place.

### **Extract on Annual Return:**

An extract of annual return in MGT 9 is enclosed as an Annexure D

### **Awards:**

The Company has received the following awards in the current year:

S. No.	Award	Category
1	IEI Industry Excellence Award 2015	Scroll of Honor for overall business excellence and industry practices
2	CIDC Vishwakarma Award 2016	Best Professionally Managed Company
3	ACCE(I) Bhagwathi Award	Outstanding Design for Industrial Building

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

During the year under review, the nomination of Mr. Mukul Gulati as Nominee Director on the Board of the Company has been withdrawn w.e.f. November 09, 2015. The Board of Directors place on record their sincere gratitude and appreciation to Mr. Mukul Gulati for his role and efforts in building the Company.

The Board of Directors on recommendation of Nomination and remuneration committee subject to the approval of shareholders, on November 09, 2015 appointed Mr. Mukul Gulati as Additional Non Executive Director and Mr. C Parathasarathy as an Additional Non Executive Independent Director.

Mr. Nrupender Rao and Mr. Aditya Rao, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

As on the date of this report, the Company has appointed the following persons as Key Managerial Personnel of the Company pursuant to Sections 2(51) and 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

1. Mr. P V Rao - Managing Director
2. Mr. Shrikant Bhakkad - Chief Financial Officer
3. Mr. Subhash Kandrapu - Company Secretary and Compliance Officer w.e.f July 27, 2015
4. Ms. Namarata Maheshwari - Company Secretary and Compliance Officer till July 27, 2015

### **Committees of the Board**

Currently, the Board has six committees: the audit committee, the nomination and remuneration committee, the corporate social responsibility committee, the stake holders' relationship committee, the Capex committee, and the finance and operational committee.

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

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are enclosed as Annexure E

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

Pennar Group has been an early adopters of corporate social responsibility (CSR) initiatives. The Pennar Group has formed its own CSR Trust, Pennar Foundation in the current financial year, towards supporting the Pennar Group CSR activities.

As per the Companies Act, 2013, all companies having a net worth of ₹500 crore or more, or a turnover of ₹1,000 crore or more or a net profit of ₹5 crore or more during any financial year are required to constitute a CSR committee of the Board of Directors comprising three or more directors, at least one of whom should be an independent director. All such companies are required to spend at least 2% of the average net profits of their three immediately preceding financial years on CSR-related activities. Accordingly, the Company was required to spend ₹57.67 Lakhs towards CSR activities, out of which ₹18.63 Lakhs was utilised on activities specified in Schedule VII of the Companies Act, 2013 and amount unspent is ₹39.04 Lakhs for the financial year 2015-16.

### **Pennar Foundation**

Established in the current year as a not-for-profit trust for social welfare activities, implementing programs in the areas of healthcare, education, hunger eradication, rural development,

disaster relief, arts and culture, and destitute care etc across India. The highlights of the Foundation's work in fiscal 2016 included village development, schools up gradation, building of toilets at schools, spending on green initiatives.

The disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is enclosed as Annexure F. The Prescribed CSR Expenditure of the Company for the financial year 2015-16 was to spend ₹57.67 Lakhs, out of which ₹18.63 Lakhs was utilised on activities specified in Schedule VII of the Companies Act, 2013 and amount unspent is ₹39.04 Lakhs.

The Policy is updated on Company's website [www.pebspennar.com](http://www.pebspennar.com)

The Composition of CSR Committee is as follow as:

1. Mr. Kamalakar Rao – Chairman
2. Mr. Nrupender Rao – Member
3. Mr. P V Rao – Member
4. Dr. Sita Vanka – Member

#### **Directors' Responsibility Statement:**

The financial statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

The Directors confirm that;

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for the financial year ended March 31, 2016;
- (c) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) They have prepared the annual accounts on a going concern basis; and

(e) They have laid down internal financial controls, which are adequate and are operating effectively

(f) They have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **Statutory Disclosures and Green Initiatives**

Any member interested in obtaining any particulars may write to the Company Secretary of the Company. Electronic copies of the Annual Report 2015-16 and Notice of the 8th Annual General Meeting are sent to all members whose email addresses are registered with the Company / Depository Participant(s). For members who have not registered their email addresses, physical copies are sent in the permitted mode and we hereby request shareholders to register their email id with the Company/ Depository Participant(s)/Registrar and Share Transfer Agents (RTA) of the Company for receiving communication of the Company in electronic mode.

#### **Acknowledgements:**

We take this opportunity to express appreciation for the co-operation, assistance and guidance provided by Financial Institutions, Company's Bankers, Customers, Suppliers, Investors, regulatory and government authorities, business associates and stakeholders. We place on record our appreciation the contribution made by our employees at all levels. Our consistent growth was made possible by their hard work. The Directors looks forward to their continued support in future. Your Directors value your involvement as shareholders and look forward to your continuing support.

For and on behalf of the Board of Directors

Place: Hyderabad

**Nrupender Rao**

Date: August 04, 2016

*Chairman*

**Annexure - A**

**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 transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis; Not Applicable
2. Details of contracts or arrangements or transactions at Arm's length basis.

1	Name of the Related Party and Nature of Relationship	1. Pennar Industries Limited (Promoter and Holding Company) 2. Pennar Enviro Limited (Fellow Subsidiary Company) 3. New Era Enviro Ventures (Karimnagar) Pvt Ltd (Fellow Subsidiary Company) 4. Saven Technologies Limited (Significant Influence held by directors)
2	Nature of Contracts/arrangements/ transactions	Sale of Steel Products, Purchase of Steel products, fixed assets, rent received, Job works, Inter Corporate Loans (ICD) etc.
3	Duration of the Contracts/ arrangements/transactions	April 01, 2015 to March 31, 2016
4	Salient features of the contracts/ arrangements/transactions	The contracts were entered into in the ordinary course of business and on arm's length basis. (for details of transactions during the year refer Note no 31.4 of the financial statements)
5	Amount Paid as Advances, if any	NIL

Note: Appropriate approvals have been taken for Related Party Transactions.

For **Pennar Engineered Building Systems Limited**

Place: Hyderabad

Date: August 04, 2016

**Nrupender Rao**

*Chairman*

## Annexure - B

### Particulars of Employees

Pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Statement of Particulars of employees pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

S. No.	Name	Designation	Remuneration [₹ in Lakhs]	Qualification	Experience in years	Age in years	Date of commencement of employment	Last employment held
1	2	3	4	5	6	7	8	9
1	Mr. P V Rao	Managing Director	122*	BTech (Civil Engineering)	More than 34 years	56	May 26, 2010	Tata Blue Scope Steel

\*includes amount of variable pay of ₹14 Lakhs

Median Remuneration of Employees comparison:

S. No.	Name	Designation/ Nature of Duties	Remuneration [₹ in Lakhs] (2015-2016)	Remuneration [₹ in Lakhs] (2014-2015)	No of Stock options granted	Increase in remuneration from previous year	Ratio/median of employee remuneration	Ratio of remuneration to Revenues (fiscal 2016)	Ratio of remuneration to Net Profit (fiscal 2016)
1	Mr. P V Rao	Managing Director	122	121	NIL	0.80%	37.31	0.27	4.05
2	Mr. Shrikant Bhakkad	CFO	39	36.4	NIL	7%	11.93	0.09	1.29
3	Mr. Subhash Kishan Kandrapu (w.e.f July 27, 2015)	Company Secretary and Compliance Officer	4.70	-	NIL	-	1.44	-	-
4	Ms. Namarata Maheshwari (till July 27, 2015)	Company Secretary and Compliance Officer	0.90	2.70	NIL	-	-	-	-

The Median Remuneration of Employees was ₹3.27 Lakhs for the financial year 2016 respectively.

The Company added 105 employees this year, taking the total strength to 509 at the end of the financial year.

Our market capitalisation of the Company as on March 31, 2016 is

Particulars	2016*
Revenue from operations (gross)	49,121 Lakhs
Paid up capital as on March 31, 2016	34274911
Closing price at National Stock Exchange Limited as on March 31, 2016	166.85
Market Capitalisation as on March 31, 2016	57187 Lakhs
Price Earnings Ratio as at the closing date (MPS/EPS)	17.62
Public Offer Price (IPO price)	178
Increase/Decrease over IPO Price in %	(6.26)

\*Company is listed on September 10, 2015

For Pennar Engineered Building Systems Limited

Place: Hyderabad

Date: August 04, 2016

Nrupender Rao

Chairman

## Secretarial Audit Report

For the financial year ended 31st March, 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,

The Members,

Pennar Engineered Building Systems Limited

(CIN: L45400TG2008PLC057182)

9th floor, 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 PENNAR ENGINEERED BUILDING SYSTEMS LIMITED. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my 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 and declarations made by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes 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 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
  - (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
  - (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
  - (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder 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'):-
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (d) SEBI (Share Based Employee Benefits) Regulations, 2014;
  - (e) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
  - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - (g) 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;
  - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

- (vi) TG Shops and Establishment Act, 1988;
- (vii) Employees' State Insurance Act, 1948 and Employees' State Insurance (General) Regulations, 1950;
- (viii) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and The Employees' Provident Funds Scheme, 1952;
- (ix) The Payment of Bonus Act, 1965 and the Payment of Bonus Rules, 1965;
- (x) The Contract Labour (Regulation and Abolition) Act, 1970 and the Contract Labour (Regulation and Abolition) Central Rules, 1971;
- (xi) Income Tax Act, 1961 and rules made thereunder;
- (xii) Service Tax Act, 1994 and rules made thereunder;

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Company with SEBI (LODR) 2015 BSE Limited and National Stock Exchange of India Limited;

As per the information provided and declaration given by the Company and its offices there are no special Acts specifically applicable to the Company.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc.

I further report that 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 period under review were carried out in compliance with the provisions of the Act.

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 at the meeting.

The Company has called some of the meeting at shorter notice and none of the Directors of the company has objected and minimum One Independent Director was present at such Meeting.

Majority decision is carried through and no members has dissented any of the Resolutions.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Place: Hyderabad  
Date: August 04, 2016

Signature:  
**S. Chidambaram**  
*Practicing Company Secretary*  
FCS No. 3935  
C P No: 2286

To,  
The Members of  
Pennar Engineered Building Systems Limited  
Hyderabad

My Secretarial Audit Report of even date is to be read along with this letter.

- 1 The maintenance of Secretarial records is the responsibility of the Management of the Company. Further, the Company is also responsible for devising proper systems and process to ensure the compliance of the various statutory requirements and Governance systems.
- 2 It is the responsibility of the Management of the Company to ensure that the systems and process devised for operating effectively and efficiently.
- 3 My responsibility is to express an opinion on these secretarial records based on my audit.
- 4 I have followed the audit practices and process 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. I believe that the process and practices followed provide a reasonable basis for my opinion.
- 5 Wherever required, I have obtained the Management representations about the compliance of laws, rules and regulations and happening of events etc.
- 6 The Compliance of the provisions of other applicable laws, rules and regulations is the responsibility of the management. My examination was limited to the verification of procedure on test basis.
- 7 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.

Place: Hyderabad

Date: August 04, 2016

Signature:

**S. Chidambaram**

*Practicing Company Secretary*

FCS No. 3935

C P No: 2286

## Form No. MGT 9

### Extract of Annual Return

As on financial year ended on 31.03.2016

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company  
(Management & Administration) Rules, 2014.

#### I. Registration & Other Details:

1.	CIN	L45400TG2008PLC057182
2.	Registration Date	January 17, 2008
3.	Name of the Company	Pennar Engineered Building Systems Limited
4.	Category/Sub-category of the Company	Pre Engineered Buildings, Steel Structures
5.	Address of the Registered office & contact details	9th Floor, (West Wing) DHFLVC Silicon Towers, Kondapur, Hyderabad – 500084 Tel : 040 – 40210525, Fax : 040 - 40186992
6.	Whether listed company	Yes (w.e.f. September 10, 2015)
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	<b>Karvy Computershare Private Limited</b> Karvy Selenium Tower B   Plot number 31 & 32   Financial District   Nanakramguda   Serilingampally Mandal   Hyderabad - 500032   India <b>Contact Person</b> Rajiv Kumar <i>Deputy Manager</i> Tel: +91 040 67161524 Email: rajeev.kr@karvy.com

#### 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)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Pre Engineered Building / Steel Structure Components and related activities	28112	100 %

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

S. No.	Name and Address of the Company	CIN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
1	Pennar Industries Limited	L27109AP1975PLC001919	Holding	53.98	2(87)(ii)

## IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of total Equity)

### A) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March- 2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/ HUF	2942250	-	2942250	10.63	2944736	-	2944736	8.59	(2.04)
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	18500000	0	18500000	66.85	18500000	0	18500000	53.98	(12.87)
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Total shareholding of Promoter (A)</b>	<b>21442250</b>	<b>0</b>	<b>21442250</b>	<b>77.48</b>	<b>21444736</b>	<b>0</b>	<b>21444736</b>	<b>62.57</b>	<b>(14.91)</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	-	-	-	-	6272766	0	6272766	18.30	18.30
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	1554950	0	1554950	5.62	1036613	0	1036613	3.02	(2.60)
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	802198	0	802198	2.34	2.34
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Foreign Portfolio Investor	-	-	-	-	135686	0	135686	0.40	0.40
<b>Sub-total (B)(1):-</b>	<b>1554950</b>	<b>0</b>	<b>1554950</b>	<b>5.62</b>	<b>8247263</b>	<b>0</b>	<b>8247263</b>	<b>24.06</b>	<b>18.44</b>
2. Non-Institutions									
a) Bodies Corp.	3561291	0	3561291	12.87	3057000	0	3057000	8.92	(3.95)
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									0
i) Individual shareholders holding nominal share capital up to ₹1 lakh	11000	2000	13000	0.04	650475	2002	652477	1.90	1.86
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	700000	401000	1101000	3.98	543511	300000	843511	2.46	(1.52)
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	-	-	-	-	4951	0	4951	0.01	0.01
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	24973	0	24973	0.07	0.07
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(2):-</b>	<b>4272291</b>	<b>403000</b>	<b>4675291</b>	<b>16.89</b>	<b>4280910</b>	<b>302002</b>	<b>4582912</b>	<b>13.37</b>	<b>(3.53)</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>5827241</b>	<b>403000</b>	<b>6230241</b>	<b>22.51</b>	<b>12528173</b>	<b>302002</b>	<b>12830175</b>	<b>37.42</b>	<b>14.91</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>27269491</b>	<b>403000</b>	<b>27672491</b>	<b>100</b>	<b>33972909</b>	<b>302002</b>	<b>34274911</b>	<b>100</b>	<b>-</b>

## B) Shareholding of Promoter

S. No.	Category of Shareholders	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	M/s. Pennar Industries Limited	18500000	66.85	33.24	18500000	53.98	33.24	(12.87)
2	Venkata Nrupender Rao Jiginapally	516000	1.86	-	516000	1.51	-	(0.35)
3	Aditya N Rao	772498	2.79	-	772498	2.25	-	(0.54)
4	Avanti Rao	254950	0.92	-	254950	0.74	-	(0.18)
5	D Sudeepa Rao	509899	1.84	-	509899	1.49	-	(0.35)
6	J Nrupender Rao (HUF)	197989	0.72	-	197989	0.58	-	(0.14)
7	Rajyalakshmi Rao Jiginapally	690914	2.50	0	690914	2.02	-	(0.48)
8	Pennar Holdings Private Limited	-	-	-	2486	0.01	-	0.01
<b>Total</b>		<b>21442250</b>	<b>77.48</b>	<b>33.24</b>	<b>21444736</b>	<b>62.57</b>	<b>33.24</b>	<b>(14.91)</b>

## C) Change in Promoters' Shareholding (please specify, if there is no change)

### 1. Pennar Industries Limited

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	18500000	66.85	18500000	53.98
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>18500000</b>	<b>53.98</b>

### 2. Venkata Nrupender Rao Jiginapally

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	516000	1.86	516000	1.51
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>516000</b>	<b>1.51</b>

**3. Aditya N Rao**

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	772498	2.79	772498	2.25
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>772498</b>	<b>2.25</b>

**4. Avanti Rao**

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	254950	0.92	254950	0.74
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>254950</b>	<b>0.74</b>

**5. D Sudeeptha Rao**

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	509899	1.84	509899	1.49
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>509899</b>	<b>1.49</b>

**6. J Nrupender Rao (HUF)**

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	197989	0.72	197989	0.58
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>197989</b>	<b>0.58</b>

**7. Rajyalakshmi Rao Joginapally**

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	690914	2.50	690914	2.02
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>690914</b>	<b>2.02</b>

**8. Pennar Holdings Private Limited**

S. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	NIL	NIL	2486	0.01
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	22/02/2016	73			
	23/02/2016	1083			
	24/02/2016	200			
	10/03/2016	1130			
	<b>At the end of the year</b>			<b>2486</b>	<b>0.01</b>

**D) Shareholding Pattern of top ten Shareholders:**

(Other than Directors, Promoters and Holders of GDRs and ADRs):

S. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	<b>Zephyr Peacock India Fund III Limited</b>				
	At the beginning of the year	3461291	10.10	3461291	10.10
	Transactions (purchase/sale) up to July 21, 2015 (Conversion of CCPS*)	2307412	6.73	5768703	16.83
	Transactions (purchase/sale) up to March 31, 2016	(3461222)	(10.10)	2307481	6.73
	At the end of the year			2307481	6.73
2	<b>DSP Black Rock Small and Mid Cap Fund</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	1180176	3.44	1180176	3.44
	At the end of the year			1180176	3.44
3	<b>IL&amp;FS Trust Company Limited</b>				
	At the beginning of the year	1554950	4.54	1554950	4.54
	Transactions (purchase/sale) up to July 21, 2015 (Conversion of CCPS*)	1036582	3.02	2591532	7.56
	Transactions (purchase/sale) up to March 31, 2016	(1554919)	4.54	1036613	3.02
	At the end of the year			1036613	3.02
4	<b>Kotak Emerging Equity Scheme</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	841759	2.46	841759	2.46
	At the end of the year			841759	2.46
5	<b>DSP Blackrock 3 years close ended equity fund</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	644382	1.88	644382	1.88
	At the end of the year			644382	1.88
6	<b>The Nomura Trust and Banking Co Ltd as the trustee of Nomura India Stock Mother Fund</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	494382	1.44	494382	1.44
	At the end of the year			494382	1.44

S. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
7	<b>Birla Sunlife Trustee Company Private Limited A/c Birla Sun Life Emerging Leaders Fund- Series 3</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	404426	1.18	404426	1.18
	At the end of the year			404426	1.18
8	<b>Birla Sunlife Trustee Company Private Limited A/c Birla Sun Life Emerging Leaders Fund- Series 1</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	350030	1.02	350030	1.02
	At the end of the year			350030	1.02
9	<b>Kotak Midcap</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	346181	1.01	346181	1.01
	At the end of the year			346181	1.01
10	<b>Birla Sunlife Trustee Company Private Limited A/c Birla Sun Life Midcap Fund</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Transactions (purchase/sale) up to March 31, 2016	333732	0.97	333732	0.97
	At the end of the year			333732	0.97

#### E) Shareholding of Directors and Key Managerial Personnel:

P V Rao

S. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	300000	1.08	300000	0.88
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	At the end of the year			300000	0.88

**Aditya Rao**

S. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	772498	2.79	772498	2.25
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>772498</b>	<b>2.25</b>

**Venkata Nrupender Rao Jiginapally**

S. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	516000	1.86	516000	1.51
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	NIL	NIL	NIL	NIL
	<b>At the end of the year</b>			<b>516000</b>	<b>1.51</b>

**F) Indebtedness - Indebtedness of the Company including interest outstanding/accrued but not due for payment.**

(₹ in Lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	4057.3	NIL	NIL	4057.3
ii) Interest due but not paid	15	NIL	NIL	15
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	<b>4072.3</b>	<b>NIL</b>	<b>NIL</b>	<b>4072.3</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	1581.7	NIL	NIL	1581.7
* Reduction	NIL	NIL	NIL	NIL
Net Change	1581.7	NIL	NIL	1581.7
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	5476	NIL	NIL	5476
ii) Interest due but not paid	178	NIL	NIL	178
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
<b>Total (i+ii+iii)</b>	<b>5654</b>	<b>NIL</b>	<b>NIL</b>	<b>5654</b>

## V. Remuneration of Directors and Key Managerial Personnel

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

(₹ in Lakhs)

S. No.	Particulars of Remuneration	Mr. P.V. Rao (Managing Director)	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	108.00	108.00
	(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 (Performance Variable Incentive)	14.00	14.00
	<b>Total (A)</b>	<b>122.00</b>	<b>122.00</b>
	Ceiling as per the Act	175.12	175.12

### B. Remuneration to other directors

The Company is not paying any remuneration to any other directors apart from Managing Director. However Mr. Aditya Rao in his professional capacity providing services to the Company as Strategic Business Advisor and receiving a remuneration of ₹2,50,000 per month till September 2015.

The Sitting fees of ₹8,500/- has been paid to Mr. Kamalakar Rao Bandari – Independent Director

### C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in Lakhs)

S. No.	Particulars of Remuneration	Key Managerial Personnel		
		CS	CFO	Total
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4.70	33.40	38.10
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0
2	Stock Option	0	0	0
3	Sweat Equity	0	0	0
4	Commission	0	0	0
	- as % of profit			
	- others, specify...			
5	Others, please specify (Performance Variable Incentive)	0	5.60	5.60
	<b>Total (A)</b>	<b>4.70</b>	<b>39.00</b>	<b>43.70</b>

## VI. Penalties / Punishment/ Compounding of Offences:

	Section 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	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	621A	Company has made a compounding application with Company Law Board for delay in efilng special resolution for increasing in Authorised capital	In process	Company Law Board	NA
<b>B. Directors (Not Applicable)</b>					
Penalty					
Punishment					
Compounding					
<b>C. Other Officers In Default (Not Applicable)</b>					
Penalty					
Punishment					
Compounding					

For Pennar Engineered Building Systems Limited

Place: Hyderabad

Date: August 04, 2016

**Nrupender Rao**

*Chairman*

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

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

#### **a) Conservation of energy**

As a part of promoting energy conservation, the company has installed 500 kwp Photovoltaic Solar Power Plant with net metering.

The company could save OPEX by way of cutting-down the withdrawal of electricity board power by 30% in this fiscal which is approx. ₹3 lakhs per month.

#### **b) Technology absorption**

In the process of upgrading technology and to meet the pace of manufacturing cycle, the company has initially procured Power Seaming and Manual Seaming machines from USA and Australia, for which the company has spent huge amounts. During the current fiscal, having resourceful team and technical know-how, our start-of-art-manufacturing plant has developed Power and Manual Seaming Machines indigenously which resulted in saving CAPEX of approx. ₹1.10 Crore.

#### **c) Research and Development (R&D):**

The Company continues to look at opportunities in the areas of research and development in its present range of activities.

#### **d) Foreign exchange earnings and Outgo**

During the year, the total foreign exchange used was ₹14 Lakhs and the total foreign exchange earned was ₹597 Lakhs.

For Pennar Engineered Building Systems Limited

Place: Hyderabad

Date: August 04, 2016

**Nrupender Rao**

*Chairman*

## Format for the Annual Report on CSR Activities to be Included in the Board's Report

- (1) A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or Programmes : [www.pebspennar.com](http://www.pebspennar.com)
- (2) The Composition of the CSR Committee. : Provided in Directors Report
- (3) Average net profit of the company for last three financial years : ₹2883.60 Lakhs
- (4) Prescribed CSR Expenditure (two per cent. Of the amount as in item 3 above) : ₹57.67 Lakhs
- (5) Details of CSR spent during the financial year.
  - (a) Total amount spent for the financial year; ₹18.63 Lakhs
  - (b) Amount unspent, if any; ₹39.04 Lakhs
  - (c) Manner in which the amount spent during the financial year is detailed below: (₹ in Lakhs)

S. No.	Particulars	(1)	(2)	(3)
(1)	CSR project or activity identified	YES	YES	YES
(2)	Sector in which the project is covered	Promotion of Education	Donation to Charitable Trust	Promotion of Ecological Balance
(3)	Projects or Programme (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Local Area Medak, Telangana	Hyderabad Eradicating Poverty	Local Area Medak, Telangana
(4)	Amount outlay (budget project or Programme wise	4.63	8.00	6.00
(5)	Amount spent on the project or Programme Sub Heads; (1) Direct expenditure on projects or programmes (2) Overheads	Direct	Direct	Direct
(6)	Cumulative expenditure up to the reporting period	4.63	8.00	6.00
(7)	Amount Spent direct or through implementing agency	Direct	Direct	Direct
(8)		Total Spent : 18.63		

\*Give details of implementing agency:

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report: The Company is evaluating proposals to ensure CSR funds are optimally utilised.
7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

P V Rao  
*Managing Director*

Kamalakar Rao  
*CSR Committee Chairman*

Place: Hyderabad  
Date: August 04, 2016

# Management Discussion & analysis

## Global Economy:

The global economic growth as per International Monetary Fund's (IMF) World Economic Outlook is estimated at 3.1% in 2015 as against 3.4% in 2014. There has been major fall in global commodity prices such as Crude Oil, Steel, Base Metals, Iron Ore, Coal etc. This has augured well for countries which are net importers of commodities. Economic growth in Advanced Economies (AEs) has been stable, however, major Emerging Markets & Developing Economies (EMDEs) other than India continue to witness slowdown in growth. Going forward the World Bank indicated that the global economy could grow at 2.4% in 2016 and at 2.8% in 2017, the World Bank indicated, lowers than the forecast of 2.9% and 3.1%, respectively. 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 lingering vulnerabilities in some countries.

## Indian Economy:

Gaining momentum in the last quarter of the financial year 2015-16, Indian economy growth stands at 7.6% for 2015-16 as per Central Statistical Office's (CSO) as against 7.2% in 2014-15. As per World Investment Report, India ranks 10th in FDI (Foreign Direct Investment) inflows. As per the report, India's FDI inflows have increased to 44 billion dollars in 2015 as compared to 35 billion dollars in 2014.

The fall in the crude oil prices has further helped the economy, leading to a fall in inflation with WPI remaining in the negative territory for the complete year 2015-16. With inflation well in control, during the year (from April 2015 to April 2016) Reserve Bank of India has reduced Repo Rate by 100bps. This is expected to further provide support to the economic growth.

The budget for the year 2016-17 has increased allocation for rural economy which is expected to contribute towards growth in rural income. The central government has started a number of initiatives such as Make in India, Smart Cities, Enhancing ease of doing business etc. to boost the economic growth in India.

Infrastructure development is one of the primary drivers of India's overall development. India's infrastructure investment as % of GDP grew from 5.04% in 10th five year plan period to 7.2% in

the 11th five year plan period. Erstwhile Planning commission expected further growth to 9% in 12th plan period. For this, Government of India has earmarked ~\$ 1 trillion of investment in infrastructure sector. (Source: Twelfth Five Year Plan). This strong growth is expected to create significant opportunities for the construction segment driving demand for pre-engineered building suppliers.

## Industry Review and Developments:

As opposed to being on-site fabricated, PEBs are delivered as a complete finished product to the site from a single supplier with a basic structural steel framework with attached factory finished cladding and roofing components. The structure is erected on the site by bolting the various building components together as per specifications. PEBs are developed using potential design software. The onset of technological advancement enabling 3d modelling and detailing of the proposed structure and coordination has revolutionised conventional building construction.

PEBs have hit the construction market in a major way owing to the many benefits they possess. They exemplify the rising global construction, technology and while they oppose the practice of conventional building construction they simultaneously have taken it to a higher level too. Worldwide, they are a much used concept with studies revealing that 60% of the non-residential low-rise buildings in USA are pre-engineered; for India the concept has been gaining momentum since year 2000, the scope of growth is guaranteed looking at India's huge infrastructural requirements. India is the fastest growing market and is third in position after USA and China in the PEB construction segment.

The scope of using PEBs ranges from showrooms, low height commercial complexes, industrial building and workshops, stadiums, schools, bridges, power plants, fuel stations to aircraft hangers, steel plants, refineries, data centers, exhibition centers, railway stations and metro applications. While we are still to see PEBs being used in residences in India, one can see their optimal use in warehouses, industrial sheds, sports facilities etc. The Delhi Airport and the metro projects of Delhi, Bengaluru and Mumbai, Hyderabad are also examples of PEB applications and with the various favorable reforms led by the government like REIT Instruments and Real Estate Bill 2016; several rounds of interest rate cuts by RBI are expected to drive the real estate sector in the country.

## Opportunities in different segments

Manufacturing	<p>With the Government focus on 'Make in India' and increasing industrial drives in the country, the manufacturing sector will drive growth of PEB in India.</p> <p>Industrial applications are spread across the verticals of capital goods, auto, cement, FMCG and others. Investment requirement for industrial segment is estimated at ~₹2.5 trillions for the 2012-17 periods, as per the India's 12th five year plan. This strong investment in 12th 5 year plan is expected to create a PEB market potential of ₹2,50,000 millions in the next 5 years.</p> <p>Indian commercial building space requirements are growing exponentially with growth of services sector like IT/ITES, Telecom and others. With limited land availability and rising demand for commercial offices, high-rise buildings have emerged as a potential solution. PEB as a concept was conceived only as a low rise product for industrial and commercial purposes. Though, with evolution of PEB technology, pre-fabricated products can be used to serve these high-rise segments. This makes high rise buildings a potentially attractive market for PEB players. Few PEB players have already constructed high rise buildings (10 floors) in India.</p> <p>As per USAID ECO-III Internal Estimate, the availability of commercial space is expected to grow from 650 million square meters in 2012 to 1,900 million square meters in 2030. Growth in commercial building is expected to create market potential to the tune of ~₹55,000 million in the next 5 years. Though, with higher penetration in high-rise buildings segment, potential market for PEB can be significantly larger.</p>
Infrastructure	<p>Indian infrastructure requires investments to tune of ₹65 trillion in FY 2012-2017 period as per the 12th five year plan. This requirement is driven by requirement of improved infrastructure across all the segments ranging from road and ports to civil aviation. This significant investment in infrastructure is expected to drive strong construction requirements and create a strong demand for the next 5 years.</p> <p>Andhra Pradesh after split is looking for establishing a new capital. This is expected to create strong demand for fast and cost effective building solutions. This is expected to create a strong demand for PEB Sector in Southern India.</p>
Solar	With 100-GW targeted solar power capacity by 2022, solar module mounting structure provides strong opportunity for the PEB Sector
Agri-warehousing	Agri-warehousing involves primarily grain warehouses and silos for storage. India has a total agri-warehousing capacity of about 112.73MMT. Agri-warehousing forms around 10% of total warehousing in India. With the implementation of the Food Security Bill, requirement for these storage capacities will increase significantly.
Grain Silos	India's grain storage requirement is ~200mt. With storage shortage of ~90mt, capacity addition of around 10mt per year is likely to create demand significantly.
Warehousing	Industrial warehousing forms 90% of the total warehousing in India. The requirement of ~919mn sq. ft. is likely to see 9% annual growth over five years. This should drive an average addition of ~100mn sq. ft. of space per year, with the potential to create major PEB demand annually for the next five years. The Indian ecommerce sector is likely to be a major driver of this growth.
Civil aviation	India is the ninth-largest civil aviation market; demand for airports and hangars in tier-2 and tier-3 cities will drive demand for PEB products.
Metro rail	In India, the metro rail service is operational in five cities (estimated investment requirement of ~₹13 trillion for metro projects in the 12th five-plan). Metro rail is alone likely to create a PEB demand of ₹700 bn in five years
Railway bridge	Railways once constructed bridges with RCC concrete beams; they now include steel to reduce construction time and ease of installation. Even this will create huge demand for PEB Sector.
Housing for all	The "Housing for All by 2022" initiative was started to reduce the - shortfall in-demand and supply of affordable houses in India. It has set a target of building 20 million houses by 2022. The "Housing for All" scheme covers initially 500 class I cities and will be implemented in three phases. This will create huge demand for PEB Sector

## **GST implementation:**

The Government plans to club all indirect taxes into one component and introduced GST to that effect. This move will enable manufacturers to store and distribute goods across the country without state boundaries. This will enable faster growth as a) Manufacturing will get more competitive as GST addresses cascading of tax, inter-state tax, high logistics costs and fragmented market b) Increased protection from imports as GST provides for appropriate countervailing duty.

## **Threats**

### **High Level of Competition:**

The business in which we operate is currently new and fragmented in India and there are few companies operating in this business. The pre-engineered building systems industry in India, although in its nascent stages with a few players, is highly competitive. We face strong competition in the Indian market from domestic as well as foreign companies. Some of our overseas competitors already operate in India through joint ventures with local partners or have established independent operations in India. International competitors bring with them decades of international experience, global scale, advanced technology and significant financial resources.

### **Raw Material Price Fluctuation**

Steel is our key raw material, which we use for the manufacturing of our products. We use steel and its variants such as hot rolled plates, galvanised steel coil sheets, sheeting coils, hot rolled sections, bought outs and other consumables for our business. Typically, we do not enter into long term contracts with our suppliers. Any unexpected price fluctuations in raw materials, shortage, delay in delivery, quality defects, or any factors beyond our control possess threat to our business.

### **Skilled Manpower**

The Industry in which we operate is largely depended on skilled personnel, for every new product we expand into, we require suitably skilled personnel. Such skilled personnel may not be available in the market or we may not be able to compete with competitors for such qualified personnel because of more competitive salaries and benefits packages provided by them.

### **Economy**

Our performance and the growth of our business are dependent on the performance of the Indian economy. India's economy could be adversely affected by a general rise in interest rates,

currency exchange rates, adverse conditions affecting food and agriculture, commodity and electricity prices or various other factors etc. A slowdown in the Indian economy could adversely affect our business, including our ability to implement our strategies.

Any adverse change in Government policy could have large effect on the Industry. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into industrial development. Any downturn in the macroeconomic environment in India could adversely affect the price of the Equity Shares, our business, prospects, financial condition and results of operations.

### **Tax Structure**

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. The central or state government may in the future increase the corporate income tax it imposes. In addition, there is a proposal to introduce a new goods and services tax, and the scope of the service tax is proposed to be enlarged. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

### **Steel Structure and Components**

**Revenues, 2015-16: ₹44,723 Lakhs | Proportion of total revenues: 100 %**

PEBS Pennar's pre-engineered steel buildings are designed and fabricated as per specific customer requirements, conform to stringent international guidelines and are compatible with ancillary structures. The fabrication process is carried out in its own facilities with a keen emphasis on quality control. These components are transported to client locations and assembled there. PEBS Pennar's state-of-the-art manufacturing facility near Hyderabad is a sprawling 29,000 square metre facility with a production capacity of 90,000 metric tonnes per annum. The plant is equipped with high-precision CNC machines to help erect enduring structures.

The Company caters to industrial, commercial and institutional requirements and is known for its speed in delivery and execution. Its pre-engineered structures are capable of withstanding meteorological vagaries and are available in large, multidimensional spans irrespective of height and side cladding. They are fortified with a structural steel framework comprising primary and secondary members (rigid frame, beams, purlins, grits, trusses and columns) on to which cladding and roofing components are attached.

The Company forayed into the structural steel and high-rise buildings segments. This decision was mediated by the fact that these two products have exhibited a high potential for growth in the near future.

Structural steel products find application in metro stations, airports, telecommunication towers, multi-level car parks, broadcasting towers, floodlight towers and power transmission towers, among others. The Company has also ventured into the realm of low-cost housing.

PEBS Pennar designs, supplies and erects structures which are used for mounting solar modules. This product finds extensive application in solar photovoltaic plants, solar canal tops, solar rooftops, solar thermal plants and solar car parks. These structures form the foundation upon which the solar cells are raised. PEBS Pennar's robust designing and installations teams ensure that they maintain their stability, come rain or shine.

The Company's competent design team works in close collaboration with clients to deliver retrofitted solutions with high levels of efficiency. PEBS Pennar has emerged as the preferred choice when it comes to setting up solar structures. The Central Government has pulled out all stops in a bid to rapidly expand the country's solar power generation capacity. PEBS Pennar is poised to make the most of this incipient opportunity on the back of its immaculate track record.

PEBS Pennar provides engineering outsourcing services. The Company's strong design and detailing team and its state-of-the-art designing software have allowed it to provide mission-critical solutions to a host of international customers. It entered into an outsourcing agreement with an American corporate to leverage their design and detailing expertise. In addition to engineering center in Hyderabad, the Company established a facility in Visakhapatnam also to pursue emerging services business.

## Outlook

The manufacturing plant in Baroda was taken on a job work basis model to cater the Orders in and around Madhya Pradesh, Gujarat and North India. The Monthly production capacity of the plant is expected to reach up to 1200 MT by September, 2016

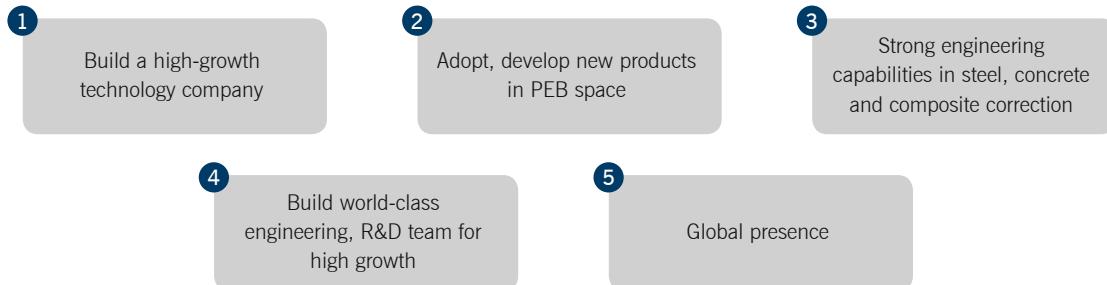
Looking ahead, the Company aims to kick start more residential projects – a segment marked by insufficient penetration. As the country plans to reach the 100 gigawatt-mark solar power generation capacity by 2022, the Company is expected to benefit significantly. The Company is looking to join hands with corporates engaged in similar activities to hone its in-house competence.

The engineering services business has scaled well in terms of number of hours, sales and billing per hour and to acquire a US-based company for augmenting our engineering capabilities. Added significant manpower at Vishakhapatnam office to provide engineering services to US-based clients.

The highrise buildings business has started improving significantly. The Company has bagged three high rise projects recently in addition to one 10 floor residential appartments building under construction at Hyderabad. The Company expects faster growth in this segment.

The Company has formed Five Year Strategy plan which will help to increase the shareholder wealth, the plan focus on the following things:

#### Five year strategy plan...Focus on Shareholder value creation



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## Risk Management and Concerns

### INDUSTRY RISK

A slowdown in the industry could impact offtake.

#### Risk mitigation

The pre-engineered building segment has grown at a CAGR of around 14% in the last few years. Despite being the third-largest market for pre-engineered buildings, penetration in India remains lower than in advanced economies, providing adequate scope for growth. With the Central Government focusing on reenergising the warehousing sector and widening the ambit of affordable housing, PEBS is poised to grow strongly over the long-term and has good order book in hand.

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### CUSTOMER ATTRITION RISK

An inability to service clients could lead to customer attrition.

#### Risk mitigation

The Company has established an immaculate track record by delivering a number of path-breaking projects in the domestic PEB space. It offers integrated solutions – from designing to engineering to erecting – making it the go-to destination for its customers.

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### RAW MATERIAL RISK

Inability to source timely and adequate raw materials may impact the operations.

#### Risk mitigation

To ensure adequate raw material availability, the Company has forged strong ties with reliable suppliers. The Company has also

got a backup supply to team to reduce its dependence on its primary suppliers.

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### EXECUTION RISK

Inability to execute projects in a timely manner may affect returns.

#### Risk mitigation

The Company has deployed a dedicated project management team to ensure timely execution. Moreover, its internal design team and captive manufacturing capacity allows it to deliver projects within stipulated deadlines. The Company invested in a best-in-class ERP system to automate processes and reduce manual intervention.

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### COMPETITION RISK

Increased competition could erode margins.

#### Risk mitigation

The Company is among the few in the country to provide integrated solutions in the pre-engineering building segment and recently tied up with an American company to provide high-end designs to its clients.

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### PEOPLE RISK

The Company may not be able attract and/or retain talent.

#### Risk mitigation

The Company maintains healthy, cordial and harmonious relation with employees at all levels .The Company added 105 employees this year, taking the total strength to 509 at the end of the financial year.

## **STRATEGY RISK**

Foray into new business spaces may prove to be unsuccessful.

### **Risk mitigation**

The Company has successful 5 year business strategy plan in place.

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## **FINANCE RISK**

The Company may not be able to source funds for its expansion plans.

### **Risk mitigation**

The Company raised ₹58 Crores crore via its recently-concluded IPO to fund its expansion plans and the Company does not have any long term loans.

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## **WORKING CAPITAL RISK**

Inability to procure funds to manage operations could impact the Company's business.

### **Risk mitigation**

The Company has adequate working capital limits to cater the needs of the Company respectively, reflecting effective working capital management.

The Company also formed Risk Management policy which is available on the website of the Company ([www.pebspennar.com](http://www.pebspennar.com))

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## **Internal control systems and their adequacy**

The Company has appointed the Internal Auditors of the Company as Internal Financial Control Consultants to evaluate the Internal Financial Control Systems of the Company. 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 if required. In accordance with the highest industry standards, the Company has been accredited with ISO 9001 (quality systems). The Company's ERP system define queries for detection of exceptions and/or detection of deviating transactions, analytics on transactional data, unmatched flexibility when changing reporting structures.

## **Human resources and industry relations**

The Company maintained healthy, cordial and harmonious industrial relations at all levels. In accordance with its ISO 9001:2008 certification, the Company complies with all mandatory training drills required to be undertaken, across its units. Training is imparted to all employees, based on requirements identified from performance appraisals. The Company also encourages employees to regularly attend external seminars, improving process efficiencies. This is intrinsic to the Company culture. Employees are encouraged to discuss different initiatives to improve processes through periodical departmental meetings. Performance-linked incentive schemes have been designed to identify and motivate star performers

The Company has set up a strategical recruitment and human resources management process. Human resources management at Pebspennar goes beyond the set boundaries of compensation, performance reviews and development. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can give of their best. We look at the employee's entire lifecycle, to ensure timely interventions that help build a long-lasting and fruitful career. Employee value should appreciate with time. We also invest in employee training. The Company added 105 employees this year, taking the total strength to 509 at the end of the financial year.

## Financial Results and Performance

(₹ in Lakhs)

Particulars	2015-16	2014-15
Revenue from operations (Gross)	49,121	48,558
Less : Excise Duty	4,429	4,043
Revenue from operations (Net)	44,692	44,515
Less: Total Expenditure except Depreciation	39,328	41,217
Profit from Operations before Depreciation, Other Income	5,364	3,298
Less: Depreciation	612	585
Profit from Operations before Other Income	4,752	2,713
Add: Other Income	186	613
Profit before tax	4,938	3,326
<b>Tax Expenses</b>		
Current Tax	1,767	988
Tax Pertaining to earlier years	185	-
Deferred Tax	(30)	147
Profit for the year	3,016	2,191

## Review of Business and Company Affairs

The gross revenues of the Company for the current financial year are ₹49,121 Lakhs and net revenues are ₹44,692 Lakhs. EBITDA for the current financial year is ₹6,504 Lakhs up 39% compared to previous financial year; profit after tax is ₹3,016 Lakhs up 38% compared to previous financial year.

The Company has executed significant portion of prestigious projects of MRF, Tian, Reliance, Kannur International airport, ITC Green Center, Reliance data center, Station buildings at Hyderabad Metro, IOT Anvesha etc.

There is improvement in the revenue in solar division. Also, there is considerable increase in revenue in Engineering Services division and the Company opened a new office at Vishakhapatnam. In Structural steel, there has been considerable growth this year. The Company developed Toilet blocks for Greater Hyderabad Municipal Corporation (GHMC).

In addition to repeat customers like L&T, Ultratech, Reliance, Schindler, PL Raju, AGI Glasspac, Kumar Raja, Kaveri Seeds, Hyderabad Metro Rail, Azure Power, Pokarna, Myhome Cements, the Company was able to get orders from new customers like Tata Projects, Biological E, UK Textiles, Rane Diecast, Kongavi, Hetero Pharma, Mylan, Titan, Siemens, KEC, New Era. Also, this year the Company got approval from RDSO (Indian Railways) for supply of Railway Bridge Girders.

For the next financial year, the Company has significant backlog of ₹424 Crores and should aim for significant growth in revenue and profitability in next year.

During the year under review, the Company made its Initial Public Offering of 8,774,567 Equity Shares of ₹10 each consisting of a Fresh Issue of 3,258,426 Equity Shares and an offer for sale of 5,516,141 Equity Shares from selling shareholders. Out of the total proceeds from the IPO of ₹15,619 lakhs the Company share is ₹5,800 lakhs. The fresh issue of 3,258,426 Equity Shares of face value ₹10 each was at a premium of ₹168 per share aggregating of ₹5,474 lakhs. The said premium was recognised in share premium account of the Company. The shares of the Company were listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on September 10, 2015. The utilisation of IPO Proceeds of the Company as on March 31, 2016 is as follow:

(₹ in Lakhs)

S. No.	Particulars	Objects of the issue as per prospectus	Utilised up to March 31, 2016	Unutilised up to March 31, 2016
1	Repayment / prepayment, in full or part, of certain working capital facilities availed by our Company	3,400	3,400	-
2	Financing the procurement of infrastructure (including software and hardware) for the expansion of design and engineering services	800	92	708
3	General corporate purposes	1,079	1,079	-
4	Issue related expenses *	521	517	4
	<b>Total</b>	<b>5,800</b>	<b>5,088</b>	<b>712</b>

\* Company's Share

As on March 31, 2016, unutilised funds have been temporarily invested in short term liquid scheme of mutual funds and in bank balances.

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

There was no change in the nature of business of the Company

### Dividend:

The Board considering future prospects of the Company and considering the investment required for future projects, the Board has not recommended any Dividend to the shareholders for the financial year 2015-2016.

### Reserves:

The Board does not propose to transfer any amount to reserves this year.

### Deposits:

The Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding as of the Balance Sheet Date.

For Pennar Engineered Building Systems Limited

Place: Hyderabad

Date: August 04, 2016

Nrupender Rao

Chairman

# Corporate Governance Report

## Company's Philosophy on Corporate Governance

Corporate governance is about maximising shareholder value legally, ethically and sustainably. At Pebspennar, the goal of corporate governance is to ensure fairness for every stakeholder. We believe sound corporate governance is critical to enhance and retain investor trust. We always seek to ensure that our performance is driven by integrity. Our Board exercises its fiduciary responsibilities in the widest sense of the term. Our disclosures seek to attain the best practices in corporate governance. We also endeavour to enhance long-term shareholder value and respect minority rights in all our business decisions.

Strong leadership and effective corporate governance practices have been the Company's hallmark inherited from the Pennar culture and ethos. The Company has a strong legacy of fair, transparent and ethical governance practices. The Company has adopted a Code of Conduct for its employees including the Managing Director and its non-executive directors which suitably incorporates the duties of independent directors as laid down in the Companies Act, 2013 ("Act"). This code is available on the Company's website ([www.pebspennar.com](http://www.pebspennar.com)). The Company's corporate governance philosophy has been further strengthened through the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices ("Insider Trading Code").

Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") the Company has executed fresh Listing Agreements with the Stock Exchanges where the Company's shares are listed.

## Board of Directors

As on March 31, 2016, the Company has Nine Directors. Out of the Nine Directors, Eight are Non-Executive Directors (88.89%) and five are Independent Directors (55.56%) and one is Executive Director. The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Act.

None of the Directors on the Board hold directorships in more than ten public companies. Further none of them is a member of more than ten committees or chairman of more than five committees across all the public companies in which he is a Director. All the Independent Directors have confirmed that they meet the criteria as may be required for a director to be an Independent Director.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on March 31, 2016 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Act. Chairmanships / Memberships of Board Committees shall only include Audit Committee and Stakeholders' Relationship Committee.

Name of the Director	Category	Number of Shares held	Number of Board Meetings Held	Number of Board Meetings Attended	Attendance at the last AGM held on August 12, 2015	Number of Directorship in other public Companies	Number of Committee Positions held in other public companies as Chairman	Number of Committee Positions held in other public companies as Member
Mr. Nrupender Rao	NED, Promoter Group and Chairman	516000\$	8	7	Yes	4	0	0
Mr. Aditya Rao	NED, Promoter Group and Vice – Chairman	772498	8	8	Yes	3	1	2
Mr. B Kamalaker Rao	ID	NIL	8	8	Yes	2	5	6
Dr Sita Vanka	ID	NIL	8	5	Yes	1	0	0
Mr. Manish Sabharwal	ID	NIL	8	5	No	2	0	2
Mr. C Parthasarathy*	ID	NIL	8	2	No	8	1	3
Mr. Varun Chawla	ID	NIL	8	4	No	1	0	4
Mr. Mukul Gulati#	NED	NIL	8	7	Yes	0	0	0
Mr. P V Rao	MD	300000	8	8	Yes	2	0	0

NED = Non-Executive Director

ID = Independent Director

MD = Managing Director

\$ Held in individual capacity

\* appointed as Additional Independent Director w.e.f. November 09, 2015

# till September 29, 2015 he was Nominee Director, w.e.f November 09, 2015 appointed as Additional Non-Executive Director

The Company has not issued any convertible instruments

Eight Board Meetings were held during the year and the gap between two meetings did not exceed one hundred and twenty days.

The dates on which the said meetings were held: May 13, 2015; July 21, 2015; August 05, 2015; August 12, 2015; August 12, 2015; September 02, 2015; November 09, 2015; February 11, 2016.

The necessary quorum was present for all the meetings

During the year 2015-16, information as mentioned in Schedule II Part A of the SEBI Listing Regulations, has been placed before the Board for its consideration.

The terms and conditions of appointment of the Independent Directors are disclosed on the website of the Company. During the year, one meeting of the Independent Directors was held on February 11, 2016. The Independent Directors, inter-alia, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

The Board periodically reviews the compliance reports of all laws applicable to the Company, prepared by the Company signed by Managing Director.

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 familiarisation programme Policy is available on the website of the Company ([www.pebspennar.com](http://www.pebspennar.com)).

Except Mr. Nrupender Rao and Mr. Aditya Rao who are father and son, none of the other Directors are related to each other

## Audit Committee

The audit committee of the Company is in line with the provisions of Regulation 18 of SEBI Listing Regulations, read with Section 177 of the Companies Act 2013.

The terms of reference of the Audit Committee are comprehensive and cover the matters specified for Audit Committees under the SEBI (LODR) Regulations 2015 and Companies Act 2013. The Committee provides the Board with additional assurance as to the adequacy of Company's internal control systems and financial disclosures. The committee has reviewed the internal audit reports, quarterly, half-yearly and annual financial results before their submission and adoption by the board, internal control systems, Related Party Transactions and all other matters covered under SEBI (LODR) Regulations and provisions of the Companies Act, 2013 read with rules made thereunder as and when applicable. In conducting such reviews, the committee found no material discrepancy.

The audit committee invites such of the executives, as it considers appropriate (particularly the head of the finance function), representatives of the statutory auditors and representatives of the internal auditors to be present at its meetings. The Company Secretary acts as the Secretary to the Audit Committee. The Chairman of the Board attends 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 previous Annual General Meeting ("AGM") of the Company was held on August 12, 2015 and was attended by Mr. B Kamalaker Rao, Chairman of the audit committee

The composition of the Audit Committee and the details of meetings attended by its members are given below:

Name	Category	Number of Meetings held during the financial year 2015-2016	
		Held	Attended
Mr. B Kamalaker Rao	Chairman	5	5
Mr. Varun Chawla	Member	5	3
Mr. Manish Sabharwal	Member	5	3
Mr. Mukul Gulati (till September 29, 2015)	Member	5	3
Mr. C Parthasarathy (w.e.f. November 09, 2015)	Member	5	1

Five audit committee meetings were held during the year and the gap between two meetings did not exceed one hundred and twenty days. The dates on which the said meetings were held are as follows:

May 13, 2015; August 05, 2015; August 12, 2015; November 09, 2015 and February 11, 2016

The necessary quorum was present for all the meetings

## Nomination and Remuneration Committee

The nomination and remuneration committee of the Company is in line with the provisions of Regulation 19 of SEBI Listing Regulations, read with Section 178 of the Companies Act 2013

The terms of reference of the nomination and remuneration committee are comprehensive and cover the matters specified for nomination and remuneration committees under the SEBI (LODR) Regulations 2015 and the Companies Act 2013. This Committee shall identify the persons, who are qualified to become Directors of the Company / who may be appointed in Senior Management in accordance with the criteria lay down, recommend to the Board their appointment and removal and also shall carry out evaluation of every director's performance. Committee shall also formulate the criteria for determining qualifications, positive attributes, independent of the Directors and recommend to the Board a Policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

The composition of the nomination and remuneration committee and the details of meetings attended by its members are given below:

Name	Category	Number of Meetings held during the financial year 2015-2016	
		Held	Attended
Mr. Varun Chawla	Chairman	2	1
Mr. Manish Sabharwal	Member	2	2
Mr. Nrupender Rao	Member	2	2
Mr. Mukul Gulati (till September 29, 2015)	Member	2	0
Mr. C Parthasarathy (w.e.f. November 09, 2015)*	Member	2	0

\* no meeting has been held after November 09, 2015

Two Nomination and Remuneration Committee meetings were held during the year. The dates on which the said meetings were held are as follows:

July 20, 2015 and November 09, 2015

The necessary quorum was present for all the meetings

The Company has ESOP Plan 2014, till March 31, 2016 the Company has not granted any options under ESOP Plan 2014.

The performance evaluation criteria for independent directors are determined by the Nomination and Remuneration committee. An indicative list of factors that may be evaluated include participation and contribution by a director, commitment, effective deployment of knowledge and expertise, effective management of relationship with stakeholders, integrity and maintenance of confidentiality and independence of behavior and judgment

The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors at a separate meeting held on February 11, 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.

## Remuneration Policy

Remuneration policy in the Company is designed to create a high performance culture. It enables the Company to attract, retain and motivate employees to achieve results. Our Business Model promotes customer centricity and requires employee mobility to address project needs. The remuneration policy supports such mobility through pay models that are compliant to local regulations.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission (variable component) to its Managing Director based on the performance of the Company as well as that of the Managing Director and Annual increments are decided by the Nomination and Remuneration Committee and are effective April 1, each year. The Shareholders of the Company in their meeting held on August 12, 2015 have approved to pay Mr. Aditya Rao a sum of ₹2,50,000 per month for providing services to the Company in his professional capacity. The payment of sitting fees to non-executive directors for attending meetings of the Board and meetings of committees of the Board has been approved by the Board during the financial year 2015-2016. The nomination and remuneration policy of the Company is disseminated in the website of the Company [www.pebspennar.com](http://www.pebspennar.com). The remuneration paid to the Directors is within the ceiling of provisions of the Companies Act 2013.

Apart from the above Director, no other director is receiving any elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc. Mr. Aditya Rao in his professional capacity is providing services to the Company as Strategic Business Advisor and is in receipt of fees of ₹2, 50,000 per month till September 2015.

The Sitting fee of ₹8500 was paid to Mr. Kamalakar Rao Bandari – Independent Director during the year. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending the meetings.

Details of the Remuneration of Managing Director for the year ended March 31, 2016

Name of Director and Period of appointment	Salary (in Lakhs)	Benefits Perquisites and Allowances (in Lakhs)	Commission (variable component) (in Lakhs)	ESOPS
Mr. P V Rao- Managing Director (w.e.f February 09, 2015 for a period of 5 years)	108.00	NIL	14.00	NIL

The above figures do not include provisions for encashable leave, gratuity and premium paid for group health insurance.

Services of the Managing Director may be terminated by either party, giving the other party three months' notice or the Company paying three months' salary in lieu thereof. There is no separate provision for payment of severance fees.

### Stakeholders Relationship Committee:

The Stakeholders Relationship committee of the Company is in line with the provisions of Regulation 20 of SEBI Listing Regulations, read with Section 178 of the Companies Act 2013. The committee meets as and when any complaint is received from the shareholders.

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.

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

The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Name	Category	Number of Meetings held during the financial year 2015-2016	
		Held	Attended
Mr. Aditya Rao	Chairman	1	1
Mr. B Kamalaker Rao	Member	1	1
Mr. Varun Chawla	Member	1	0

One Stakeholders Relationship committee meeting was held during the year. The date on which the said meeting was held is as follows: November 09, 2015

The necessary quorum was present for the meeting

Ms. Namarata Maheshwari was the Company Secretary and Compliance Officer till July 27, 2015.

Mr. Subhash Kishan Kandrapu is the Company Secretary and Compliance Officer w.e.f. July 27, 2015.

During the financial year, the Company has not received any shareholders Complaints and as such there are no complaints not solved to the satisfaction of shareholders and pending complaints.

## Corporate Social Responsibility (CSR):

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.

The composition of the CSR Committee and the details of meetings attended by its members are given below:

Name	Category	Number of Meetings held during the financial year 2015-2016	
		Held	Attended
Mr. Nrupender Rao	Chairman	1	1
Mr. B Kamalaker Rao	Member	1	1
Mr. P V Rao	Member	1	1
Dr. Sita Vanka	Member	1	1
Mr. Mukul Gulati (till September 29, 2015)	Member	1	0

One CSR committee meeting was held during the year. The date on which the said meeting was held is as follows:

November 09, 2015. The necessary quorum was present for the meeting

## General body meetings:

### (a) Details of the location and time of the last three Annual General meetings held:

Date	Year	Venue	Time
August 12, 2015	2014-15	Registered Office	12.30 PM
August 06, 2014	2013-14	Registered Office	12.00 AM
July 30, 2013	2012-13	Registered Office	10.00 AM

### (b) Special resolutions

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

AGM/EGM held on	Whether special resolution passed	Summary of the resolution
August 12, 2015	Yes	Related Party Transactions with Pennar Industries Limited (Parent Company) for 2014-2015 Related Party Transactions with Pennar Industries Limited (Parent Company) for 2015-2016
August 06, 2014	No	Enhancement the limit of mortgage/ charge/ deal all the immovable and movable properties of the Company to the Board up to ₹500 Crores Enhancement the limit of borrowing power to the Board up to ₹500 Crores
July 30, 2013	Yes	Appointment of Mr. P V Rao as Managing Director of the Company

### (c) Special Resolutions passed through postal ballot from April 01, 2015 to March 31, 2016

During the year, the Company approached the shareholders once through postal ballots, in November 2015. A snapshot of the voting results of the above-mentioned postal ballots is as follows

Date of Postal Ballot Notice: November 09, 2015

Date of declaration of result: December 21, 2015

Voting period: November 20, 2015 to December 21, 2015

Date of approval: December 21, 2015

Name of the resolution	Type of resolution	No. of votes polled	Votes cast in favor	Percentage of Votes cast in favor	Votes cast against	Percentage of Votes cast against
Ratification of PRE-IPO ESOP PLAN 2014	Special Resolution	29984180	29983984	99.99%	196	0.0006%
Approve variation in Vesting Period	Special Resolution	29984180	29983994	99.99%	186	0.0006%
Approve variation in Maximum number of options to be issued per employee and in aggregate	Special Resolution	29984180	29983984	99.99%	196	0.0006%

The Company successfully completed the process of obtaining approval of its shareholders for special resolutions on the items detailed above through a postal ballot.

Dwaraka Prasad Asawa, Practicing Company Secretary, was appointed as the scrutiniser for carrying out the postal ballot process in a fair and transparent manner

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

### Procedure for postal ballot

In compliance with Sections 108 and 110 and other applicable provisions of the Companies Act, 2013, read with the related Rules, the Company provides electronic voting (e-voting) facility to all its members. The Company engages the services of Karvy Computershare Private Limited for the purpose of providing e-voting facility to all its members. The members have the option to vote either by physical ballot or through e-voting. The Company dispatches the postal ballot notices and forms along with postage prepaid business reply envelopes to its members whose names appear on the register of members / list of beneficiaries as on a cut-off date. The postal ballot notice is sent to members in electronic form to the email addresses registered with their depository participants (in case of electronic shareholding) / the Company's registrar and share transfer agents (in case of physical shareholding). The Company also publishes a notice in the newspaper declaring the details of completion of dispatch and other requirements as mandated under the Act and applicable Rules.

Voting rights are reckoned on the paid-up value of the shares registered in the names of the members as on the cut-off date. Members desiring to exercise their votes by physical postal ballot forms are requested to return the forms, duly completed and signed, to the scrutiniser on or before the close of the voting period. Members desiring to exercise their votes by electronic mode are requested to vote before close of business hours on the last date of e-voting. The scrutiniser submits his report to the Chairman, after the completion of scrutiny, and the consolidated results of the voting by postal ballot are then announced by the Chairman / authorised officer. The results are also displayed on the Company website, [www.pebspennar.com](http://www.pebspennar.com), besides being communicated to the stock exchanges, depository and registrar and share transfer agent. The last date for the receipt of duly completed Postal Ballot Forms or e-voting shall be the date on which the resolution would be deemed to have been passed, if approved by the requisite majority.

## **Remote e-voting and ballot voting at the AGM**

To allow the shareholders to vote on the resolutions proposed at the AGM, the Company has arranged for a remote e-voting facility. The Company has engaged Kavy Computershare Private Limited to provide e-voting facility to all the members. Members whose names appear on the register of members as on September 23, 2016 shall be eligible to participate in the e-voting. The facility for voting through ballot will also be made available at the AGM, and the members who have not already cast their vote by remote e-voting can exercise their vote at the AGM.

## **Means of Communication**

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include Business Standard or Financial Express and regional newspaper which include Nava Telangana or Andhra Prabha. The results are also displayed on the Company's website "www.pebspennar.com". Press Releases made by the Company from time to time are also displayed on the Company's website. Presentations made to the institutional investors and analysts after the declaration of the quarterly, half-yearly and annual results are also displayed on the Company's website. A Management Discussion and Analysis Report is a part of the Company's Annual Report.

## **General Shareholders Information:**

Sl. No.	Particulars	Description
1.	Date, time and venue of Annual General Meeting	Friday, 30th September, 2016 at 09:30 A.M. at Hotel Radisson Hi-Tech City, Gachibowli, Hyderabad - 500032
2.	Financial Year	April 01, 2015 to March 31, 2016
3.	Dividend Payment Date	Not Applicable
4.	Listing on stock Exchanges	BSE Limited P. J. Towers, Dalal Street, Mumbai – 400001 The National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400051 <b>Listing Fees as applicable have been paid</b>
5.	Stock Code/Symbol	BSE Equity : 539333 NSE Equity : PENPEBS
6.	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
7.	Registered Office (address for correspondence)	9th Floor (West Wing) , DHFLVC Silicon Towers, Kondapur, Hyderabad – 500084 Telangana. India, Tel.No: +91 40 4021 0322 E-mail: cs@pebspennar.com

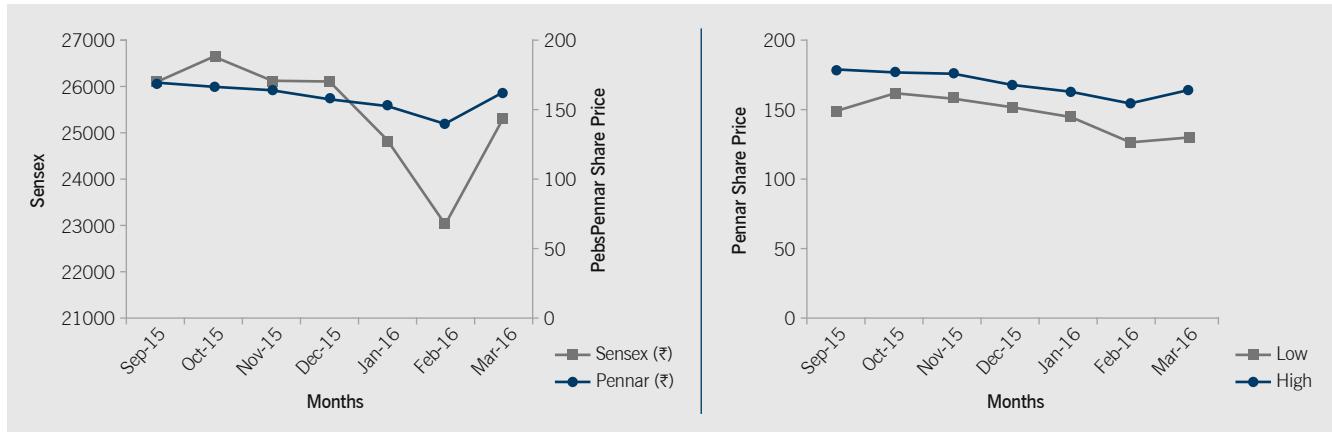
## Market price data:

The Company's shares are traded on BSE Limited and the National Stock Exchange of India Limited with effect from September 10, 2015. 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:

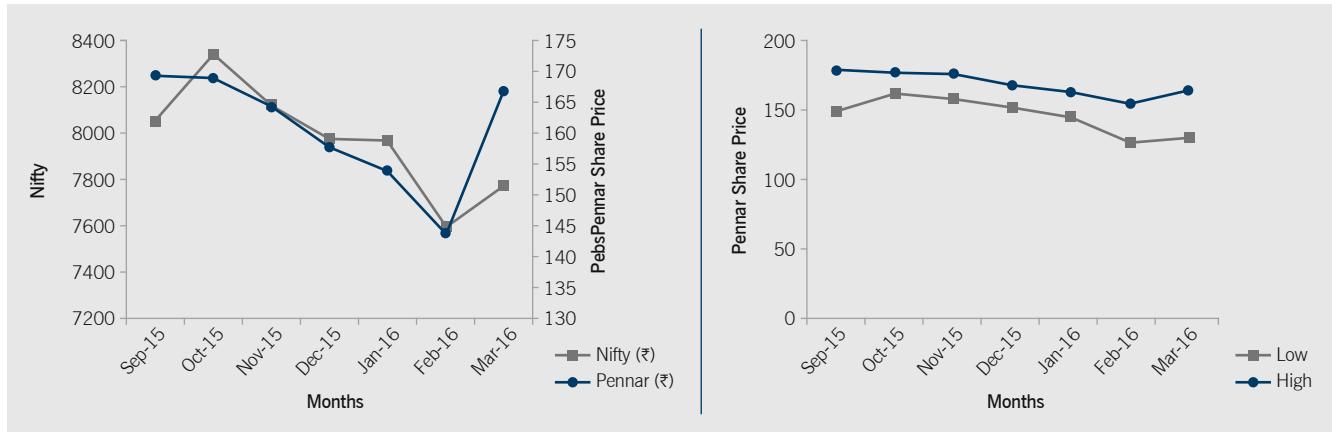
Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
September, 2015	178	150	5,94,915	179.00	152.55	10,93,324
October, 2015	176.80	162	68,472	173.00	161.70	5,17,496
November, 2015	176	158	1,41,974	176.85	160.00	2,89,132
December, 2015	167.50	152	91,791	167.55	152.60	1,35,867
January, 2016	163	145	73,642	162.30	121.55	1,24,195
February, 2016	155	127	7,658	157.60	126.95	45,565
March, 2016	164	130	19,750	169.95	133.55	2,32,299

(Source: [www.bseindia.com](http://www.bseindia.com)&[www.nseindia.com](http://www.nseindia.com) )

### Performance of the share price of the Company in comparison to the BSE Sensex and High/Low:



### Performance of the share price of the Company in comparison to the NSE Nifty and High/Low:



## Registrar and Share Transfer Agents:

M/s. Karvy Computershare Private Limited  
 Kary Selenium Tower B, Plot No. 31 & 32  
 Gachibowli Financial District, Nanakramguda, Seriligampalli  
 Hyderabad - 500008, Phone: +91 040 67161524  
 E-mail: rajeev.kr@karvy.com

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participants.

## Share Transfer System

Transfers of shares held in electronic mode are done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form the transfer documents can be lodged with Karvy Computershare Private Limited at the above mentioned addresses. Transfer of shares in physical form is normally processed within ten to twelve days from the date of receipt, if the documents are complete in all respects. The Directors and/or Company Secretary, under the authority of the board, severally approve transfers, which are noted at subsequent board meetings.

## 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	4799	96.06	438871	1.28
2	5001 - 10000	69	1.38	49853	0.15
3	10001 - 20000	57	1.14	71571	0.21
4	20001 - 30000	10	0.20	24893	0.07
5	30001 - 50000	8	0.16	27116	0.08
6	50001 - 100000	6	0.12	44647	0.13
7	100001 & Above	47	0.94	33617960	98.08
<b>Total</b>		<b>4996</b>	<b>100.00</b>	<b>34274911</b>	<b>100.00</b>

## A category of equity shareholders on 31st March, 2016 was as under:

Sl. No.	Investor category	No. of Equity Shares of ₹10/- Each	%
01	Venture Capital	1036613	3.02
02	Foreign Holdings (foreign Institutional investor(s), Foreign Companies, foreign financial institution (s), Non-resident Indian(s) or Overseas corporate Bodies or others)	942835	2.75
03	Bodies Corporate	3057000	8.92
04	Promoter and Promoter Group	21444736	62.57
05	Government (Central and State )	-	-
06	Government companies	-	-
07	Public Financial companies	-	-
08	Nationalised or other banks	-	-
09	Mutual Funds	6272766	18.30
10	Others	1520961	4.44
<b>Total</b>		<b>34274911</b>	<b>100.00</b>

## Top ten equity shareholders of the Company as on March 31, 2016:

Sl. No.	Name of the shareholder	No of Shares	Percentage of holding
1	Pennar Industries Limited	18500000	53.98
2	Zephyr Peacock India Fund iii Limited	2307481	6.73
3	Dsp Blackrock Small and Mid Cap Fund	1180176	3.44
4	IL&FS Trust Company Limited	1036613	3.02
5	Kotak Emerging Equity Scheme	841759	2.46
6	Aditya Narsing Rao	772498	2.25
7	J. Rajyalakshmi	690914	2.02
8	Dsp Blackrock 3 years Close Ended Equity Fund	644382	1.88
9	Joginapally Venkata Nrupender Rao	516000	1.51
10	Danapuneni Sudeepa Rao	509899	1.49

### Dematerialisation of shares and liquidity:

The Company's shares are compulsorily traded in dematerialised form on NSE and BSE. Equity shares of the Company representing 99.12% of the Company's equity share capital are dematerialised as on March 31, 2016.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE455001019

### 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.

### Commodity price risk or foreign exchange risk and hedging activities

The Company does not go for commodity price risk hedging activities as it does not expect significant advantage in medium to long-term horizon. However, for minimising procurement risk for short duration, it enters into annual purchase contracts for key raw materials linked to input costs /published benchmark prices. Foreign exchange risks are tracked and managed within the Risk Management framework. Short-term foreign currency asset – liability mismatch is continuously monitored and hedged. The foreign exchange market is highly regulated and the Company ensures compliance with all the regulations.

### Plant Location:

Pennar Engineered Building Systems Ltd.  
Chandapur village,  
Sadasivpet Mandal, Dist. Medak,  
Hyderabad, 500084

### Address for Correspondence:

Pennar Engineered Building Systems Ltd.  
9th Floor (West Wing)  
DHFLVC Silicon Towers  
Kondapur  
Hyderabad - 500 084  
Telangana, India  
T: +91 40 4021 0322  
F: +91 40186992

### Other Disclosures:

All material transactions entered into with related parties as defined under the Act and Regulation 23 of SEBI Listing Regulations during the financial year were in the ordinary course of business. These have been approved or ratified by the audit committee. The board has approved a policy for related party transactions which has been uploaded on the Company's website ([www.pebspennar.com](http://www.pebspennar.com))

Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets, during the last three years 2013-14, 2014-15 and 2015-16 respectively: Nil

The Company has adopted a Whistle Blower Policy and has established the necessary vigil mechanism as defined under Regulation 22 of SEBI Listing Regulations for directors and employees to report concerns about unethical behavior. No person has been denied access to the Chairman of the audit committee. The said policy has been also put up on the website of the Company ([www.pebspennar.com](http://www.pebspennar.com))

The Company has also adopted Policy on Determination of Materiality for Disclosures and Policy on Archival of Documents for Preservation of Documents. The said policies have been also put up on the website of the Company ([www.pebspennar.com](http://www.pebspennar.com))

The Company does not have any subsidiary during the financial year 2015-2016.

The Company has followed the applicable accounting standards in the preparation of its financial statements.

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause: The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement and SEBI (LODR) Regulations 2015 as may be required to comply from time to time.

### **Compliance with Non-Mandatory requirements:**

The Company has adopted following non-mandatory requirements of Clause 49 of the Listing Agreement and SEBI (LODR) Regulations 2015:

- (i) The Board - We also ensure that the persons who are being appointed as an Independent Director has the requisite qualifications and experience which would be of use to the Company and contribute effectively to the Company.
- (ii) Shareholder Rights - The Company places all the information communicated to Stock Exchanges on its website at the link <http://www.pebspennar.in/Intimation-to-stock-exchange.asp> which is accessible to the public at large.
- (iii) Audit qualifications - During the period under review, there is no audit qualification in Company's financial statements. The Company continues to adopt best practices to ensure un-qualified financial statements.
- (iv) Separate of Chairman and Managing Director - Mr. Nrupender Rao is the Non-Executive Director and Chairman and Mr. P V Rao, Executive Director is the Managing Director.
- (v) Reporting of Internal Auditor - The Internal Auditor reports directly to the Audit Committee.

### **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 minimise 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. The Risk Management policy has been uploaded on the website of the Company ([www.pebspennar.com](http://www.pebspennar.com))

### **Code of Conduct:**

In compliance with Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and the Companies Act, 2013, the Company has framed and adopted a Code of Conduct ('the Code'). The Code is applicable to the members of the Board, the executive officers and all employees of the Company. The Code of Conduct is available on the Company's website ([www.pebspennar.com](http://www.pebspennar.com))

All members of the Board and senior officials have affirmed compliance to the Code as on March 31, 2016. A declaration to this effect, signed by the MD forms part of this report.

### **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.

### **Proceeds from public issues, rights issues, preferential issues etc:**

During the year under review, the Company completed its Initial Public Offering of 8,774,567 Equity Shares of ₹10 each consisting of a Fresh Issue of 3,258,426 Equity Shares and an offer for sale of 5,516,141 Equity Shares from selling shareholders. Out of the total proceeds from the IPO of ₹15,619 lakhs the Company share is ₹5,800 lakhs on account of the said fresh issue. The fresh issue of 3,258,426 Equity Shares of face value ₹10 each was at a premium of ₹168 per share aggregating of ₹5,474 lakhs. The said premium was recognised in share premium account of the Company. The shares of the Company listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on September 10, 2015

### **Equity Shares in Suspense account**

The Company doesn't not have any equity shares lying in the demat suspense account/unclaimed suspense account during the financial year 2015-2016.

### **Transfer of unclaimed / unpaid amounts to the Investor Education and Protection Fund (“IEPF”)**

During the year, there was no amount which required to get transferred to IEPF

### **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 dematerialised form held with NSDL and CDSIL and the total number of shares in physical form.

### **MD and CFO certification**

As required by SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, the MD and CFO certification is provided in this Annual Report.

### **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.

## **Declaration Regarding compliance by Board Members and Senior Management personnel with the Company's Code of Conduct**

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director and its non-executive directors which suitably incorporate the duties of independent directors. This code is available on the Company's website ([www.pebspennar.com](http://www.pebspennar.com))

I confirm that the Company has in respect of the year ended March 31, 2016, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

**PV RAO**

*Managing Director*

DIN: 03157581

Place: Hyderabad

Date: August 04, 2016

## Independent Auditor's Certificate

To the Members of  
Pennar Engineered Building Systems Limited

1. We have examined the compliance of conditions of Corporate Governance by **Pennar Engineered Building Systems Limited** ("the Company"), for the year ended on March 31, 2016, as stipulated in:
  - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Company with stock exchange(s) for the period from April 01, 2015 to November 30, 2015.
  - Clause 49(VII)(E) of the Listing Agreements of the Company with the stock exchange(s) for the period from April 01, 2015 to September 01, 2015.
  - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016 and
  - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C , D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016.
5. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**  
*Chartered Accountants*  
(Firm's Registration No. 008072S)

Secunderabad, August 04, 2016

**Ganesh Balakrishnan**  
*Partner*  
(Membership No. 201193)

## **CEO and CFO Certification**

The Board of Directors  
Pennar Engineered Building Systems Limited  
Hyderabad

Dear members of the Board,

We, P V Rao, Managing Director, and Shrikant Bhakkad, Chief Financial Officer of Pennar Engineered Building Systems Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements and the financial statements and the cash flow statements for the financial year end March 31, 2016.
2. These statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading;
3. These statements together present a true and fair view of the company, and are in compliance with the existing accounting standards and / or applicable laws / regulations;
4. There are no transactions entered into by the Company during the year that are fraudulent, illegal or violate the Company's Code of Conduct.
5. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting; and we have also disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
6. We have also disclosed to the auditors as well as the Audit Committee the following
  - a. Significant changes in internal control over financial reporting during the year
  - b. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - c. instances of significant fraud, of which we become aware and that involvement therein, if any management or employees having a significant role in the company's internal control systems over financial reporting

**P V Rao**

MD

Place: Hyderabad

Date: August 04, 2016

**Shrikant Bhakkad**

CFO



## Financial Statements

# Independent Auditor's Report

To  
The Members of  
**Pennar Engineered Building Systems Limited**

## Report on the Financial Statements

We have audited the accompanying financial statements of PENNAR ENGINEERED BUILDING SYSTEMS LIMITED ("the Company"), which comprise the Balance Sheet as at 31 March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the 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 prescribed under section 133 of the Act, as applicable.

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 thereunder and the Order under section 143 (11) of the Act.

We conducted our audit of the financial statements 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 31 March, 2016, and its profit and its cash flows 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 purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

- c) The Balance Sheet, the 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 prescribed under section 133 of the Act, as applicable.
  - e) On the basis of the written representations received from the directors as on 31 March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
  - 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, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company does not have any pending litigations which would impact its financial position
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts
    - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For DELOITTE HASKINS & SELLS**  
*Chartered Accountants*  
 (Firm's Registration No.008072S)

**(Ganesh Balakrishnan)**  
*(Partner)*  
 (Membership No. 201193)

Place : Secunderabad  
 Date : 16 May, 2016

## Annexure "A" to the Independent Auditor's Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

### Report on the Internal Financial Controls Over Financial Reporting 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 ENGINEERED BUILDING SYSTEMS LIMITED ("the Company") as of 31 March, 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 is responsible for establishing and maintaining internal financial controls based on 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.

#### Auditor's 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 system 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 system 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls

over financial reporting were operating effectively as at 31 March, 2016, based on 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 DELOITTE HASKINS & SELLS**

*Chartered Accountants*

(Firm's Registration No.008072S)

**(Ganesh Balakrishnan)**

*(Partner)*

Place : Secunderabad

Date : 16 May, 2016

(Membership No. 201193)

## Annexure "B" to the Independent Auditor's Report

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verificaiton.  
(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the balance sheet date. Immovable properties of land and buildings whose title deeds have been pledged as security for loans are held in the name of the Company based on the confirmations directly received by us from lenders.
- ii. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- iii. According to the information and explanations given to us, the Company has granted loans, unsecured, to companies covered in the register maintained under section 189 of the Companies Act, 2013, in respect of which:
  - (a) The terms and conditions of the grant of such loans are, in our opinion, not prejudicial to the Company's interest.
  - (b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- v. According to the information and explanations given to us, the Company has not accepted any deposit during the year. The Company does not have unclaimed deposits to which Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 apply.
- vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 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. According to the information and explanations given to us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Excise Duty, Sales Tax, Service Tax, Customs Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Excise Duty, Sales Tax, Service Tax, Customs Duty, Value Added Tax, cess and other material statutory dues in arrears as at March 31, 2016 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty and Value Added Tax, as on 31 March, 2016 on account of disputes.
- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government. The Company has not issued any debentures.

- ix. In our opinion and according to the information and explanations given to us, money raised by way of initial public offer and the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-I of the Reserve Bank of India Act, 1934.

**For DELOITTE HASKINS & SELLS**

*Chartered Accountants*

(Firm's Registration No.008072S)

**(Ganesh Balakrishnan)**

*(Partner)*

Place : Secunderabad

(Membership No. 201193)

Date : 16 May, 2016

## Balance Sheet as at 31 March, 2016

₹ in lakhs

Particulars	Note No.	As at 31 March, 2016	As at 31 March, 2015
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	3	3,427	3,071
(b) Reserves and surplus	4	17,787	9,885
		21,214	12,956
<b>2 Non-current liabilities</b>			
(a) Long-term borrowings	5	37	11
(b) Deferred tax liabilities (net)	32	384	414
(c) Other long-term liabilities	6	354	357
(d) Long-term provisions	7	173	210
		948	992
<b>3 Current liabilities</b>			
(a) Short-term borrowings	8	5,431	4,042
(b) Trade payables	9		
- Dues of micro enterprises and small enterprises		263	87
- Dues of creditors other than micro enterprises and small enterprises		15,061	11,171
(c) Other current liabilities	10	4,031	2,182
(d) Short-term provisions	11	1,627	422
		26,413	17,904
	<b>TOTAL</b>	<b>48,575</b>	<b>31,852</b>
<b>B ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	12 A	6,298	6,179
(ii) Intangible assets	12 B	384	351
		6,682	6,530
(b) Long-term loans and advances	13	202	219
(c) Other non-current assets	14	831	-
		7,715	6,749
<b>2 Current assets</b>			
(a) Current investments	15	3,315	2,603
(b) Inventories	16	8,895	6,741
(c) Trade receivables	17	14,020	12,700
(d) Cash and bank balances	18	6,669	583
(e) Short-term loans and advances	19	5,386	1,275
(f) Other current assets	20	2,575	1,201
		40,860	25,103
	<b>TOTAL</b>	<b>48,575</b>	<b>31,852</b>
Corporate information and significant accounting policies.	1 & 2		

See accompanying notes forming part of the financial statements

In terms of our report attached.

**For Deloitte Haskins & Sells**  
*Chartered Accountants*

Ganesh Balakrishnan  
*Partner*

Place : Secunderabad  
Date : 16 May, 2016

**For and on behalf of the Board of Directors**

PV Rao  
*Managing Director*  
Subhash Kishan K  
*Company Secretary*

Place : Hyderabad  
Date : 16 May, 2016

Aditya N Rao  
*Vice Chairman*  
Shrikant Bhakkad  
*Chief Financial Officer*

# Statement of Profit and Loss

for the year ended 31 March, 2016

₹ in lakhs

Particulars	Note No.	For the year ended 31 March, 2016	For the year ended 31 March, 2015
1 Revenue from operations (gross)	21	49,121	48,558
Less: Excise duty		4,429	4,043
Revenue from operations (net)		44,692	44,515
2 Other operating revenue	22	31	406
3 Other income	23	155	207
<b>4 Total Revenue (1+2+3)</b>		<b>44,878</b>	<b>45,128</b>
<b>5 Expenses</b>			
(a) Cost of materials consumed	24 A	23,750	27,008
(b) Changes in inventories of finished goods and work-in-progress	24 C	(1,058)	(239)
(c) Employee benefits expense	25	3,223	2,691
(d) Finance costs	26	1,109	967
(e) Depreciation and amortisation expense	12 C	612	585
(f) Other expenses	27	12,304	10,790
<b>Total Expenses</b>		<b>39,940</b>	<b>41,802</b>
<b>6 Profit before tax (4-5)</b>		<b>4,938</b>	<b>3,326</b>
<b>7 Tax expense:</b>			
(a) Current tax		1,767	988
(b) Tax pertaining to earlier years	36	185	-
(c) Deferred tax	32	(30)	147
		1,922	1,135
<b>8 Profit for the year (6-7)</b>		<b>3,016</b>	<b>2,191</b>
<b>9 Earnings per equity share (nominal value of share ₹10 each):</b>	28		
(a) Basic		9.47	8.57
(b) Diluted		9.47	7.19
Corporate information and significant accounting policies	1 & 2		

See accompanying notes forming part of the financial statements

In terms of our report attached.

**For Deloitte Haskins & Sells**  
*Chartered Accountants*

**For and on behalf of the Board of Directors**

**Ganesh Balakrishnan**  
*Partner*

**PV Rao**  
*Managing Director*

**Aditya N Rao**  
*Vice Chairman*

Place : Secunderabad  
Date : 16 May, 2016

**Subhash Kishan K**  
*Company Secretary*

Place : Hyderabad  
Date : 16 May, 2016

**Shrikant Bhakkad**  
*Chief Financial Officer*

## Cash Flow Statement

for the year ended 31 March, 2016

₹ in lakhs

Particulars	For the year ended 31 March, 2016	For the year ended 31 March, 2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Profit before tax</b>	<b>4,937</b>	<b>3,326</b>
<i>Adjustments for:</i>		
Depreciation and amortisation expense	612	585
Finance costs	1,109	967
Loss on sale of assets	17	2
Provision for doubtful trade receivables	100	159
Dividend income	(40)	(73)
Net gain on sale of current investments	(3)	-
Interest income	(33)	(42)
Liabilities no longer required written back	(81)	-
Operating profit before working capital changes	<b>6,618</b>	<b>4,924</b>
<i>Changes in working capital:</i>		
Adjustments for (increase) / decrease in operating assets:		
Trade receivables	(1,406)	(5,930)
Inventories	(2,154)	(237)
Short-term loans and advances	(2,761)	482
Long-term loans and advances	(17)	(2)
Other current assets	(1,374)	(291)
Other non current assets	(831)	-
Adjustments for increase / (decrease) in operating Liabilities:		
Trade payables	4,133	3,010
Other current liabilities	1,757	(623)
Short-term provisions	38	33
Other long-term liabilities	(3)	128
Long-term provisions	(37)	58
<b>Cash generated from operations</b>	<b>3,963</b>	<b>1,552</b>
Net income tax (paid)	(750)	(1,200)
<b>Net cash flow from operating activities " A "</b>	<b>3,213</b>	<b>352</b>
<b>B. CASH FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets, including capital work-in-progress and capital advances	(793)	(237)
Proceeds from sale of fixed assets	15	5
Bank balances not considered as cash and cash equivalents		
- Placed	-	(880)
- Matured	-	913
Dividend received	40	73
Interest received	33	43
Net gain on sale of current investments	3	-
Current Investments		
- Purchased	(14,986)	(7,790)
- Proceeds from sale	14,274	7,737
Inter corporate deposit placed	(1,350)	-
Inter corporate deposit matured	-	100
<b>Net cash flow (used in) investing activities " B "</b>	<b>(2,764)</b>	<b>(36)</b>

## Cash Flow Statement (contd.) for the year ended 31 March, 2016

₹ in lakhs

Particulars	For the year ended 31 March, 2016	For the year ended 31 March, 2015
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of equity shares (net of expenses)	5,242	-
Proceeds from long-term borrowings	48	-
Repayment of long term borrowings	(19)	(4)
Net increase in working capital borrowings	2,889	96
Proceeds of other short-term borrowings	10,900	500
Repayment of other short-term borrowings	(12,400)	-
Finance costs	(1,023)	(906)
<b>Net cash flow from / (used in) financing activities " C "</b>	<b>5,637</b>	<b>(314)</b>
<b>Net increase in Cash and cash equivalents (A+B+C)</b>	<b>6,086</b>	<b>2</b>
Cash and cash equivalents at the beginning of the year	203	201
<b>Cash and cash equivalents at the end of the year</b>	<b>6,289</b>	<b>203</b>
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents (Refer Note 18)	6,669	583
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements:		
(i) In earmarked accounts		
Balances held as margin money towards bank guarantees and letter of credits	380	380
<b>Cash and cash equivalents at the end of the year*</b>	<b>6,289</b>	<b>203</b>
* Comprises:		
(a) Balances with banks		
(i) In current accounts	489	203
(ii) In deposit accounts	5,800	-
<b>Cash and cash equivalents at the end of the year</b>	<b>6,289</b>	<b>203</b>

### Note:

- Balance with scheduled banks include ₹380 lakhs (31 March, 2015 - ₹380 lakhs) representing margin money for letters of credit and bank guarantees issued.
- Cash Flow Statement has been prepared under the Indirect method as set out in the Accounting Standard 3 on Cash Flow Statements.

In terms of our report attached.

For Deloitte Haskins & Sells  
Chartered Accountants

Ganesh Balakrishnan  
*Partner*

Place : Secunderabad  
Date : 16 May, 2016

For and on behalf of the Board of Directors

PV Rao  
*Managing Director*

Subhash Kishan K  
*Company Secretary*

Place : Hyderabad  
Date : 16 May, 2016

Aditya N Rao  
*Vice Chairman*

Shrikant Bhakkad  
*Chief Financial Officer*

# Notes forming part of the financial statements

## Note

### 1 Corporate information

Pennar Engineered Building Systems Limited is into design, manufacture, supply, service and installation of pre engineered steel buildings, building components and erection for industries, warehouses, commercial centres, multi storied buildings, aircraft hangars, defence installations, many others.

The company's registered office is at Hyderabad and manufacturing plant is located at Sadashivpet, Medak district of Telangana.

The Company made an Initial Public Offer during the year and shares of the Company were listed on the Bombay Stock Exchange and the National Stock Exchange of India on 10 September, 2015.

### 2 Significant accounting policies

#### 2.1 Basis of accounting and preparation of financial statements

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. 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 in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the years in which the results are known / materialise.

#### 2.3 Inventories

Raw materials, Finished goods, Work-in-progress, Stores & Spares and scrap are valued at the lower of cost (weighted average basis) and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges. Work-in-progress and finished goods include appropriate proportion of overheads and where applicable, excise duty. Materials in transit are valued at cost.

#### 2.4 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### 2.5 Cash flow statement

Cash flows are reported using the indirect method, whereby profit 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.

#### 2.6 Depreciation and amortisation

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 except in respect of the following

Leasehold improvements are amortised over the duration of the lease

Intangible assets are amortised over their estimated useful life as follows:

License fees, over the duration of license or 10 years whichever is less

## Notes forming part of the financial statements

Software over the duration of 10 years

Assets costing less than ₹5,000 each are fully depreciated in the year of capitalisation

### 2.7 Revenue recognition

Sale of goods and income from services

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers.

Revenue from services is recognised as per the terms of the contract with the customer using the proportionate completion method. Percentage of completion is determined as a proportion of the costs incurred upto the reporting date to the total estimated costs. Foreseeable losses on contracts are recognised when probable.

Sales include excise duty but exclude sales tax and value added tax.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the percentage of completion of the contract activity at the reporting date. The percentage of completion of a contract is determined considering the proportion that contract costs incurred for work performed upto the reporting date bear to the estimated total contract costs.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense in the Statement of Profit and Loss in the period in which such probability occurs.

### 2.8 Other income

Interest income is accounted on accrual basis. Dividend income is accounted for when the right to received is established.

### 2.9 Tangible fixed assets

Fixed assets are carried at cost net of CENVAT and VAT less accumulated depreciation. The cost of fixed assets includes all the financial costs and other incidental expenses upto the date of commissioning. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure on fixed assets after its purchase / completion is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

Capital work-in-progress:

Projects under which tangible fixed assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

### 2.10 Intangible assets

Intangible assets are carried at cost less accumulated amortisation. 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.

### 2.11 Foreign currency transactions and translations

#### 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.

# Notes forming part of the financial statements

## **Measurement at the balance sheet date**

Foreign currency monetary items (other than derivative contracts) of the Company, outstanding at the balance sheet date are restated at the year-end rates. Non-monetary items of the Company are carried at historical cost.

Exchange differences arising out of these translations are charged to 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.

## **2.12 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.

Income from sales tax and power incentives are recognised on accrual basis, when the right to receive the credit is established and there is no significant uncertainty regarding the ultimate collection.

## **2.13 Investments**

Long-term investments, are carried individually at cost less provision for diminution, other than temporary. Cost of investments include acquisition charges such as brokerage, fees and duties.

### **Current Investment**

Current investments are carried individually, at the lower of cost and fair value.

## **2.14 Employee benefits**

Employee benefits include provident fund, gratuity fund and compensated absences.

### **Defined contribution plans**

The Company's contribution to provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

### **Defined benefit plans**

For defined benefit plans in the form of gratuity fund the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

### **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur."

# Notes forming part of the financial statements

## Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

## 2.15 Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases. Lease rentals under operating leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

## 2.16 Earnings per share

Basic earnings per share is computed by dividing the profit after tax as adjusted for preference dividend by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit after tax, 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.

## 2.17 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

## 2.18 Impairment of assets

The carrying values of assets / cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists. The following intangible assets are tested for impairment each financial year even if there is no indication that the asset is impaired:

(a) an intangible asset that is not yet available for use; and (b) an intangible asset that is amortised over a period exceeding ten years from the date when the asset is available for use.

If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Statement of Profit and Loss, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss. In case of revalued assets such reversal is not recognised.

# Notes forming part of the financial statements

## 2.19 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

## 2.20 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.

## 2.21 Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

## 2.22 Service tax input credit

Service tax input credit is accounted for in the books in the year in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

## 2.23 Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

## Notes forming part of the financial statements

### Note 3 Share capital

Particulars	As at 31 March, 2016		As at 31 March, 2015	
	Number of shares	₹ in lakhs	Number of shares	₹ in lakhs
(a) Authorised - Refer note (a) below				
Equity shares of ₹10 each	3,60,00,000	3,600	3,60,00,000	3,600
Compulsorily convertible preference shares of ₹10 each	60,00,000	600	60,00,000	600
Total Authorised share capital	4,20,00,000	4,200	4,20,00,000	4,200
(b) Issued, Subscribed and fully paid up				
Equity shares of ₹10 each	3,42,74,911	3,427	2,76,72,491	2,767
Compulsorily convertible preference shares of ₹10 each	-	-	30,39,560	304
Total issued, subscribed and fully paid up share capital	3,42,74,911	3,427	3,07,12,051	3,071

Notes:

- i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the reporting year :

Particulars	For the year ended 31 March, 2016		For the year ended 31 March, 2015	
	Number of shares	₹ in lakhs	Number of shares	₹ in lakhs
<b>Equity Shares</b>				
Opening balance	2,76,72,491	2,767	2,50,00,000	2,500
Add: Movement during the year- Refer note (b), (c), (d) below	66,02,420	660	26,72,491	267
Closing balance	3,42,74,911	3,427	2,76,72,491	2,767
<b>Compulsorily convertible preference shares</b>				
Opening balance	30,39,560	304	54,68,750	547
Add/(Less): Movement during the year - Refer note (c) & (d) below	(30,39,560)	(304)	(24,29,190)	(243)
Closing balance	-	-	30,39,560	304

- ii) Details of shares held by the holding company ::

Particulars	As at 31 March, 2016		As at 31 March, 2015	
	Number of shares		Number of shares	
<b>Equity shares</b>				
Pennar Industries Limited		1,85,00,000		1,85,00,000

## Notes forming part of the financial statements

### Note 3 Share capital (contd.)

#### (iii) Details of shares held by each shareholder holding more than 5% shares:

Name of shareholder	As at 31 March, 2016		As at 31 March, 2015	
	Number of shares	% holding in that class of shares	Number of shares	% holding in that class of shares
Equity shares - Refer note (a) below				
Pennar Industries Limited	1,85,00,000	53.98%	1,85,00,000	66.85%
Zephyr Peacock India Fund III Limited	23,07,481	6.73%	34,61,291	12.51%
DSP Blackrock small and mid cap fund	18,24,558	5.32%	-	-
Birla sun life trustee company private limited	19,54,100	5.70%	-	-
IL&FS Trust Company Limited *	-	-	15,54,950	5.62%
Compulsorily convertible preference shares - Refer note (c) & (d) below				
Zephyr Peacock India Fund III Limited	-	-	20,97,348	69.00%
IL&FS Trust Company Limited *	-	-	9,42,212	31.00%

(\*Representing Zephyr Peacock India III Fund, a scheme of Zephyr Peacock India Master Trust)

- a) The authorised share capital of ₹3,750 lakhs divided into 31,500,000 Equity Shares and 6,000,000 Compulsorily Convertible Preference Shares (CCPS) was increased to ₹4,200 lakhs divided into 36,000,000 Equity Shares and 6,000,000 CCPS, pursuant to a extra ordinary general meeting held on 16 March, 2015.
- b) The Company completed its Initial Public Offering (IPO) of 8,774,567 Equity Shares of ₹10 each consisting of a Fresh Issue of 3,258,426 Equity Shares and an offer for sale of 5,516,141 Equity Shares from selling share holders on 04 September, 2015. Out of the total proceeds from the IPO of ₹15,619 lakhs the Company's share is ₹5,800 lakhs on account of the said fresh issue. The fresh issue of 3,258,426 Equity Shares of face value ₹10 each was at a premium of ₹168 per share aggregating ₹5,474 lakhs. The said premium was recognised in securities premium account of the Company.
- c) Pursuant to a resolution dated 16 March, 2015, 1,676,182 CCPS held by Zephyr Peacock India Fund III Limited were converted to 1,844,064 Equity Shares and 753,008 CCPS held by Zephyr Peacock India III Fund were converted into 828,427 Equity Shares respectively of face value ₹10 per share at a premium of ₹48.17 per share, resulting in a conversion ratio of 1:1.002. The net adjustment on such conversion was made to the securities premium account.
- d) Pursuant to a Board resolution dated 21 July, 2015, 2,097,348 CCPS held by Zephyr Peacock India Fund III Limited were converted to 2,307,412 Equity Shares and 942,212 CCPS held by Zephyr Peacock India III Fund were converted into 1,036,582 Equity Shares respectively of face value ₹10 per share at a premium of ₹48.17 per share. The net adjustment on such conversion was made to the securities premium account.

#### (iv) Rights, preferences and restrictions attached to shares

##### a) Equity shares

The Company has one class of equity shares having a par value of ₹10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to their shareholding.

##### b) Conversion of Compulsorily convertible preference shares (CCPS)

The Company has converted all of its Compulsorily Convertible Preference Shares (CCPS) into Equity Shares of the Company. As on 31 March, 2016, the number of CCPS of the Company is NIL (as at March 31, 2015 the Company was having 3,039,560 CCPS, the said CCPS got converted fully to equity shares on 21 July, 2015)

##### c) Details of shares reserved for issue

Shares aggregating 1,000,000 (31 March, 2015 1,000,000) is reserved for issue under Employee Stock Option Scheme 2014 (Refer Note 34)

## Notes forming part of the financial statements

### Note 4 Reserves and surplus

₹ in lakhs

Particulars	As at 31 March, 2016	As at 31 March, 2015
<b>a) Surplus in Statement of Profit and Loss</b>		
Opening balance	7,160	4,980
Less: Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life (Net of deferred tax)	-	11
Add: Profit for the year	3,016	2,191
Net surplus in the Statement of Profit and Loss	10,176	7,160
<b>b) Securities premium account</b>		
Opening balance	2,725	2,750
Add: On account of premium on equity shares issued during the year (Refer Note 3(iii)(b))	5,474	-
Less: Adjustment on account of conversion of preference shares (Refer Note 3(iii)(c) & 3(iii)(d))	30	25
	8,169	2,725
Less: Utilised during the year (Refer Note below)	558	-
Closing Balance	7,611	2,725
<b>Total</b>	<b>17,787</b>	<b>9,885</b>

#### Note:

Share issue expenses comprise of expenses incurred in connection with issue of equity shares and their listing on stock exchanges. The total expenses in connection with the IPO were shared between the Company and the selling shareholders in the proportion of the amount received from the IPO proceeds. The Company's share of issue expenses were adjusted against securities premium account u/s 52(2)(c) of the Companies Act, 2013.

### Note 5 Long-term borrowings

₹ in lakhs

Particulars	As at 31 March, 2016	As at 31 March, 2015
(a) Vehicle Loan		
From bank (Refer Note below)	37	11
<b>Total</b>	<b>37</b>	<b>11</b>

#### Note:

Car loan from ICICI Bank of ₹49 Lakhs (31 March, 2015 - ₹23 Lakhs from Kotak Mahindra Bank repaid in November, 2015) is secured by hypothecation of the vehicle financed through the loan arrangement. The loan is repayable in 60 monthly installments of ₹1 Lakh each commencing from 10 November, 2015 and carries an interest of 9.35 % per annum. Current maturities of long term borrowings have been disclosed under the head Other Current Liabilities (Refer Note 10).

### Note 6 Other long-term liabilities

₹ in lakhs

Particulars	As at 31 March, 2016	As at 31 March, 2015
(i) Trade Payables - Others	274	277
(ii) Security deposits received	80	80
<b>Total</b>	<b>354</b>	<b>357</b>

## Notes forming part of the financial statements

### Note 7 Long-term provisions

Particulars	As at 31 March, 2016	₹ in lakhs As at 31 March, 2015
Provision for employee benefits: (Refer Note 31.2 b)		
(i) Provision for compensated absences	83	72
(ii) Provision for gratuity	90	138
<b>Total</b>	<b>173</b>	<b>210</b>

### Note 8 Short-term borrowings

Particulars	As at 31 March, 2016	₹ in lakhs As at 31 March, 2015
(a) Loans repayable on demand		
From banks - Secured - (Refer Note (i))	5,431	4,042
<b>Total</b>	<b>5,431</b>	<b>4,042</b>

#### Notes:

##### (i) Details of loan repayable on demand & other short term loans

Particulars	As at 31 March, 2016	₹ in lakhs As at 31 March, 2015
Loans repayable on demand and other short term loans from banks		
State Bank of India (Refer Note iii (a))	4,097	3,054
Axis Bank Limited (Refer Note iii (b))	84	988
Yes Bank (Refer Note iii (c))	1,250	-
<b>Total - from banks</b>	<b>5,431</b>	<b>4,042</b>

##### (ii) Details of short-term borrowings guaranteed by Directors and Holding Company :

Particulars	As at 31 March, 2016	As at 31 March, 2015
Directors	8,000	4,000
Holding Company	8,000	4,000

#### Note - iii (a)

Working Capital loan of ₹4,500 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 ₹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).

#### Note - iii (b)

Working Capital loan of ₹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 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).

## Notes forming part of the financial statements

### Note 8 Short-term borrowings (contd.)

#### Note - iii (c)

Working Capital loan of ₹2,500 Lakhs 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).

### Note 9 Trade payables

Particulars	As at 31 March, 2016	As at 31 March, 2015
Trade payables:		
(a) Dues of micro enterprises and small enterprises		
- Acceptances	-	-
- Other than acceptances	263	87
(b) Dues of creditors other than micro enterprises and small enterprises		
- Acceptances	7,119	185
- Other than acceptances	7,942	10,986
<b>Total</b>	<b>15,324</b>	<b>11,258</b>

### Note 10 Other current liabilities

Particulars	As at 31 March, 2016	As at 31 March, 2015
(a) Current maturities of long-term borrowings		
From Banks - Secured		
Vehicle Loan	8	5
(b) Interest accrued and due on borrowings	178	15
(c) Statutory remittances (net)	522	480
(d) Payables on purchase of fixed assets	31	28
(e) Interest accrued on trade payables	64	141
(f) Advances from customers	3,228	1,513
<b>Total</b>	<b>4,031</b>	<b>2,182</b>

### Note 11 Short-term provisions

Particulars	As at 31 March, 2016	As at 31 March, 2015
(a) Provision for employee benefits:- Refer note 31.2 (b) & 31.2 (c)		
(i) Provision for compensated absences	64	39
(ii) Provision for gratuity	32	22
	96	61
(b) Provision - Others:		
(i) Provision for tax [net of advance tax ₹2,241 lakhs (As at 31 March, 2015 ₹1,854 lakhs)]	1,528	361
(ii) Provision for estimated loss on derivatives	3	-
<b>Total</b>	<b>1,627</b>	<b>422</b>

## Notes forming part of the financial statements

### Note 12 Fixed assets

Particulars	Gross block						Accumulated depreciation and amortization				Net block
	Balance as at 1 April, 2015	Additions	Disposals	Balance as at 31 March 2016	Depreciation /amortisation expense for year	Other adjustments -Transfer	Eliminated on disposal of assets	Capital Expenditure Refer Note -32	Other Adjustments Refer Note -37	Balance as at 31 March, 2016	Balance as at 31 March, 2015
<b>A. Tangible assets</b>											
(a) Land Freehold (Previous Year)	195 (195)	- (-)	- (-)	195 (195)	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)	195 (195)
(b) Buildings (Previous Year)	3,754 (3,719)	458 (35)	- (-)	4,212 (3,754)	418 (294)	126 (124)	1 (-)	- (-)	- (-)	- (-)	543 (3,425)
(c) Plant and Equipment (Previous Year)	3,164 (2,574)	68 (590)	25 (-)	3,207 (3,164)	790 (496)	338 (294)	1 (-)	14 (-)	14 (-)	- (-)	1,113 (3,336)
(d) Electrical Equipments (Previous Year)	127 (127)	1 (-)	- (-)	128 (127)	28 (13)	17 (15)	- (-)	- (-)	- (-)	- (-)	195 (195)
(e) Furniture and Fixtures (Previous Year)	123 (123)	12 (8)	- (8)	135 (123)	51 (41)	14 (14)	- (-)	- (-)	- (-)	- (-)	2,374 (2,374)
(f) Vehicles (Previous Year)	29 (29)	58 (-)	29 (-)	58 (29)	7 (3)	5 (4)	- (-)	- (-)	- (-)	- (-)	2,094 (2,078)
(g) Office equipment (Previous Year)	90 (92)	13 (3)	10 (5)	93 (90)	80 (54)	8 (25)	- (-)	10 (4)	10 (4)	- (-)	790 (790)
(h) Leasehold improvements (Previous Year)	62 (84)	36 (-)	- (22)	98 (62)	48 (56)	9 (12)	- (-)	8 (20)	8 (-)	45 (79)	83 (82)
(i) Computers (Previous Year)	254 (230)	66 (25)	1 (1)	319 (254)	197 (135)	46 (51)	- (-)	1 (1)	1 (1)	- (-)	57 (57)
<b>Total - tangible assets (Previous Year)</b>	<b>7,798 (7,173)</b>	<b>712 (661)</b>	<b>65 (36)</b>	<b>8,445 (7,798)</b>	<b>1,619 (1,092)</b>	<b>563 (539)</b>	<b>2 (-)</b>	<b>33 (29)</b>	<b>- (16)</b>	<b>2,147 (1,608)</b>	<b>6,298 (6,081)</b>
<b>B. Intangible assets</b>											
Licenses (Previous Year)	238 (211)	33 (27)	- (-)	271 (238)	100 (78)	24 (22)	- (-)	- (-)	- (-)	124 (100)	147 (138)
Computer Software (Previous Year)	242 (38)	51 (204)	- (-)	293 (242)	29 (5)	27 (24)	- (-)	- (-)	- (-)	56 (29)	237 (213)
<b>Total - Intangible assets (Previous Year)</b>	<b>480 (249)</b>	<b>84 (231)</b>	<b>- (-)</b>	<b>564 (480)</b>	<b>129 (83)</b>	<b>51 (46)</b>	<b>- (-)</b>	<b>- (-)</b>	<b>- (-)</b>	<b>180 (129)</b>	<b>384 (351)</b>
<b>Total (Previous Year)</b>	<b>8,278 (7,422)</b>	<b>796 (892)</b>	<b>65 (36)</b>	<b>9,009 (8,278)</b>	<b>1,748 (1,175)</b>	<b>614 (585)</b>	<b>2 (-)</b>	<b>33 (29)</b>	<b>- (16)</b>	<b>2,327 (1,737)</b>	<b>6,682 (6,530)</b>
<b>C. Capital work-in-progress</b>											

## Notes forming part of the financial statements

### Note 12 Fixed assets (contd.)

#### D. Depreciation and amortisation :

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
On tangible assets as per Note 12 B	563	539
On intangible assets as per Note 12 B	51	46
	<b>614</b>	<b>585</b>
Less: Expenses incurred towards capital projects	2	-
<b>Depreciation and amortisation</b>	<b>612</b>	<b>585</b>

### Note 13 Long-term loans and advances

Particulars	₹ in lakhs	
	As at 31 March, 2016	As at 31 March, 2015
(a) Rental & Other Deposits		
Unsecured, considered good	193	176
(b) Advance Tax [Net of provision for tax ₹3,504 lakhs (as at 31 March, 2015 - ₹1,198 lakhs)]	9	43
<b>Total</b>	<b>202</b>	<b>219</b>

### Note 14 Other non-current assets

Particulars	₹ in lakhs	
	As at 31 March, 2016	As at 31 March, 2015
Long-term Trade receivables		
Unsecured, considered good	831	-
<b>Total</b>	<b>831</b>	<b>-</b>

### Note 15 Current investments

Particulars	₹ in lakhs	
	As at 31 March, 2016	As at 31 March, 2015
Investment in mutual funds (Refer Note (i) below)	3,315	2,603
<b>Total</b>	<b>3,315</b>	<b>2,603</b>
Aggregate value of quoted investment	3,315	2,603
Aggregate market value of quoted investment	3,318	2,603
Aggregate value of un-quoted investment	-	-

## Notes forming part of the financial statements

### Note 15 Current investments (contd.)

Notes: (i) Investment in mutual funds

Particulars	As at 31 March, 2016	₹ in lakhs	As at 31 March, 2015
SBI Premier Liquid Fund	500		1,001
49,882.14 units of Premier Liquid - Daily Dividend face value of ₹1,003.2500 (31 March, 2015 - 99,806.084)			
Birla Sunlife Cash Plus Collection	250		-
249,674.86 units of Birla Dividend - daily reinvestment face value of ₹100.1950 (31 March, 2015 - Nil)			
ICICI Prudential Mutual Fund	250		-
249,984.037 units of ICICI Dividend - daily reinvestment face value of ₹100.0565 (31 March, 2015 - Nil)			
Reliance Liquid Fund- Treasury plan	250	250	
1,6363.4610 units of Reliance Liquid - Daily Dividend face value of ₹1,528.74 (31 March, 2015 - 16,362.051)			
Axis Bank Liquid Fund Daily Dividned	500	951	
49,999.408 units of Axis Liquid - Daily Dividend face value of ₹1,000.3420 (31 March, 2015 - 95,066.733)			
IDFC Cash Fund	250	200	
24,990.91 units of IDFC Liquid - Daily Dividend face value of ₹1,000.6866 (31 March, 2015 - 20,032.723)			
Religare Invesco Liquidity Fun	250		-
24,992.447 units of Religare Invesco- Daily reinvestment face value of ₹1,000.79 (31 March, 2015 - Nil)			
Kotak Floater - Short Term - D	250		-
24,727.9961units of Kotak Floater - Daily reinvestment face value of ₹1,011.62 (31 March, 2015 - Nil)			
HDFC RIF STF WP - UST	102		-
1,010,282.793 units of HDFC RIF STF Dividend daily reinvestment face value of ₹10.0809 (31 March, 2015 - Nil)			
Franklin India Ultra Short term Bond	204		-
2,029,830.08 units of Franklin India Dividend daily reinvestment face value of ₹10.0602 (31 March, 2015 - Nil)			
UTI-Treasury Advantage Fund-Ins	102		-
10,166.006 units of UTI Treasure dividend daily reinvestment face value of ₹1002.3540 (31 March, 2015 - Nil)			
Reliance Medium Term Fund -UST	102		-
595,406.404 units of Reliance medium term fund dividend daily reinvestment face value of ₹17.0959 (31 March, 2015 - Nil)			
ICICI Prudential -UST	100		-
658,791.91 units of ICICI Prudential - UST Growth plan face value of ₹15.1793 (31 March, 2015 - Nil)			
Birla Sun Life Savings Fund-US	205		-
203,136.421 units of Birla sun life savings dividend daily reinvestment face value of ₹100.2972 (31 March, 2015 - Nil)			
SBI Ultra Short Term Debt Fund	-	201	
(31 March, 2015 - 19,956.267)			
<b>Total</b>	<b>3,315</b>		<b>2,603</b>

## Notes forming part of the financial statements

### Note 16 Inventories (At lower of cost and net realisable value)

₹ in lakhs

Particulars	As at 31 March, 2016	As at 31 March, 2015
(a) Raw materials	3,569	2,537
Goods-in-transit	347	273
(b) Work-in-progress	1,589	2,154
(c) Finished goods	3,020	1,428
(d) Stores and spares	264	316
Goods-in-transit	67	25
(e) Scrap	39	8
<b>Total</b>	<b>8,895</b>	<b>6,741</b>

### Note 17 Trade receivables

₹ in lakhs

Particulars	As at 31 March, 2016	As at 31 March, 2015
Trade receivables outstanding for a period exceeding six months from the date they were due for payment (Refer Note below)		
Secured, considered good	69	-
Unsecured, considered good	5,793	3,881
Doubtful	441	355
	6,303	4,236
Less: Provision for doubtful trade receivables	441	355
	5,862	3,881
Other Trade receivables		
Secured, considered good	319	1,229
Unsecured, considered good	7,839	7,590
	8,158	8,819
<b>Total</b>	<b>14,020</b>	<b>12,700</b>
Considered good	14,020	12,700
Considered doubtful	441	355
<b>Total</b>	<b>14,461</b>	<b>13,055</b>

Note: Trade receivables includes retention money aggregating ₹3,031 lakhs (As at 31 March, 2015 ₹2,319 Lakhs)

## Notes forming part of the financial statements

### Note 18 Cash and bank balances

Particulars	As at 31 March, 2016	As at 31 March, 2015
(a) Balances with banks		
(i) In current accounts	489	203
(ii) In deposit accounts	5,800	-
(iii) In earmarked accounts		
- Balances held as margin money against guarantees and Letter of Credits	380	380
<b>Total</b>	<b>6,669</b>	<b>583</b>
Cash and cash equivalents as above meet the definition of Cash and cash equivalents as per AS 3 'Cash Flow Statements'	6,289	203

### Note 19 Short-term loans and advances

Particulars	As at 31 March, 2016	As at 31 March, 2015
(a) Security deposits		
Unsecured, considered good	441	25
(b) Prepaid expenses		
Unsecured, considered good	285	147
(c) Balances with government authorities		
Unsecured, considered good	118	347
(d) Inter-corporate deposits with related parties		
Unsecured, considered good	1,350	-
(e) Advances to Contractors, Suppliers and Others		
Unsecured, considered good	3,192	756
Considered doubtful	16	16
Less: Provision for doubtful advances	(16)	(16)
<b>Total</b>	<b>5,386</b>	<b>1,275</b>
Unsecured, considered good	5,386	1,275
Considered doubtful	16	16
<b>Total</b>	<b>5,402</b>	<b>1,291</b>

### Note 20 Other current assets

Particulars	As at 31 March, 2016	As at 31 March, 2015
(a) Unbilled revenue	1,387	158
(b) Incentive receivable	589	946
(c) Accruals		
Interest accrued on deposits	9	9
(d) Other receivables		
from related parties	524	33
from others	66	55
<b>Total</b>	<b>2,575</b>	<b>1,201</b>

## Notes forming part of the financial statements

### Note 21 Revenue from operations (Gross)

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
(a) Sale of products (Refer Note (i) below)	44,175	44,628
(b) Sale of service (Refer Note (ii) below)	4,369	3,114
(c) Sale of Scrap	577	816
Revenue from operations (Gross)	49,121	48,558
Less: Excise duty	(4,429)	(4,043)
<b>Total</b>	<b>44,692</b>	<b>44,515</b>

Note	Particulars	₹ in lakhs	
		For the year ended 31 March, 2016	For the year ended 31 March, 2015
(i)	<b>Sale of products comprises :</b>		
	Manufactured goods		
	Sale of Steel Structures & Pre Engineered Building Components	44,175	44,628
	<b>Total - Sale of products</b>	<b>44,175</b>	<b>44,628</b>
(ii)	<b>Sale of services comprises :</b>		
	Installation of Steel Structures & Pre engineered building components	3,868	2,769
	Engineering services	501	345
	<b>Total - Sale of service</b>	<b>4,369</b>	<b>3,114</b>

### Note 22 Other operating revenue

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Incentives on Sales tax & Power (Refer Note 30.1)	31	406
<b>Total</b>	<b>31</b>	<b>406</b>

### Note 23 Other income

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
(i) Interest income comprises:		
Interest from banks on deposit	33	40
Other Interest received	-	2
<b>Total - Interest income</b>	<b>33</b>	<b>42</b>
(ii) Foreign exchange (loss) / gain	(25)	1
(iii) Dividend income on mutual funds	40	73
(iv) Net profit on sale of current investments	3	-
(v) Other non-operating income comprises:		
Liabilities / Provision no longer required written back	81	-
Miscellaneous Income	23	91
<b>Total - Other non-operating income</b>	<b>122</b>	<b>165</b>
<b>Total</b>	<b>155</b>	<b>207</b>

## Notes forming part of the financial statements

### Note 24A Cost of materials consumed - Refer Note : 24B

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Opening stock	2,537	2,338
Add: Purchases	24,871	27,231
	27,408	29,569
Less: Expenses incurred towards capital projects	89	24
Less: Closing stock	3,569	2,537
<b>Total</b>	<b>23,750</b>	<b>27,008</b>

### Note 24B Cost of materials consumed

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
HR Plates	8,810	9,191
GP Coils	3,349	2,732
Sheeting Coils	2,931	2,206
HR Sections	2,974	6,026
Bought outs	5,686	6,853
<b>Total</b>	<b>23,750</b>	<b>27,008</b>

### Note 24C Changes in inventories of finished goods and work-in-progress

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
<b>Inventories at the end of the year:</b>		
Finished goods	3,020	1,428
Work-in-progress	1,589	2,154
Scrap	39	8
	<b>4,648</b>	<b>3,590</b>
<b>Inventories at the beginning of the year:</b>		
Finished goods	1,428	1,235
Work-in-progress	2,154	2,116
Scrap	8	-
	<b>3,590</b>	<b>3,351</b>
<b>Net (increase) in inventories</b>	<b>(1,058)</b>	<b>(239)</b>

### Note 25 Employee benefits expense

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Salaries, Wages and bonus	2,915	2,388
Contributions to provident and other funds	139	123
Gratuity	50	50
Staff welfare expenses	123	131
	3,227	2,692
Less: Expenses incurred towards capital projects	4	1
<b>Total</b>	<b>3,223</b>	<b>2,691</b>

## Notes forming part of the financial statements

### Note 26 Finance costs

₹ in lakhs

Particulars	For the year ended 31 March, 2016	For the year ended 31 March, 2015
(a) Interest expense on:		
(i) Borrowings	396	305
(ii) Trade payables	22	32
(iii) Others		
-Interest on delayed payment of income taxes	70	32
(b) Other borrowing costs	621	598
<b>Total</b>	<b>1,109</b>	<b>967</b>

### Note 27 Other Expenses

₹ in lakhs

Particulars	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Consumption of stores and spare parts	2,067	2,396
Increase / (decrease) of excise duty on inventory	175	24
Subcontract expenses	2,588	2,550
Erection expenses	3,906	2,361
Power and fuel	179	167
Other manufacturing cost	82	109
Rent including lease rentals (net)	296	190
Repairs and maintenance - Machinery	14	10
Repairs and maintenance - Others	4	3
Insurance	51	43
Rates and taxes	17	14
Communication	68	47
Travelling and conveyance	459	442
Printing and stationery	34	34
Freight and forwarding	1,498	1,434
Marketing and Selling expenses	312	418
Office Maintenance	117	119
Security Charges	37	28
Donations and contributions	2	5
Expenditure on Corporate Social Responsibility	19	8
Legal and professional	182	187
Auditors remuneration (Refer Note below)	26	13
Provision for doubtful trade receivables	100	159
Loss on fixed assets sold / scrapped / written off	17	2
Miscellaneous expenses	70	33
	12,320	10,796
Less: Expenses incurred towards capital projects	16	6
<b>Total</b>	<b>12,304</b>	<b>10,790</b>
Note		
Auditors' remuneration (net of Service Tax) comprises of:		
For Statutory Audit	24	13
For other services	1	-
Reimbursement of expenses	1	-
<b>Total</b>	<b>26</b>	<b>13</b>

## Notes forming part of the financial statements

### Note 28 Earnings per share

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
<b>Basic</b>		
Net profit for the year (₹ in lakhs)	3,016	2,191
Less: Preference dividend and tax thereon (₹ in lakhs)	-	38
Net profit for the year attributable to the equity shareholders (₹ in lakhs)	3,016	2,153
Weighted average number of equity shares	3,18,53,872	2,51,17,150
Par value per share (₹)	10	10
Earnings per share - Basic (₹)	9.47	8.57
<b>Diluted</b>		
Net profit for the year (₹ in lakhs)	3,016	2,191
Weighted average number of equity shares - for diluted EPS	3,18,53,872	3,04,79,415
Par value per share (₹)	10	10
Earnings per share - Diluted (₹)	9.47	7.19

### Note 29 Additional information to the financial statements

#### 29.1(i) Contingent Liabilities

Particulars	As at 31 March, 2016	As at 31 March, 2015
a Dividend on Compulsorily convertible preference shares (Refer note 3 (iv))	-	69
b Disputed excise duty liability for which the Company has preferred an appeal	-	-

#### 29.2 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Particulars	As at 31 March, 2016	As at 31 March, 2015
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	263	87
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(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	22	32
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	64	42
(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. This has been relied upon by the auditors.

## Notes forming part of the financial statements

### Note 29 Additional information to the financial statements (contd.)

#### 29.3 Value of imports calculated on CIF basis

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Raw materials	2,103	59
Spare parts & components	5	7
Capital goods	25	10
	<b>2,133</b>	<b>76</b>

#### 29.4 Expenditure in foreign currency

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Royalty	8	10
Professional charges	-	18
Travel expenditure	5	6
	<b>13</b>	<b>34</b>

#### 29.5 Details of consumption of imported and indigenous items

Particulars	For the year ended 31 March, 2016	
	₹ in lakhs	%
<b>Imported</b>		
Raw materials	2,314	9.74%
	(88)	(0.33%)
Stores & Spares	9	0.44%
	(6)	(0.25%)
<b>Indigenous</b>		
Raw materials	21,436	90.26%
	(26,920)	(99.67%)
Stores & spares	2,058	99.56%
	(2,390)	(99.75%)
<b>Total</b>	<b>25,817</b>	<b>100%</b>
	(29,404)	100%

Note: Figures / percentages in brackets relates to the previous year

#### 29.6 Earnings in foreign exchange : (FOB basis)

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Export of services	501	143
Others	96	-

#### 29.7 The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	As at 31 March, 2016	
	₹ in lakhs	%
Receivables	1,10,398	73
	(43,012)	(27)

Note: Figures in brackets relates to the previous year

## Notes forming part of the financial statements

### Note 30 Disclosures under Accounting Standards

#### 30.1 Details of government grants

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Government grants accounted by the Company during the year towards		
- Incentives		
- Sales tax and power (recognised under other Operating Revenue)	31	406
<b>Total</b>	<b>31</b>	<b>406</b>

### Note 31 Disclosures under Accounting Standards

#### 31.1 Employee benefit plans

##### 31.2.a Defined contribution plans

The Company makes Provident Fund and Employee State Insurance Scheme contributions which are defined contribution plans, for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹139 lakhs (Year ended 31 March, 2015 ₹123 lakhs) for Provident Fund contributions and ₹12 lakhs (Year ended 31 March, 2015 ₹13 lakhs) for Employee State Insurance Scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

##### 31.2.b Defined benefit plans

The Company offers the following employee benefit schemes to its employees:

i. Gratuity

ii. Compensated Absences

The following table sets out the unfunded status of the defined benefit schemes and the amount recognised in the financial statements:

Particulars	For the year ended 31 March, 2016			For the year ended 31 March, 2015		
	Gratuity	Compensated Absences-SL	Compensated Absences-PL	Gratuity	Compensated Absences-SL	Compensated Absences-PL
<b>Components of employer expense</b>						
Current service cost	42	18	35	44	6	57
Interest cost	12	1	5	10	1	4
Actuarial losses/(gains)	(4)	1	(17)	(4)	(3)	0
<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>50</b>	<b>20</b>	<b>23</b>	<b>50</b>	<b>4</b>	<b>61</b>
<b>Actual contribution and benefit payments for year</b>						
Actual benefit payments	1	-	-	-	-	-
Actual contributions	86	-	-	-	-	-
<b>Net liability recognised in the Balance Sheet</b>						
Present value of defined benefit obligation	160	17	92	113	13	52
Fair value of plan assets	(87)	-	-	-	-	-
Expenses as above	50	20	23	50	4	61
Settlements made	(1)	-	(10)	(3)	-	(21)
	<b>122</b>	<b>37</b>	<b>105</b>	<b>160</b>	<b>17</b>	<b>92</b>

## Notes forming part of the financial statements

### Note 31 Disclosures under Accounting Standards (contd.)

₹ in lakhs

Particulars	For the year ended 31 March, 2016			For the year ended 31 March, 2015		
	Gratuity	Compensated Absences-SL	Compensated Absences-PL	Gratuity	Compensated Absences-SL	Compensated Absences-PL
<b>Classification of Net liability recognised in the Balance Sheet</b>						
Long term provision	90	20	63	138	17	55
Short term provision	32	17	42	22	-	37
<b>Change in defined benefit obligations (DBO) during the year</b>	<b>122</b>	<b>37</b>	<b>105</b>	<b>160</b>	<b>17</b>	<b>92</b>
Present value of DBO at beginning of the year	160	17	92	113	13	52
Current service cost	42	18	35	44	6	57
Interest cost	12	1	5	10	1	4
Actuarial (gains) / losses	(4)	1	(17)	(4)	(3)	-
Fair value of plan assets	(87)	-	-	-	-	-
Benefits paid	(1)	-	(10)	(3)	-	(21)
<b>Present value of DBO at the end of the year</b>	<b>122</b>	<b>37</b>	<b>105</b>	<b>160</b>	<b>17</b>	<b>92</b>
<b>Actuarial assumptions</b>						
Discount rate	7.46%	7.46%	7.46%	7.77%	7.77%	7.77%
Expected return on plan assets *	7.85%	-	-	-	-	-
Salary escalation	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Attrition	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Mortality tables	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)	IALM (2006-08)

### Experience adjustments

₹ in lakhs

Particulars	2015-2016	2014-2015	2013-2014	2012- 2013	2011- 2012
<b>Gratuity</b>					
Present value of DBO	122	160	113	78	39
Funded status [Surplus / (Deficit)]	(122)	-	-	-	-
Experience gain / (loss) adjustments on plan liabilities	(7)	-	-	-	-
Experience gain / (loss) adjustments on plan assets	(1)	-	-	-	-
<b>Compensated Absences</b>					
Present value of DBO	142	109	65	42	3
Fair value of plan assets	-	-	-	-	-
Funded status [Surplus / (Deficit)]	-	-	-	-	-
Experience gain / (loss) adjustments on plan liabilities	-	-	-	-	-
Experience gain / (loss) adjustments on plan assets	-	-	-	-	-

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors, such as supply and demand factors in the employment market

## Notes forming part of the financial statements

### Note 31 Disclosures under Accounting Standards (contd.)

#### 31.2.c Short Term Employee Benefit

The Company offers compensated absences in the nature of casual leaves to the employees which are fully considered as short-term employee benefits. The amount charged to Statement of Profit and Loss for the year was ₹3 lakhs (year ended 31 March, 2015 - ₹10 lakhs) and Short term compensated balances as at 31 March, 2016 was ₹5 lakhs (As at 31 March, 2015 - ₹2 lakhs)

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

**31.3(b)** The geographic segments individually contributing 10 per cent or more of the Company's revenues and segment assets are shown separately:

Geographic Segment	Revenues For the year ended 31 March, 2016	Segment assets As at 31 March, 2016	₹ in lakhs
			Capital expenditure incurred during the year ended 31 March, 2016
India	48,485	48,502	796
	(48,415)	(31,818)	(276)
Others	636	73	-
	(143)	(33)	(-)

Note: Figures in bracket relates to the previous year / as at 31 March, 2015

#### 31.4 Related party transactions

##### 31.4.a Details of related parties:

Description of relationship	Names of related parties
Holding Company	Pennar Industries Limited
Key Management Personnel (KMP)	Nrupender Rao - Chairman PV Rao - Managing Director Aditya N Rao - Vice Chairman Shrikant Bhakkad - Chief Financial Officer
Relatives of KMP	J Rajyalakshmi (Wife of Nrupender Rao) Avanti Rao & Arathi Rao (Daughters of Nrupender Rao) Usha Ramani (Wife of PV Rao) D Sudeepa Rao (Wife of Aditya N Rao)
Fellow subsidiary	Pennar Enviro Limited (formerly Pennar Chemical Limited) New Era Enviro Ventures (Karimnagar) Private Limited
Company in which KMP / Relatives of KMP have significant influence:	Thapati trading private limited (formerly Pennar Management Services Limited) Pennar Solar Limited Saven Technologies Limited

Note: Related parties have been identified by the Management.

## Notes forming part of the financial statements

### Note 31 Disclosures under Accounting Standards (contd.)

31.4.b Details of related party transactions For the year ended 31 March, 2016 and balances outstanding As at 31 March, 2016:

₹ in lakhs

Particulars	Holding Company	KMP	Pennar Enviro Limited	New Era Enviro Ventures (Karimnagar) Private Limited	Saven Technologies Limited
<b>Transaction during the year</b>					
Purchase of goods	2,614	-	-	-	-
	(3,649)	(-)	(-)	(-)	(-)
Sale of goods	8	-	-	866	-
	(134)	(-)	(-)	(-)	(-)
Purchase of fixed assets	-	-	-	-	-
	(5)	(-)	(-)	(-)	(-)
Rendering of services	-	-	-	229	-
	(1)	(-)	(-)	(-)	(-)
Receipt of services	104	-	-	-	10
	(60)	(-)	(-)	(-)	(1)
Reimbursement of Rent and other expenses	122	-	1	-	-
	(154)	(-)	(-)	(-)	(-)
Rent deposit received	-	-	-	-	-
	(62)	(-)	(-)	(-)	(-)
Intercorporate deposits given	-	-	1,350	-	-
	(-)	(-)	(-)	(-)	(-)
Guarantees and collaterals	33,500	28,500	-	-	-
	(21,568)	(21,568)	(-)	(-)	(-)
<b>Remuneration to KMP</b>					
P V Rao*	-	122	-	-	-
	(-)	(121)	(-)	(-)	(-)
Aditya N Rao	-	15	-	-	-
	(-)	(19)	(-)	(-)	(-)
Shrikant Bhakkad*	-	39	-	-	-
	(-)	(36)	(-)	(-)	(-)
<b>Balances outstanding as at</b>					
Trade and other receivables	79	-	-	-	-
	(89)	(-)	(3)	(-)	(-)
Unbilled revenue receivable	-	-	-	229	-
	(-)	(-)	(-)	(-)	(-)
Other receivables	445	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Loans and advances	1,910	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Intercorporate deposits given	-	-	1,350	-	-
	(-)	(-)	(-)	(-)	(-)
Provision for doubtful advances	-	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Trade and other payables	67	-	-	-	4
	(136)	(3)	(-)	(-)	(-)
Advance from customers	-	-	-	247	-
	(-)	(-)	(-)	(-)	(-)
Rent deposit	76	-	4	-	-
	(76)	(-)	(4)	(-)	(-)
Guarantees and collaterals	33,500	28,500	-	-	-
	(21,568)	(21,568)	(-)	(-)	(-)

Note: Figures in bracket relates to the previous year / as at 31 March, 2015

\* Does not include provision for gratuity and compensated absences

## Notes forming part of the financial statements

### Note 31 Disclosures under Accounting Standards (contd.)

#### 31.5 Details of leasing arrangements

Particulars	₹ in lakhs	
	As at 31 March, 2016	As at 31 March, 2015
a As Lessor		
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.		
b As Lessee:		
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
	1,220	1,220

#### Note

- a) Rent includes lease rental recognized in Statement of Profit and Loss for the year ₹84.14 lakhs (2014-15 ₹30.14 lakhs)  
b) Aggregate operating lease income amounting to ₹68.74 lakhs (2014-15 ₹11.14 lakhs ) has been net off with rent expense.

### Note 32 Deferred tax (liability) / asset

Particulars	₹ in lakhs	
	As at 31 March, 2016	As at 31 March, 2015
Tax effect of items constituting deferred tax liability		
On difference between book balance and tax balance of fixed assets	652	633
Tax effect of items constituting deferred tax liability	652	633
Tax effect of items constituting deferred tax assets		
Provision for compensated absences and gratuity benefits	93	94
Provision for doubtful debts / advances	152	123
Straightline lease rent	23	2
Tax effect of items constituting deferred tax assets	268	219
<b>Net deferred tax liability</b>	<b>(384)</b>	<b>(414)</b>

### Note 33 Capitalisation of expenditure

Particulars	₹ in lakhs	
	For the year ended 31 March, 2016	For the year ended 31 March, 2015
Expenses disclosed under the respective notes are net of the following amounts capitalised by the Company under the buildings and plant and machinery blocks of fixed assts.		
Cost of materials consumed	89	24
Employee benefits expense	4	1
Other expenses	16	6
Depreciation and amortisation expense	2	-
<b>Total</b>	<b>111</b>	<b>31</b>

## Notes forming part of the financial statements

### Note 34

The Company approved the "Employee Stock Option Scheme 2014" for all eligible employees in pursuance of the special resolution approved by the share holders in Extra Ordinary General Meeting held on 11 November, 2014. Under the said scheme the number of options to be granted are 1,000,000 (March 31, 2015 - 1,000,000). The options are yet to be granted to eligible employees. Upon grant to the employees, vesting of shares, vesting period, exercise period and price will be computed.

Each option holder entitled to apply for and be allotted one ordinary share of ₹10 each upon payment at the exercise price.

### Note 35

In accordance with the requirements of component accounting of fixed assets as per Schedule II to the Companies Act, 2013, the Company has identified and accounted for the components of fixed assets during the current year. Consequently, the depreciation on such components aggregating ₹16 lakhs (March 31, 2015 - ₹ Nil) has been charged in the Statement of Profit and Loss.

### Note 36

Tax expenses for the year ended March 31, 2016 includes tax for earlier years of ₹185 lakhs (March 31, 2015 - ₹ Nil).

### Note 37

During the previous year, pursuant to the transition provisions prescribed in Schedule II to the Companies Act, 2013, the Company had fully depreciated the carrying value of assets, net of residual value, where the remaining useful life of the asset was determined to be ₹ nil as on April 1, 2014, and has adjusted an amount of ₹11 lakhs (net of deferred tax of ₹5.6 lakhs) against the opening balance in the Statement of Profit and Loss under Reserves and Surplus.

The depreciation expense in the Statement of Profit and Loss for the previous year was higher by ₹118 lakhs consequent to the change in the useful life of the assets.

### Note 38

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification.

For and on behalf of the Board of Directors

PV Rao  
*Managing Director*

Aditya N Rao  
*Vice Chairman*

Subhash Kishan K  
*Company Secretary*

Shrikant Bhakkad  
*Chief Financial Officer*

Place : Hyderabad  
Date : 16 May, 2016





## Pennar Engineered Building Systems Limited

**Registered Office:** 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084

**Tel No.:** 040 4021 0525/26, **Fax:** 040 4018 6992, **E-Mail id:** cs@pebspennar.com

**Website:** www.pebspennar.com, **Corporate Identification No.:** L45400TG2008PLC057182

### 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 8th Annual General Meeting held on Friday, the 30th September, 2016 at 09.30 a. m. at Hotel Radisson, 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 Engineered Building Systems Limited

**Registered Office:** 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084

**Tel No.:** 040 4021 0525/26, **Fax:** 040 4018 6992, **E-Mail id:** cs@pebspennar.com

**Website:** [www.pebspennar.com](http://www.pebspennar.com), **Corporate Identification No.:** L45400TG2008PLC057182

### E-Mail Communication Registration Form

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.

1.	Registered Folio No. / DP ID No. & Client ID No. (applicable to investors holding shares in electronic form)	
2.	Name & Address of the Sole/ First named Shareholder as registered with the Company	
3.	Name(s) of the joint Shareholder(s), if any, registered with the Company	
4.	Registered Address	
5.	Email Id (to be registered)	

I/We shareholder(s) of Pennar Engineered Building Systems Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail id in your records for sending communication through e-mail. This form can also be downloaded from the official website of the Company viz [www.pebspennar.com](http://www.pebspennar.com)

Date: .....

Signature:.....

**Note:**

Shareholder(s) are requested to keep the Company informed as and when there is any change in the e-mail address



# Form No. MGT 11

## Proxy Form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]



Pennar Engineered Building Systems Limited

**Registered Office:** 9th Floor (West Wing), DHFLVC Silicon Towers, Kondapur, Hyderabad - 500 084

**Tel No.:** 040 4021 0525/26, **Fax:** 040 4018 6992, **E-Mail id:** cs@pebspennar.com

**Website:** www.pebspennar.com, **Corporate Identification No.:** L45400TG2008PLC057182

Name of the Member(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 8th Annual General Meeting of the Company to be held on Friday, the 30th September, 2016 at 09.30 a. m. at Hotel 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 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. Nrupender Rao (DIN: 00089922) who retires by rotation and being eligible offers himself for re-appointment.		
3.	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		
4.	Ratification of appointment of Auditors.		
<b>Special Business:</b>			
5.	Ratification of Remuneration to Cost Auditor		
6.	To confirm the appointment of Mr. C Parthasarathy (DIN: 00079232) as Director who was appointed as an Additional Director		
7.	To appoint Mr. C Parthasarathy (DIN: 00079232) as an Independent Director		
8.	To confirm the appointment of Mr. Mukul Gulati (DIN: 00746183) as Director who was appointed as an Additional Director		
9.	To approve material related party transaction.		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

Signature of the Member

Signature of the Proxy Holder(s)

Affixing  
Revenue  
Stamp

**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.
- vi. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights.
- vii. For the Resolutions, Statement setting out material facts thereon and notes please refer to the Notice of the 8th Annual General Meeting.





# Corporate Information

## Board of Directors

Mr. Nrupender Rao – Non- Executive Chairman  
Mr. Aditya Rao - Non-Executive Vice Chairman  
Mr. Mukul Gulati - Non-Executive Director  
Mr. C Parthasarathy - Independent Director  
Mr. B Kamalaker Rao - Independent Director  
Mr. Manish Sabharwal - Independent Director  
Mr. Varun Chawla - Independent Director  
Dr. Sita Vanka - Independent Director  
Mr. P V Rao - Managing Director

## Key Managerial Personnel

### Chief Financial Officer

Mr. Shrikant Bhakkad

### Company Secretary & Compliance Officer

Mr. Subhash Kishan Kandrapu

## Statutory Auditors

M/s. Deloitte Haskins & Sells  
Chartered Accountants  
1-8-384 & 385, 3rd Floor, Gowra Grand, S.P. Road,  
Begumpet, Secunderabad - 500 003, Telangana, India

## Internal Auditors

M/s. R Krishna & Associates  
Chartered Accountants  
Flat No.501, Indra Dhanush Pavani Estates,  
Road No.2, Banjara Hills, Hyderabad-500 034

## Cost Auditors

M/s. DZR & Co  
Cost Accountants  
104, Praveen Residency, H No 2-2-14/2/104,  
Durgabai Deshmukh Colony  
Hyderabad - 500 007

## Plant

Pennar Engineered Building Systems Limited  
Chandapur Village, Sadasivpet Mandal, Medak (Dist)

## Registered Office Address

9th Floor (West Wing), DHFLVC Silicon Towers,  
Kondapur, Hyderabad - 500 084  
CIN: L45400TG2008PLC057182

## Registrar and Transfer Agents

M/s. Karvy Computershare Private Limited  
Karvy Selenium Tower B, Plot No. 31 & 32 Gachibowli,  
Financial District, Nanakramguda, Seriligungallu,  
Hyderabad - 500 008

## Bankers

State Bank of India  
Axis Bank Limited  
Yes Bank Limited

## Secretarial Auditor

S. Chidambaram  
Practicing Company Secretary  
Flat No.4A, Sampathji Apartments,  
6-3-85510/A, Saddat Manzil, Ameerpet,  
Hyderabad - 500016



SHAPING YOUR IMAGINATION

**REGISTERED OFFICE:**

9th Floor (West Wing), DHFLVC Silicon Towers,  
Kondapur, Hyderabad - 500 084  
CIN: L45400TG2008PLC057182