



19<sup>th</sup> ANNUAL REPORT 2007-08



THE SERVICE INSURANCE  
SUJANA METAL PRODUCTS LIMITED



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

CHAIRMAN : SHRI Y.S. CHOWDARY

MANAGING DIRECTOR : SHRI R.K.BIRLA

DIRECTORS : SHRI G.SRINIVASA RAJU  
SHRI S.HANUMANTHA RAO  
SHRI J. RAMAKRISHNAN\*  
Dr. K.SRINIVASA RAO\*  
Dr. V.MALAKONDA REDDY\*  
SHRI K.KAMESWARA RAO\*  
SHRI S.RAMACHANDRAN\*  
SHRI N.SRIKRISHNA\*

\* Independent, Non-Executive Directors

### MANAGEMENT COMMITTEE

: SHRI Y.S.CHOWDARY  
SHRI G.SRINIVASA RAJU  
SHRI R.K.BIRLA  
SHRI S.HANUMANTHA RAO

### AUDIT COMMITTEE

: SHRI N.SRIKRISHNA  
SHRI S.HANUMANTHA RAO  
DR.K.SRINIVASA RAO  
DR.V.MALAKONDA REDDY  
SHRI K.KAMESWARA RAO

### SHARE TRANSFER COMMITTEE

: SHRI Y.S.CHOWDARY  
SHRI G.SRINIVASA RAJU  
SHRI R.K.BIRLA

### SHAREHOLDERS' GRIEVANCES COMMITTEE

: SHRI S.HANUMANTHA RAO  
SHRI Y.S.CHOWDARY  
SHRI G.SRINIVASA RAJU

### REMUNERATION COMMITTEE

: DR.K.SRINIVASA RAO  
SHRI J.RAMAKRISHNAN  
Dr. V.MALAKONDA REDDY

### COMPANY SECRETARY

: SHRI SHAIK IBRAHEEM

### AUDITORS

: M/S.DELOITTE HASKINS & SELLS  
CHARTERED ACCOUNTANTS,  
HYDERABAD.

# SUJANA METAL PRODUCTS LIMITED

<b>BANKERS</b>	:	BANK OF BARODA BANK OF INDIA INDIAN OVERSEAS BANK INDIAN BANK KARNATAKA BANK LIMITED LAKSHMI VILAS BANK LIMITED PUNJAB NATIONAL BANK STATE BANK OF PATIALA SBI FACTORS AND COMMERCIAL SERVICES (P) LTD.
<b>FINANCIAL INSTITUTIONS</b>	:	IDBI BANK LIMITED IFCI LIMITED
<b>REGISTERED OFFICE</b>	:	SURVEY NOS.296/7/9, IDA BOLLARAM, JINNARAM MANDAL, MEDAK DIST, A.P.
<b>PLACE OF KEEPING THE BOOKS OF ACCOUNTS U/S.209 OF THE COMPANIES ACT, 1956</b>	:	NO.18, NAGARJUNA HILLS, PUNJAGUTTA, HYDERABAD - 500 082.
<b>WORKS</b>	:	<b>HYDERABAD DIVISION:</b> (i) SURVEY Nos.296/7/9, (ii) SURVEY Nos.296/7/7, I.D.A.BOLLARAM, JINNARAM MANDAL, MEDAK DIST, A.P.  <b>CHENNAI DIVISION :</b> MANJANKARANAI VILLAGE, CHENGAI M.G.R. DIST., TAMILNADU.  <b>VISAKHAPATNAM DIVISION :</b> SANIVADA VILLAGE, RAJEEVNAGAR, VISAKHAPATNAM - 530 046.
<b>LISTING</b>	:	BOMBAY STOCK EXCHANGE LIMITED, PHIROZE JEEJEEBHOY TOWERS, DALAL STREET, MUMBAI - 400 001.  THE MADRAS STOCK EXCHANGE LTD, EXCHANGE BUILDING, P.BOX 183, 11, 2ND LINE BEACH, CHENNAI - 600 001.  HYDERABAD STOCK EXCHANGE LTD, 6-3-654, ADJACENT TO ERRAMANZIL BUS STOP, SOMAJIGUDA, HYDERABAD - 500 082.
<b>REGISTRAR &amp; SHARE TRANSFER AGENTS</b>	:	M/S BIGSHARE SERVICES PVT. LTD., G-10, LEFT WING,AMRUTHA VILLE, OPP: YASHODA HOSPITAL, RAJ BHAVAN ROAD, SOMAJIGUDA, HYDERABAD - 500 082. PHONE NO: 040 - 2337 4967





## NOTICE

*NOTICE is hereby given that the Nineteenth Annual General Meeting of the members of the Company will be held on Friday, 27th day of February, 2009 at Plot Nos.10, 11 & 12, Survey No.172, Bollaram Village, Jinnaram Mandal, Medak District, Andhra Pradesh at 11.30 A.M. to transact the following business:*

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet of the Company as at 30th September, 2008 and the profit and loss account for the period ended 30th September, 2008 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri K.Kameswara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri J.Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and fix their remuneration. The retiring auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad are eligible for re-appointment.

### SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:

"RESOLVED THAT Shri N.Srikrishna, who was appointed as an Additional Director of the Company with effect from 28th January, 2008 and holds office upto the date of this Annual General Meeting of the Company, be and is hereby appointed as a Director of the Company under Section 257 of the Companies Act, 1956 who shall be liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, if necessary, Shri R.K.Birla, Managing Director of the Company be and is hereby re-appointed as Managing Director of the Company for a period of 5(Five) years commencing from 28.01.2008, until otherwise decided."

"RESOLVED FURTHER that Shri S.Hanumantha Rao, Director and Shri Shaik Ibraheem, Company Secretary of the Company be and are hereby severally authorized to file necessary forms with Registrar of Companies, to complete all the formalities and compliances and to do all such acts, deeds and things as may be necessary in this regard."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of Central Government, if necessary, Shri R.K.Birla, Managing Director's remuneration be fixed on the following terms and conditions, with effect from 01.11.2007 for the balance period of tenure of his office:

Salary	:	Rs.5,00,000/- per month
H.R.A.	:	Rs.1,00,000/- per month
TOTAL	:	Rs.6,00,000/- per month

"RESOLVED FURTHER that Shri S.Hanumantha Rao, Director and Shri Shaik Ibraheem, Company Secretary of the Company be and are hereby severally authorized to file necessary forms with Registrar of Companies, to complete all the formalities and compliances and to do all such acts, deeds and things as may be necessary in this regard."

**BY ORDER OF THE BOARD**

PLACE: HYDERABAD  
DATE: 29.01.2009

**Y.S. CHOWDARY**  
CHAIRMAN

# SUJANA METAL PRODUCTS LIMITED

## NOTES:

1. *A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES DULY STAMPED AND SIGNED MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FOR HOLDING THE MEETING.*
2. Members/Proxies are requested to bring along with them Annual Reports being sent to them.
3. The Share transfer books and Register of Members of the Company will remain closed on 26.02.2009 (One day only).
4. The Register of Directors' Shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection at the venue of the Annual General Meeting of the Company during the Annual General Meeting. The Register of Directors' Shareholding is also available for inspection of the Members at the registered office of the Company, fourteen days before and three days after, the date of the Annual General Meeting of the Company.
5. The registration of share transfers and other related correspondence will be dealt with by the Company at M/s. Bigshare Services Private Limited of Mumbai, having its branch office at G-10, Left Wing, Amruta Ville, Opp: Yashoda Hospital, Raj Bhavan Road, Somajiguda, Hyderabad - 500 082.
6. Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is enclosed.

### **EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956:**

#### **Item No.5:**

Shri N.Srikrishna was appointed as an Additional Director of the Company at the Meeting of Board of Directors of the Company held on 28th January, 2008 who holds office up to the date of the ensuing Annual General Meeting of the Company.

Shri N.Srikrishna is a Fellow Member of the Institute of Chartered Accountants of India. Shri N.Srikrishna is in the profession of Chartered Accountancy for the last 22 years and is a Partner in M/s Brahmaiah & Co., Chartered Accountants, Chennai for a period of 15 years. He handled many Corporate Audits including audits of large manufacturing companies, NBFCs, Technology Companies, Housing Finance Companies, consultancy assignments, risk assessments, corporate taxation of large Corporates, Public Sector Undertakings, investigations on behalf of Public Sector Banks etc. Thus, his presence on the Board will be highly beneficial to the Company.

Notice required under Section 257 of the Companies Act, 1956 together with the requisite deposit has been received from a member proposing the appointment of Shri. N.Srikrishna as Director. The said notice and the Memorandum and Articles of Association of the Company are available for inspection at the Registered Office of the Company on any working day.

Therefore, your Directors recommend the resolution for your approval.

None of the Directors of the Company except Shri N.Srikrishna is concerned or interested in the aforesaid resolution.

#### **Item No.6 and 7:**

Shri R.K.Birla, was re-appointed as Managing Director of the Company for a period of 5 years with effect from 28.01.2008. Shri R.K.Birla is an able and efficient person to shoulder the responsibilities and duties of the Managing Director of the Company. Shri R.K.Birla did his Bachelor Degree Course in arts and Master of Business Administration (MBA) from BITS, Pilani.

In accordance with the provisions of Sections 198, 269 and 309 of and Schedule XIII of the Companies Act, 1956, approval of shareholders is required for the appointment of Managing Director and for enhancement of his remuneration with effect from 01.11.2007 till the expiry of his tenure of office on 27.01.2013.



## DIRECTORS' REPORT

Therefore, Your Directors recommend the resolution for your approval.

None of the Directors except Shri R.K.Birla is interested or concerned in the aforesaid resolution.

BY ORDER OF THE BOARD

PLACE: HYDERABAD  
DATE: 29.01.2009

Y.S. CHOWDARY  
CHAIRMAN

Additional Information pursuant to Clause 49 of the Listing Agreement :

**Brief profile of Shri K.Kameswara Rao, Director, who retires by rotation and is eligible for re-election.**

Shri K.Kameswara Rao has been on the Board of Directors since 30th January, 2006.

Shri K.Kameswara Rao had banking experience of 38 years at various senior levels. He retired from State Bank of India as Chief General Manager and held various responsible positions in the fields of General Banking, Credit, Treasury etc.

**Brief profile of Shri J.Ramakrishnan, Director, who retires by rotation and is eligible for re-election.**

Shri J.Ramakrishnan has been on the Board of Directors since 25th July, 1995.

Shri J.Ramakrishnan, retired as Principal Collector, Central Excise and Customs Department. He is having over 30 years of experience in Central Excise and Customs Department.

Shri J.Ramakrishnan, presently holding the position of Director in Sujana Universal Industries Limited.

Dear Members,

Your Directors have pleasure in presenting you the Nineteenth Annual Report of your Company together with the Audited Accounts for the year ended 30th September, 2008 comprising of 15 months from 01.07.2007 to 30.09.2008.

### Company's Performance:

Your Directors hereby report that the Company has achieved a turnover of Rs. 187782.29 lakhs upto 30.09.2008 consisting of fifteen (15) months, as against the turnover of Rs. 75092.06 lakhs during the previous financial year ended 30.06.2007 consisting of twelve (12) months.

*The highlights of the financial results are as follows:*

	(Rupees in Lakhs)	
	2007-2008 (15 Months)	2006-2007 (12 Months)
Operating profit before depreciation & interest	11801.40	7316.49
Interest	4465.99	2401.63
Depreciation	2202.82	1512.96
Operating profit after depreciation and interest	5132.59	3401.90
Other Income	348.44	92.30
Profit before tax	5481.04	3494.22
Provision for tax	2399.22	1195.13
Profit before extra-ordinary items	3081.81	2299.09
Extraordinary items	740.71	0.00
Profit after extraordinary items	3822.52	2299.09
Add :Profit brought forward	6259.85	4002.09
Profit available for appropriation	10082.37	6301.17

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## Review of Operations:

Growth in Revenue and Profit During the year under review, your company recorded a total income of Rs.189563.24 lakhs, compared to Rs. 75184.35 lakhs in the previous financial year, which represents a 152.10% growth. The net profit for the year stands at Rs.3822.52 lakhs as compared to the net profit of Rs. 2299.08 lakhs in the previous year, which represents a 66.26% increase over previous year.

## Industrial Relations:

Your directors are happy to report that the Industrial Relations have been extremely cordial at all levels throughout the year.

## Allotment of 80,83,000 equity shares of Rs.5/- each of the Company on preferential basis to promoters and Non-Promoters:

In pursuance of special resolution passed by the members of the Company in the 18th Annual General Meeting held on 31.12.2007, to issue 80,83,000 Equity shares of Rs.5/- each at a price determined as per the provisions of SEBI (Disclosure and Investor Protection) Guidelines 2000, of Rs.36/- per share to the existing members of the Company and/or Promoters or Promoter Group members and/or non-promoters for the purpose of acquiring industrial undertakings manufacturing and dealing in steel products and for general corporate purposes, the Company allotted 80,83,000 equity shares of Rs.5/- each to the promoters & Non-promoters on 28.01.2008 and subsequently listed in BSE.

The proceeds of the issue have been utilized for the purpose for which they have been raised.

## Allotment of 6,05,00,000 convertible warrants of Rs.5/- each at a price of Rs.36/- per warrant to the promoters and promoter group:

In pursuance of special resolution passed by the members of the Company in the 18th Annual General Meeting held on 31.12.2007, to issue 6,05,00,000 convertible warrants of Rs.5/- each at a price determined as per the provisions of SEBI (Disclosure and Investor Protection) Guidelines 2000, of Rs.36/- per share to the Promoters and Promoter Group, the Company allotted 6,05,00,000 Convertible

Warrants to the promoters & promoter group on 28.01.2008. These warrants are compulsorily convertible into equity shares within a period of eighteen months from the date of allotment i.e., 28.01.2008.

During the year under review, 32,00,000 warrants out of 6,05,00,000 warrants had been converted into 32,00,000 equity shares of Rs.5/- each of the Company and subsequently listed in BSE.

The proceeds of the issue have been utilized for the purpose for which they have been raised.

## Subsidiary Companies:

### *M/s Alpha Ventures Limited:*

M/s Alpha Ventures Limited, is a wholly owned subsidiary company incorporated on 6th March, 2007 in Cayman Islands for carrying on any business / activity of trading in different commodities which is not prohibited by the Company's Law (2004 Revision) or as the same may be revised from time to time, or any other law of Cayman Islands.

As per the law prevailing in Cayman Islands, Financial Statements of M/s Alpha Ventures Limited are not required to be audited. Therefore, Audited accounts, Directors' report, Auditors' report and other related information of M/s Alpha Ventures Limited could not be annexed as per Section 212 (1) of the Companies Act, 1956.

### *M/s Asian Tide Enterprises Limited:*

M/s Asian Tide Enterprises Limited, is a wholly owned subsidiary company incorporated on 3rd July, 2007 in Hong Kong for carrying on the business of trading of goods and services with accent on procuring raw materials (in bulk) for manufacturing activities of the Company (melting scarp for its rolling division) and sale surplus in the market.

Your Company's Financial Year is not coinciding with the Financial Year of M/s Asian Tide Enterprises Limited. M/s Asian Tide Enterprises Limited has carried on the business transactions from the date of the incorporation.

The financial statements of M/s Asian Trade Enterprises Limited are yet to be audited for its first financial year and therefore audited

accounts, Directors' report, Auditors' report and other related information could not be annexed as per Section 212 (1) of the Companies Act, 1956.

***M/s Glade Steel Private Limited:***

M/s Glade Steel Private Limited is a wholly owned subsidiary company incorporated on 2nd May, 2005 in Andhra Pradesh for carrying on the business as manufacturers, producers sellers, dealers etc in Steel, Iron and Alloys in all forms and all by-products and joint products thereof. The 100% shareholding of this Company has been acquired by making an investment of Rs.6,74,51,400/-

Audited financial statements, Directors' Report and Auditors' Report of **M/s. Glade Steel Private Limited** for the financial year ended 31.03.2008 pursuant to Section 212(1) are given from page no.62 to page no.73 and forming part of this Report.

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 relating to Subsidiary Companies, as at 30th September, 2008, is also annexed to this Report.

**Consolidated Financial Statements:**

The Consolidated Financial Statements of the Company and its subsidiaries, prepared and presented in accordance with Accounting Standard (AS) 21, are attached to and form part of the Annual Report.

**Acquisitions:**

During the period, the Company acquired an operating unit from Sarita Steel and Industries Limited, Rajam, Anthakapalli Village, Andhra Pradesh, on 'slump sale basis'. As part of this acquisition, the Company has taken over the outstanding dues of Rs.2170 Lakhs payable to SASF (Stressed Assets Stabilization Fund) , a division of IDBI. SASF as approved their letter dated July 9, 2008.

**Corporate Governance:**

A report on Corporate Governance along with Practising Company Secretary certificate on compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement, is provided elsewhere in the Annual Report.

Management Discussion and Analysis Report:

Management Discussion and Analysis Report is provided elsewhere in the Annual Report.

**Directors:**

Shri N.Srikrishna has been appointed as an Additional Director with effect from 28.01.2008. Shri N.Srikrishna holds office upto the date of the ensuing Annual General Meeting. Notice has been received from a Member, under Section 257 of the Companies Act, 1956, proposing the name of Shri N.Srikrishna for appointment as Director liable to retire by rotation.

Shri K.Kameswara Rao and Shri J.Ramakrishnan, Directors of the Company, are liable to retire by rotation in the forthcoming Annual General Meeting of the Members of the Company and being eligible offers themselves for reappointment.

**Directors' Responsibility Statement:**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating management, confirm that-

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b. that 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 or loss of the company for that period;
- c. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- d. That they have prepared the annual accounts on a going concern basis.

**Code of conduct**

The Board has laid down a Code of Conduct for all Board Members and Senior Management



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of the Company. The Code of Conduct has been posted on the Company's website. Board Members and Senior Management personnel have affirmed compliance with the Code for the financial year 2007-08. A separate declaration to this effect is made out in the Corporate Governance Report.

## Promoter Group Companies:

Pursuant to intimation from promoters, names of Promoters and companies comprising the "Group" as defined in the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969, have been disclosed on page no.18 in the Annual Report.

## Statutory Auditors:

The Company's Statutory Auditors M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad, who retire at the ensuing Annual General Meeting of your Company, being eligible offers themselves for reappointment.

Your Board of Directors recommended the appointment of M/s. Deloitte Haskins & Sells, Chartered Accountants, Hyderabad, as Statutory Auditors of your Company. Your approval for such appointment is solicited.

## Personnel

The relations with employees continued to be cordial throughout the year. The Board appreciates the willful co-operation and team spirit in the Management Cadre and other employees of the Company.

Information required to be furnished under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed to this report.

## Human Resource Management:

With the size of expansion going in the Company, human resources assume greater importance and have a significant place in the Organizational Structure. Your Company has been able to create a favorable work environment that encourages innovation and meritocracy. Your Company has put in place a scalable recruitment and human resource

management. The efforts of your Company in the area of employee management and HR practices have been proved effective in Human Resource Management. Emphasis is given to the overall development of the personality of individual employee. Welfare schemes for employees and their families are run in the factories.

## Dividend

The Board of Directors of your Company has recommended dividend of 1% on 35,31,625 Cumulative Redeemable Preference Shares of Rs.100/- each to the holders of Cumulative Redeemable Preference Shares for the year under review as per the terms of issue of Cumulative Redeemable Preference Shares.

## Quality

High quality standards are maintained in all areas and review of the same is also made constantly in view of the rapid changes that are taking place in the global markets.

## Insurance

All the properties and insurable assets of the Company, including Building, Plant and Machinery, Stocks etc., wherever necessary and to the extent required, have been adequately covered.

## Listing of Company's Securities:

Your Company's shares are currently listed on Hyderabad, Bombay and Madras Stock Exchanges.

## Dematerialization of Shares:

Your Company shares have been made available for dematerialization through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSIL).

## Fixed Deposits:

The Company has not accepted any fixed deposits and the provisions of Section 58A of the Companies Act, 1956 are not applicable.

**Conservation of Energy, Research and Development, Technology Absorption, Foreign Exchange Earnings and Outgo:**

The details regarding Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo as required by section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the particulars in the report of the Board of Directors) Rules, 1988 are given in the Annexure 1 and forms part of this report.

**Explanations to qualifications in Auditors' Report:**

**Comments on Company Statutory Auditor's remarks for the year 2007-08:**

The Statutory Auditors of the Company 'M/s Deloitte Haskins & Sells' have made the following comments in their report on the Company.

**1. Auditors Comments:**

Paragraph (ix) (a) in Annexure to the Audit Report, "Delays in deposit of provident fund dues, employee state insurance dues, taxes deducted at source, advance payment of taxes and wealth tax, the company has been regular in depositing undisputed statutory dues including investor education and protection fund, customs duty, excise duty, cess, service tax and any other material statutory dues applicable to it with the appropriate authorities during the year".

**Company Explanation:**

The delay in payment of statutory dues are not regular and the delay is due to non remittance on due dates in some occasions. However, the company has cleared all the statutory dues in time with necessary late payment fee and the company has taken appropriate steps to avoid delay in future.

**2. Auditors Comments:**

Paragraph (ix) (b) in Annexure to the Audit Report "details of undisputed amounts payable in respect of investor education and protection fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and any other material statutory dues which were in arrears as at September 30, 2008 for a period of more than six months from the date they became payable are given below"

Nature of Statute	Nature of Dues	Amount	Period to which the amount relates	Due Date	Date of Payment
Income Tax Act, 1961	Income Tax and Fringe Benefit Tax	90,145,576	1999-2008	July, September December and March of the each year	Not Paid

**Company Explanation :**

The company is in the process of reconciling the differences in the amounts payable to the Income Tax Department in the previous year. As per the company's claim certain refunds are pending with the Income Tax department. However, an amount of Rs 78.71 Lakhs has has been remitted after the date of the Balance Sheet.

**3. Auditors Comments:**

Paragraph (ix) (c) in Annexure to the Audit Report "details of dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited as on March 31, 2008 on account of any dispute are given below"

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Name of the Statute	Financial Year to which matter pertains	Amount ( Rupees)	Forum where matter is pending
Central Excise Act, 1944	1998-1999	35,456,266	CESTAT
Customs Act, 1962	1998-1999	28,928,336	CESTAT
FERA, 1973	1995-1996	40,000,000	High Court of Andhra Pradesh
APGST Act, 1957	2002-2005	246,275,639	High Court of Andhra Pradesh

## Company Explanation :

As the liabilities are disputed and the matters are pending with the respective statutory bodies, the company has not remitted the same. However, the same were disclosed as contingent liabilities in the notes on accounts.

## 4. Auditors Comments:

Paragraph (xi) in Annexure to the Audit Report “there have been delays in repayment of dues to a bank. Such delays have been summarized below indicating the maximum amount of delay and the maximum period, with the period and corresponding amount reflected against each”.

Lender	Maximum amount of Default (Rs.)	Period (Days)	Amount (Rs.)	Maximum Period of Defaults (Days)	Remarks
IDBI Bank Limited	24056644	4	22,463,243	51	Total outstanding has been paid on April 30, 2008 and on same day obtained no dues certificate
Industrial Investment Bank of India Limited	15757500	7	11335000	555	
Stressed Assets Stabilization Fund (a Division of IDBI)	14,330,775	—	—	91	SASF in principle agreed to convert as equity before February 28, 2009 on December 4, 2008.

## Company Explanation :

The Company is regular in payment of interest and installments except in few occasions. The delay is ranging from 3 days to maximum 51 days. In case of liability to SASF, the repayment starts from 1<sup>st</sup> October 2009 as per the revised sanction letter dated 04<sup>th</sup> December 2008.

## Appreciations:

The Board of Directors of the Company extends their sincere appreciation to the Government, Bankers, Financial Institutions and others for their kind support. On behalf of the company, the Board of Directors thanks the Employees for their valuable efforts and the shareholders for their undaunted faith in the company.

BY ORDER OF THE BOARD

PLACE: HYDERABAD  
DATE: 29.01.2009

Y.S. CHOWDARY  
CHAIRMAN

## Annexure to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1976 and forming part of the Directors' Report for the period ended 30th September, 2008

Name of the Employee	Age	Designation	Remuneration Received (Rs in lakhs)	Qualifications	Experience (In Years)	Date of Commencement of Employment	Last employment held
R.K. Birla	57 years	Managing Director	89.16	Bachelor Degree Course in arts and Master of Business Administration (MBA) from BITS Pilani	36 years	05.05.1992	Poddar Products Limited as Chief Executive

**Notes :**

- The Terms of employment of Shri R.K. Birla were approved by the members of the Company.
- The remuneration as shown above includes salary, house rent allowance and contribution to Provident Fund.
- Shri R.K. Birla is not a relative of any Director or Manager of the Company.

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

S. No.	Particulars	Glade Steel Limited	Asian Tide Enterprises Ltd	Alpha Ventures Limited
1	Financial Year of the Company	31.03.2008	31.03.2008	30.09.2008
2	(a) Number of Shares held by the Company at the end of the financial year of the Subsidiary Company	674514	1282	1000
	(b) Extent of interest of holding Company at the end of the financial year of the Subsidiary Company	100%	100%	100%
3	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary not dealt within the Company's Accounts			
	(a) for the financial year of the subsidiary - Profit /Loss	(46138440)	—	1839.61
	(b) For the previous financial years since it became subsidiary	(67124561)	—	—
4.	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary dealt within the Company's Accounts			
	(a) for the financial year of the subsidiary - Profit /Loss	—	—	—
	(b) For the previous financial years since it became subsidiary	—	—	—

The Financial year of the Holding Company is not coinciding with the financial year of the subsidiary companies. The following information is provided under Section 212(5) of the Companies Act, 1956 in this regard.

- There is no change in the Holding Companies interest in the Subsidiary Companies between the end of financial year of the subsidiary companies and the end of the holding company's financial year (i.e.30.09.2008).



# SUJANA METAL PRODUCTS LIMITED

2. There are no material changes which have occurred between the end of financial year of the subsidiary companies and the end of the holding company's financial year (i.e.30.09.2008) in respect of (a) Subsidiary's Fixed Assets increased by Rs. 127,253,232 (b) its investments (c) the money lent by it (d) the money borrowed - decreased by Rs. 2,603,552.

BY ORDER OF THE BOARD

PLACE: HYDERABAD

DATE: 29.01.2009

Y.S. CHOWDARY

CHAIRMAN

## ANNEXURE - 1

Information as per Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

### A. CONSERVATION OF ENERGY:

- |   |   |
|---|---|
| a) Energy Conservation:   | To achieve the savings in energy consumption, the Company has taken steps to minimize the heat loss. The Company placed orders for gas fire equipment and also envisaging for furnace automation. |
| b) Additional investment and proposals if any, being implemented for reduction of consumption of energy:            | NIL   |
| c) Impact of the measures at (a) and (b) above for reduction of energy and consequent impact on cost of production: | Still under implementation  |
| d) Total energy consumption and energy consumption per unit of production:  | As per Form A.  |

### B. TECHNOLOGY ABSORPTION :

- |   |                |
|---|----------------|
| e) Efforts made in technology absorption: | As per Form B. |
|---|----------------|

### C. FOREIGN EXCHANGE EARNINGS & OUTGO:

- |   |   |
|---|---|
| f) Activities relating to export initiatives taken to increase exports, development of new export markets for products and services and export plans: | Initiating growth plan to expand in overseas Countries by establishing wholly owned subsidiary named Alpha Ventures Limited, Cayman Islands |
| g) Total foreign exchange earned and used:  | Earned: Rs.5813.95 Lakhs and Used for traveling and consultancy:Rs.34.36 Lakhs  |

**FORM A**  
(See Rule 2)

**A. PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:**

1. Electricity - purchased for manufacture of ingots and re-rolled products:

	2007-2008	2006-2007
Units (KWH)	42832105	11361493
Total amount (Rs.)	16,30,23,902	5,02,34,206
Rate/unit (Rs.)	3.81	4.42

**2. Coal**

Quantity (Tonnes)	5227.67	2607.46
Total Cost (Rs.)	94,53,433	68,15,368
Average Rate (Rs.)	1808.35	2613.79

**3. Furnace Oil**

Quantity (Ltr.)	10070225	---
Total Cost (Rs.)	26,20,90,966	---
Rate / Ltr. (Rs.)	26.03	---

**B. CONSUMPTION PER TONNE OF PRODUCTION**

Electricity (Kwh)	162.99	139.45
Coal (Tonnes)	0.02	0.22
Furnace Oil (Ltrs.)	38.32	29.50

2. *Benefits derived as a result of the above R&D:*

To improve elongation strength

3. *Future plan of Action:*

**Re-Rolling Unit I**

The products under development are construction steel with anti-corrosive treatment for coastal areas and re-rolled alloy steel products.

**Re-Rolling Unit II**

The products under development are Epoxy Coated Structured Steel Products, Ornamental Steel Sections and Pre-Fabricated Structural.

4. **Technology Absorption, Adoption and Innovation:**

1. Efforts in brief made towards technology absorption, adoption and Innovation :	NIL
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution :	NIL
3. In case of imported technology (imported during the last five years reckoned from the beginning of the financial year) following information may be furnished : a) Technology imported b) Year of import c) Has technology been fully absorbed If not fully absorbed, areas where this has not been taken place, reasons there of and future plans of action.	NIL

**FORM - B**

Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)

1. *Specific areas in which R&D carried out by the Company:*

In view of the changing business / market conditions for the re-rolling industry products, the management has taken decision to improve the quality of product of TMT by adopting new technology in quenching operations.

BY ORDER OF THE BOARD

PLACE: HYDERABAD  
DATE: 29.01.2009

Y.S. CHOWDARY  
CHAIRMAN

# SUJANA METAL PRODUCTS LIMITED

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management of Sujana Metal Products Limited presents its Analysis Report covering the performance and outlook of the Company.

### 1. INDUSTRY STRUCTURE & DEVELOPMENTS

#### General Economic Environment:

The world output grew by 4.9% in 2007, only marginally below the peak growth of 5% attained in 2006. While the growth rate of emerging and developing economies reached a peak of 7.9% in 2007, there was evidence of a deceleration in the growth of advanced economies at 2.7% compared to a growth of 3% in 2006. The reduction in growth was sharper for US at 2.2%, lowest in past 5 years, as fallout of the sub-prime crisis which affected the housing and the financial sectors.

With the sudden and sharp drop in market valuations of U.S. mortgage-backed securities in mid-2007, global markets have entered a phase of uncertainty. This has been reflected in increased volatility in equity markets, commodity prices, and exchange rates. Notwithstanding the increased volatility, the impact on developing countries has been relatively minor to date. Aggregate growth in developing countries continues to be strong, reflecting improved fundamentals in many countries and sizable revenues from commodity exports. Their strong gross domestic product (GDP) growth is partially offsetting weaker U.S. domestic demand, which was remained subdued well in 2008 also.

The impact of sub-prime crisis was comparatively less on China and India where the growth, although milder, will continue to be fairly good. In India containment of inflation and managing run away commodity price escalation is emerging as a bigger challenge. The GDP growth of 9.6% in 2006-07 has expected to be moderated to 9% in 2007-08. The growth in India in 2008-09 may come under further pressure due to a number of factors such as rupee depreciation, increase in the interest rates, containment of the overall liquidity as well as supply side factors such as unprecedented increase in oil prices. Increase in food and industrial raw materials prices have been a

cause of concern and a number of fiscal measures have been taken to augment supplies by reducing customs duty and imposing levy on exports.

Projections for the GDP growth for India in fiscal 2008-09 indicate a softening of growth process. But the moderation is expected to be relatively mild, with GDP growing between 8 to 8.5% under the influence of robust investment and good corporate governance and buoyancy in tax and savings rate.

India's global competitiveness (48<sup>th</sup>) compares well with those of the three other large emerging economies like China (34<sup>th</sup>), Russia (58<sup>th</sup>) and Brazil (72<sup>th</sup>) (Source:

World Economic Forum Annual Meet 2008). India has been moving towards

greater innovation capabilities. Once India expands its resource base further, it should be able to produce quality goods at low prices being a low cost economy with the high quality resource base.

Global crude steel output witnessed a growth of 7.5% in 2007 (IISI), scaling a level of 1343 million tonne. Of this the Asian Region alone accounted for 56%. Ten years ago it was 38% only. China still remains the main driver of world steel production. Without China world steel production would have grown by a mere 3.3%. US was the only major country with a negative growth in steel production in 2007. Total crude steel production of US was 97 million tonne, a 1.4% reduction from 2006.

2007 was another year of strong growth in steel demand, with global finished steel consumption reaching 1.2 billion tonne. The steel consumption was propped up by the BRIC nations (Brazil, Russia, India and China) which registered a growth of more than 13% for the year and accounted for more than 80% of the incremental steel consumption. Finished steel consumption in India and China grew by 11% and 13% respectively during 2007. China remains the largest single market and the strongest growth area. Apparent use of finished steel at 408 million tonne in China recorded an impressive 13% growth in 2007.

The global steel consumption continues to be buoyant with growth rates for 2008 and 2009 expected to exceed 6%. While sub-prime crisis will impact steel growth in US and EU regions, rest of the world is expected to remain unaffected. The prospect for steel over the medium term is bullish with finished steel consumption projected at a level of around 1.75 billion tonne by 2016(IISI estimate), a growth of 4% CAGR over the consumption level of 2007.

The BRIC countries will again be leading the growth with an expected increase of 11.1% for 2008 and 10.3% for 2009 (source: IISI). However, as steel demand growth increase in other emerging countries, the large gap in growth rate-that we have come to expect in recent times-between BRIC countries and the rest of the world (ROW) will narrow.

With rapid expansion in emerging countries, world crude steel making capacity grew by 7.4% or 108.3 million tonne to 1564 million tonne in 2007. The capacity addition in 2007 was the second highest in history after 112.2 million tonne added in 2005. China's crude steel capacity increased by 14.4% or 70.1 million tonne to 558 million tonne in 2007 and accounted for 65% of total world addition.;

#### **Indian Steel Industry:**

The finished carbon steel consumption in India for fiscal 2007-08 has been estimated at around 49 million tonne, a growth of 10.6% over the previous year (provisional estimates of JPC). The strong demand pull resulted in record finished steel imports of 6.5 million tonne, a 46% jump over the previous year, even as domestic producers curtailed their exports and redirected it for domestic consumption. The Indian Steel Industry has major expansion plans to meet growing demand. However incremental demand could lead to rising import. India produced 53.9 million tonne of crude steel in fiscal 2007-08, a growth of 6% over previous year's production. India rank 5<sup>th</sup> largest steel producer globally, and is set to emerge as the second highest producer and consumer of steel in the world by 2015.

## **2. OPPORTUNITIES AND THREATS**

### **Opportunities:**

Steel consumption in India is growing at a rate of more than 10%, a trend that is likely to persist as the nation enters into a steel intensive phase of development. The 11<sup>th</sup> Five Year Plan has given a major thrust on the infrastructure sector with the total spending planned at around US \$ 500 billion by 2012. Mega projects in the power, energy, ports, railways and surface transportation sectors, plans for rural infrastructure like Bharat Nirman, allocation for which was raised to Rs.31,280 crore and building over 2 lakh kilometers of National Highways by 2010, present an unprecedented opportunity for Steel units.

The size, range and quality makes SMPL's long products a preferred choice for project customers and are rated amongst the best in South India.

### **Threats:**

Customs duty on steel imports has been made nil in India and products such as TMT are also exempt from CVD. Sluggish market conditions in developing economies may make India destination for large scale imports adversely affecting domestic players.

Government of India has imposed export levy on steel products. India is a net exporter of galvanized products as its total capacity is in excess of domestic demand. Adverse impact on exports of galvanized products will have a cascading impact on domestic market.

China's production of crude steel at 489 million tonne in 2007 was around 36% of the global production. As Chinese economy matures and its steel consumption stabilizes, a part of the capacity will be serving only the export markets. The proximity and growing domestic steel consumption will make India a preferred destination for Chinese steel, significantly intensifying the competition.

## **3. RISKS AND CONCERN:**

The Indian economy has experienced inflationary pressure since beginning of March, 2008. A variety of fiscal and monetary measures have been introduced to contain



# SUJANA METAL PRODUCTS LIMITED

inflation. In case inflation rate does not subside Government may introduce stronger measures that could impact the growth rate of the economy and consequently domestic market for steel.

Pace of infrastructure development not keeping up with the pace of development of the Industry is a key concern. Increase in oil prices will also have impact on production cost. The ocean freight continues to be high. Other infrastructure problems like availability of wagons, port congestion etc. will also have direct impact on operating margins.

#### 4. Outlook :

Steel consumption in India is expected to continue its strong run in immediate future. According to the short term forecast of IISI, steel consumption in India is expected to grow at 9% and 12% respectively during 2008 and 2009.

The medium term outlook for steel industry in India is extremely bullish. It is anticipated that the steel consumption in India over medium term will grow at an average of more than 10%.

#### 5. Internal control systems and their adequacy:

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of business. These procedures are designed to ensure that:

- All assets and resources are acquired economically, used efficiently and are adequately protected;
- Significant financial, managerial and operating information is accurate, reliable and is provided timely; and
- All internal policies and statutory guidelines are complied with.

The effectiveness of internal control is continuously monitored by the Audit Committee of the Company. The Company has an Audit Committee which regularly reviews the reports submitted. All significant audit observations and follow-up actions thereon are reported to the

Audit Committee. The Committee also met the Company's Statutory Auditors to ascertain their views on the adequacy of internal control systems in the Company and their observations on financial reports. The Audit Committee observations are acted upon by the Management. The Company has implemented the corporate governance requirements and the Audit Committee periodically reviews the systems and procedures of the Company.

#### 6. Discussion on financial performance with respect to operational performance :

We have achieved a tremendous growth of 152.10 % in annual revenues, recording Rs.189563.24 Lakhs for the year 2007-08 (consisting of 15 months) as against Rs 75184.35 Lakhs in the previous financial year 2006-07 (consisting of 12 months) . The net profit before tax stood at Rs.5481.03 Lakhs in 2007-08 as against Rs.3494.21 Lakhs in the previous financial year 2006-07

#### Highlights of the Financial Results:

##### 1. Share Capital

At present, we have two classes of shares-

- Equity shares of face value of Rs.5/- each.
- Preference Shares of Rs.100/- each.

#### Movement in Authorised capital:

During the year, the Authorized Share Capital of the Company has been increased from Rs 105,00,00,000/- (Rupees One Hundred and Five Crores only) divided into 13,00,00,000 (Thirteen Crores only) Equity Shares of Rs 5/- each and 40,00,000 (Forty Lakhs only) Preference Shares of Rs.100/- each to Rs 145,00,00,000 (Rupee One Hundred and Forty Five Crores only) divided into 21,00,00,000 (Twenty One Crores only) Equity Shares of Rs 5/- each and 40,00,000 (Forty Lakhs only) Preference Shares of Rs.100/- each by further creation of 8,00,00,000 (Eight Crores only) Equity Shares of Rs 5/- each vide special resolution passed by the shareholders at their 18<sup>th</sup> Annual General Meeting held on 31.12.2007.

### Movement in Paid-up Capital:

Movement of the paid-capital is provided in the table below:

2007-08			
Particulars	Equity Shares (Nos.)	Preference Shares (Nos.)	Rs. Crore
Paid-up capital- beginning of year	51973524	3531625	61.30
Add: 80,83,000 Equity shares of Rs.5/- each allotted to the promoters and non promoters.	8083000	N.A.	4.04
Add: 32,00,000 Equity shares of Rs.5/- each against Conversion of 32,00,000 warrants to the promoters and promoter group.	3200000	N.A.	1.60
Total	63256524	3531625	66.94

### Reserves & Surplus:

In 2007-08 year, the reserves stand at Rs.26750.45 Lakhs against Rs.19502.95 Lakhs in year 2006-07. The increase in reserves are Rs. 7247.50 Lakhs..

### Loan Funds :

(Rupees in Lakhs)

	2007-08	2006-07
Secured Loans	41022.54	18034.90
Un-secured Loans	—	250.00

### Net Worth:

The net worth of the Company as on 30th September, 2008 is Rs.33444.91Lakhs against Rs.25633.26 Lakhs in 2006-07. The increase in the Net worth is about 30.47% when compared to net worth at the end of previous financial year.

### Fixed Assets:

The Gross Block as on 30.09.2008 stood at Rs.41914.44 lakhs and the Net Block as on 30.09.2008 stood at Rs. 35639.65 lakhs.

### Investments:

During the year under review, the Company has invested Rupees 682.14 Lakhs in Subsidiary Companies as against Rupees 5.64 Lakhs for the year 2006-07.

### Loans, Advances :

Loans and Advances as on 30<sup>th</sup> September , 2008 are Rs.20769.43 Lakhs against Rs.10379.17 Lakhs as on 30<sup>th</sup> June, 2007.

### 7. Segment Wise Performance & Geographical Information:

The Company operates predominantly only in one Business Segment viz: Iron & Steel Products. The sales of the Company are mostly in India and there are no reportable geographical segments.

### 8. Statutory Compliance

Your Company gives priority to comply all of the statutory requirements in time and the management regularly discuss the same with all of the departmental heads. The Company Secretary, as compliance officer, timely ensure compliance of the SEBI regulations and provisions of listing agreements.

### 9. Material developments in Human Resources:

The development of Human Resources is a key strategic challenge in order to prepare people for future responsibilities in terms of professional skills as well as business skills. Sujana Metal Products Limited has conducted training programmes to it's employees enabling them to improve / upgrade their skills.

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Persons constituting Group coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 include the following:

01. Shri Y.S. Chowdary and his relatives\*
02. Shri G. Srinivasa Raju and his relatives\*
03. Shri S. Hanumantha Rao and his relatives\*
04. Shri R.K. Birla and his relatives\*
05. Foster Infin and Trading Private Limited
06. Glade Steel Private Limited
07. Sujana Capital Services Limited
08. Sujana Energy Private Limited
09. Sujana Finance and Trading Private Limited
10. Sujana Holdings Limited, India
11. Sujana Projects Limited
12. Sujana Pumps and Motors Private Limited
13. Sujana Towers Limited
14. Sujana Transmissions Limited
15. Sujana Universal Industries Limited
16. Yalamanchili Finance and Trading Private Limited
17. YS Consultancy Services Private Limited
18. Alpha Ventures Limited, Cayman Islands
19. Asian Tide Enterprises Limited, Hong Kong
20. Digitech Business Systems Limited, Hong Kong
21. Empire Gulf FZE, UAE
22. Gamma Machinery & Equipment Pte. Limited, Singapore
23. Nuance Holdings Limited, Hong Kong.
24. Pac Ventures Pte. Limited, Singapore
25. Sujana Holdings Limited, UAE
26. Sun Trading Limited, Cayman Islands
27. Telesuprecon Limited, Mauritius

\* As per the Companies Act, 1956

During the year 2006-07, there was merger of M/s Sujana Steels Limited with M/s Sujana Metal Products Limited. M/s GB Trading and Investments Private Limited, Lumbini Electricals Private Limited, Golkonda Finance and Trading Private Limited and Prime Infoinvest Limited were Non Promoter shareholders in M/s. Sujana Steels Limited and during the process of merger with M/s Sujana Metal Products Limited, these Companies were treated as Promotes' Group by Bombay Stock Exchange Limited. However, these companies represented to delete their names from the Promoters group of Sujana Group of Companies.

The above statement has been published to avail the exemption under regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time.

## REPORT ON CORPORATE GOVERNANCE

(As per Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

### I. Brief statement on Company's Philosophy on Code of Governance

Corporate Governance is the set of policies, practices, procedure and processes by which a Company conducts its affairs in pursuit of its business goals. Your Company believes in adopting the best practices in the areas of Corporate Governance. Even in this cutthroat competitive business environment, the Management of your Company is committed to achieve the values of integrity, honesty, transparency and accountability which are fundamental to the Sujana Group.

During the year, the Company has its best corporate practices so as to bring them in line with the revised Clause 49 of the listing agreements. The Company adopted the Code of Conduct for Non-Executive Directors as prescribed in the revised Clause.

The Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholder's wealth and at the same time protect the interests of all its shareholders.

### II. Board of Directors

#### 1. Composition of Board of Directors

The Company has a Non-Executive Chairman and the number of Independent Directors is not less than half of the total number of Directors as required by Clause 49. The number of Non-Executive Directors is more than 50% of the total number of Directors.

The Current Policy is to have an appropriate mix of executive and independent directors to maintain the independence of the board and to separate the board functions of governance and management.

Thus, your Company Board of Directors consists of Ten (10) members, out of which one (1) is Managing Director and one (1) is Promoter and Non-Executive Chairman, five (5) of them are Independent and Non-Executive Directors, one (1) is Promoter and Non-Executive Director, one(1) is Executive Director and one (1) is Non- Executive Director and one (1) is a Nominee Director.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The names categories of the Directors on the Board, their attendance at the Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee memberships held by them in other companies are given below:

Sl. No.	Name of the Director	Category	Designation	No. of Board Meetings attended	Attendance of each Director at last A.G.M
1.	Shri Y.S. Chowdary	Promoter & Non-Executive Director	Chairman	8	Yes
2.	Shri R.K. Birla	Executive Director	Managing Director	5	No
3.	Shri J. Ramakrishnan	Independent & Non-Executive Director	Director	6	No
4.	Dr. V. Malakonda Reddy	Independent & Non-Executive Director	Director	8	No
5.	Shri S. Hanumantha Rao	Executive Director	Director	8	Yes
6.	Shri K. Kameswara Rao	Independent & Non-Executive Director	Director	6	Yes
7.	Shri G. Srinivasa Raju	Promoter & Non-Executive Director	Director	8	Yes
8.	Dr. K. Srinivasa Rao	Independent & Non-Executive Director	Director	1	No
9.	Shri N.Srikrishna*	Independent&Non-Executive Director	Director	2	N.A.
10	Shri S.Ramachandran**	Nominee from IDBI	Director	N.A	N.A.



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Sl. No.	Name of the Director	No. of Directorships in other companies		No. of Committee positions held in other companies	
		No. of Chairmanships	No. of Directorships	No. of Chairmanships	No. of Committee Memberships
1	Shri Y.S. Chowdary	4	9	2	5
2	Shri R.K. Birla	—	2	—	2
3	Shri J. Ramakrishnan	—	1	1	5
4	Dr. V. Malakonda Reddy	—	—	—	—
5	Shri S. Hanumantha Rao	—	5	1	5
6	Shri K. Kameswara Rao	—	—	—	1
7	Shri G. Srinivasa Raju	—	7	2	6
8	Dr. K. Srinivasa Rao	—	1	2	2
9	Shri N.Srikrishna	—	—	—	—
10	Shri S.Ramachandran	—	2	—	—

**Change in Composition of Board of Directors since the date of last AGM held on 31.12.2007:**

\* Shri N. Srikrishna has been appointed as an Additional Director of the Company with effect from 28.01.2008.

\*\* Shri. S. Ramachandran was appointed as Nominee Director by IDBI Limited with effect from 29<sup>th</sup> December, 2008 on the Board of the Company in place of Shri B.P.Mandal.

## 2. Board Procedure

Your Company's Board of Directors meets atleast once a quarter in a year to review the quarterly results and other items on the Agenda and also on the occasion of the Annual Shareholders' Meeting. When necessary, additional meetings were held. Committees of the Board usually meet the same day of the formal Board Meeting or as and when required.

Eight (8) Board Meetings were held during the year 2007-08 and the gap between two meetings did not exceed three months. The dates on which the Board Meetings were held were as follows:

30th July, 2007, 30th October, 2007, 27th November, 2007, 31st December, 2007, 28th January, 2008, 28th April, 2008, 21st May, 2008 and 28th July, 2008.

Board Meetings are usually held at the Corporate Office of the Company. Notices of Board Meetings were sent to the Directors as required under Section 286 of the Companies Act, 1956. Date of Board Meeting was communicated well in advance and the Agenda, explanatory notes were sent in advance to the Directors.

The information as required under Annexure IA to Clause 49 was being made available to the Board.

The Board periodically reviews compliance reports of all laws applicable to the Company. Steps were taken by the Company to rectify instances of non-compliance, if any.

## III. Audit Committee

### 1. Scope of the Audit Committee

The main objective of the audit committee of your Company is to monitor and effectively supervise the financial reporting process of your Company with a view to provide accurate, timely and proper

disclosures. However the scope of activities of the Audit Committee is as set out in Clause 49 of the Listing Agreements entered with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are broadly as follows:

- a) Reviewing the adequacy of Internal Control Systems and the Internal Audit Reports and their compliance thereof;
- b) Overseeing of the company's financial reporting process and the disclosure of its financial information;
- c) Holding periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/ internal Auditors;
- d) Reviewing with Management the quarterly and annual financial statements before submission to the Board;
- e) Recommending the board on any matter relating to the financial management of the Company, including Statutory & Internal Audit Reports;
- f) Recommending the appointment and removal of External Auditor, fixation of audit fee and also approval for repayment for any other services;
- g) Such other matters as may be necessary in course of performing their functions.

## 2. Composition and Procedure of the Audit Committee

The audit committee shall meet atleast four times in a year and not more than four months shall elapse between two meetings.

The quorum for the audit committee shall be either two members or one third of the members whichever is higher and minimum of atleast two independent directors.

The Audit Committee of your Company comprises of five (5) members, out of which four (4) are independent and non-executive directors and one (1) Executive Director. Shri S.Hanumantha Rao, a director having financial and accounting knowledge and held five (5) meetings during the year. The details of the same are:

No. of meetings held during the financial year: 5 (five)

Sl. No.	Name of the Member	Designation	No. of Meetings attended
1	Shri.N.Srikrishna	Member & Chairman	2
2.	Dr. K.Srinivasa Rao	Member	1
3.	Shri S. Hanumantha Rao	Member	5
4.	Dr.V.Malakonda Reddy	Member	5
5.	Shri K.Kameswara Rao	Member	4

**Change in Composition of Audit Committee since the date of last AGM held on 31.12.2007:**

During the year 2007-08 the Audit Committee was reconstituted in the Board Meeting held on 28.01.2008 by appointing Shri N. Srikrishna as member and Chairman of the Audit Committee.

**Dates of Audit Committee Meetings held:**

30.07.2007, 30.10.2007, 28.01.2008, 28.04.2008 and 28.07.2008

The necessary quorum was present at the meetings.

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## IV. Remuneration Committee

### 1. Scope of the Remuneration Committee

- Review the performance of the Managing Director, after considering the Company's performance.
- Recommends to the Board remuneration including salary, perquisites and commission to be paid to the Company's Managing Director.
- Finalize the perquisites package of the Managing Director within the overall ceiling

### 2. Composition and other details of the Remuneration Committee

The Remuneration Committee of your Company comprises of three (3) members, all of them are non-executive directors, the chairman of the committee being an independent director.

The existing Committee comprises of:

Sl. No.	Name of the Member	Designation
1.	Dr. K. Srinivasa Rao	Member & Chairman
2.	Shri J.Ramakrishnan	Member
3.	Dr. V. Malakonda Reddy	Member

One Remuneration Committee Meeting was held on 31.12.2007 during the financial year 2007-2008

### 3. Remuneration Packages paid to Executive Directors during the year

(Rs. in lakhs)

Name	Salary P.A.	Commission/ Incentives P.A.	Deferred Benefits (Perquisites)	Others	Total
Shri R.K.Birla	72.84	—	8.16	—	81.00
Sri S. Hanumantha Rao	9.30	—	—	—	9.30

#### Remuneration Policy:

The Remuneration Committee of Board of Directors of the Company generally decides and makes recommendations to the Board of Directors about the remuneration to be paid to the Directors and other Key Managerial Persons of the Company. The Remuneration recommendations about the remuneration of Directors are subject to the approval of the Members of the Company and the remuneration of the key managerial persons is to be recommended by the remuneration committee to the Board.

The Company is proposing to have a plan for continuous appraisal of various parameters to analyze the performance of the Directors and Key Managerial Persons and to decide the annual compensation to be paid to them.

#### Remuneration Policy of Non-executive Directors

Non Executive Directors are presently paid a sitting fees of Rs.3,000/- for attending each meeting. During the financial year details of sitting fees paid to non executive directors for attending the Board and other committee meetings are as under

There is no pecuniary relationship or no transactions involving pecuniary relationship between the Company and non executive directors of the Company.

**Sitting Fee details:**

Sl. No	Name of the Director	Sitting fee paid During the year (Rs.)
1	Dr. K. Srinivasa Rao	6,000
2	Dr.V.Malakonda Reddy	36,000
3	Shri J. Ramakrishnan	15,000
4	Shri K.Kameswara Rao	30,000
5	Shri B.P.Mandal	21,000
6.	Shri N. Srikrishna	12,000

Sitting fee will be paid at a rate of Rs.3000/- for attending each Meeting.

**V. Shareholders' Grievance Committee**

**1. Scope of the Shareholders' Grievance Committee**

The Shareholders' Grievance Committee of your Company shall look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared Dividend, etc.,

**2. Constitution and Composition of the Shareholders' Grievance Committee**

The Shareholders' Grievance Committee of your Company comprises of three (3) members. No Shareholders' Grievance Committee Meeting was held during the financial year 2007-2008. The existing Committee consists of three Directors. The details of the same are:

Sl. No.	Name of the Director	Designation
1.	Shri G.Srinivasa Raju	Member & Chairman
2.	Shri Y.S.Chowdary	Member
3.	Shri S.Hanumantha Rao	Member

**3. Name and Designation of the Compliance Officer**

The name and designation of the Compliance Officer of your Company is Shri Shaik Ibraheem, Company Secretary of your Company.

**4. No. of Shareholders Complaints received so far during the year**

Nature of queries/complaints	Received	Resolved	Un resolved
No.of requests for change of Address	40	40	—
No.of requests for transmission	20	20	—
Non receipt of share certificates/bonus shares	10	10	—
Revalidation of Dividend warrants	—	—	—
Letters from SEBI & Stock Exchanges	—	—	—
Issue of Duplicate Share Certificates	10	10	—
Non receipt of Demat Confirmations/ Rejections	22	22	—
Others	20	20	—
<b>TOTAL</b>	<b>122</b>	<b>122</b>	<b>—</b>

**5. No. of Pending Transfers**

There are no share transfers pending for more than a fortnight.



# SUJANA METAL PRODUCTS LIMITED

## VI. Share Transfer Committee

The share transfer committee comprises of Shri Y.S.Chowdary, Shri G.Srinivasa Raju and Shri R.K.Birla. Shri G.Srinivasa Raju is the Chairman of the Committee. The role, terms of reference, the authority and powers of the Share Transfer Committee are in conformity with the provisions of the Companies Act, 1956. During the year under review the Share Transfer Committee met 22 (Twenty Two) times.

## VII. Management Committee

The Management Committee comprises of Shri Y.S.Chowdary, Shri G.Srinivasa Raju, Shri R.K.Birla and Shri S.Hanumantha Rao. The role, terms of reference, the authority and powers of the Management Committee are in conformity with the provisions of the Companies Act, 1956. During the year under review the Management Committee met 9 (Nine) times.

## VIII. Code of Conduct for the prevention of inside trading ;

The Board has laid down a "Code of Conduct" for the prevention of "Insider Trading" in pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Duly Amended). The Board Members and senior management personnel have affirmed the compliance with the code for the financial year 2007-08.

## IX. Annual General Body Meetings (AGMs')

### Details of Last three AGMS held

Sl. No.	No. of Annual General Meeting	Date of the Annual General Meeting	Location	Time
1	18th A.G.M	31st December, 2007	Plot Nos. 10,11 & 12, Survey No.172, Bollaram Village, Jinnaram Mandal, Medak Dist, Andhra Pradesh.	11.30 A.M.
2.	17th A.G.M	28th December, 2006	Survey No.296/7/9, IDA Bollaram, Jinnaram Mandal, Medak District, Andhra Pradesh.	11.30 A.M.
3.	16th A.G.M	14th December, 2005	Plot Nos. 10,11 & 12, Survey No.172, Bollaram Village, Jinnaram Mandal, Medak Dist, Andhra Pradesh.	11.30 A.M

### Details of Special Resolutions passed in the last thee Annual General Meetings:

S.No	AGM for the year	Details of Special Resolution passed
1	2006-07	<ol style="list-style-type: none"> <li>To fix the remuneration of Shri R.K.Birla, Managing Director of the Company.</li> <li>To make any loan to and/or to give any guarantee to and/or to provide security Under Section 372A of the Companies Act, 1956.</li> <li>To increase the authorized share capital of the Company from Rs.105 crores to Rs.145 crores.</li> <li>To raise additional capital by further issue of equity shares and/or financial instruments convertible into equity shares at later date u/s 81 (1A) of the Companies Act, 1956.</li> </ol>
2.	2005-06	No special resolution was passed.
3.	2004-05	To make any loan to and/or to give any guarantee to and/or to provide security Under Section 372A of the Companies Act, 1956.

**Details of special resolution passed in the last year through postal ballot and details of voting pattern.**

S.No	Details of Resolution passed through postal ballot	Details of voting pattern	Person who conducted the postal ballot exercise.
1.	Special Resolution passed by the members of the Company on 31.12.2007 through notice of postal ballot dated:27.11.2007: To make any loan to and/or to give any guarantee to and/or to provide security, in connection with a loan made by any other person to or to other person by and/or to make investments under section 372A of the Companies Act 1956.	No of votes cast in favour of the resolution 5236474 No of votes cast against of the resolution- Nil	Y. Ravi Prasada Reddy Practicing Company Secretary ACS No: 14580 CP No:5360
2	Special Resolutions passed by the members of the Company on 27.06.2008 through notice of postal ballot dated:27.05.2008:	No of votes cast in favour of the resolution: 24560110 No of votes cast against of the resolution: Nil	Y. Ravi Prasada Reddy Practicing Company Secretary ACS No: 14580 CP No:5360
(a)	Making an investment in (1) M/s Glade Steel Private Limited, Hyderabad (2) Topaz Steel India Limited, Hyderabad (3) Lakshmi Gayatri Iron and Steel Private Limited, Hyderabad (4) Sri Ganga steel Enterprises Private Limited, Chennai and (5) Asian Tide Enterprises Ltd, Hong Kong under section 372A of the Companies Act 1956.	No of votes cast in favour of the resolution: 24555830 No of votes cast against of the resolution:30	
(b)	To alter the Clause III(c) (i.e. Other objects Clause) of Memorandum of Association of the Company by incorporating the new sub clause number 14 after sub clause number 12 and to carry on the business of said sub clause number 13.		

**Details of special resolution which is proposed to be passed through postal ballot -**

No special resolution is proposed to be passed through postal ballot.

**X. Disclosures**

**1. Materially Significant related party transactions:**

There are no materially significant related party transactions i.e. transactions, material in nature with its Promoters, the Directors or the Management, their subsidiaries or relatives etc., having potential conflict with the interests of the company at large except as mentioned in Schedule 19 to the Annual Accounts for the year ended 30.09.2008.

**2. Details of Statutory Non-compliances:**

The Company in generally regular with respect to all statutory compliances and there have not been any non-compliance by the company and no penalties or strictures imposed on the company by the Stock Exchanges or SEBI or any Statutory Authority, on any material related to capital markets, during the last three (3) years.

# SUJANA METAL PRODUCTS LIMITED

## 3. Management Discussion and Analysis Report

A management Discussion and Analysis Report form part of this Annual Report and is in accordance with the requirements as laid down in Clause 49 of the Listing Agreement with Stock Exchanges.

## 4. Risk Management

The management of the Company has identified some of the major areas of concern having inherent risk viz., Foreign Currency Fluctuation, Client Concentration, Technology Risks and Credit Control. The process relating to minimizing the above risks has already been initiated at the different levels of management and the same is expected to be further strengthened in the Financial Year 2007-08.

## 5. Details of directors seeking re-appointment at the forthcoming AGM pursuant to Clause 49 of the Listing Agreement.

Name of the Director	Shri K.Kameswara Rao	Shri J.Ramakrishnan
Date of Birth	13.04.1943	20.08.1936
Date of Appointment	30.01.2006	25.07.1995
Areas of Experience	Mr Kameshwara Rao Kothuri is an independent and non-executive director. He is 65 years old. He has an experience of 38 years in various positions in fields of General banking, Credit, Treasury etc. and later joined as Independent Director in the Company in this year.	Mr J.Ramakrishnan is an Independent, Non-Executive Director of the Company. He is 71 years old . In August' 1994 he was appointed as the Chief Commissioner of Customs and Central Excise, Hyderabad Zone. After his retirement from the Customs & Excise Department, he joined Sujana Group.
Educational Qualifications	Masters Degree in Science (Geology) Certified Associate of Indian Institute of Bankers	Bachelors Degree (Honors) in Science from Madras University
Directorship in other Companies	-- Nil --	Sujana Universal Industries Limited

## XI. CEO & CFO Certification:

Certification by Chief Executive Officer and Chief Financial officer of the Company as required under Clause 49(V) of the Listing Agreement is provided at the end of Corporate Governance Report.

## XII. Means of Communication

1. Publication of Quarterly Financial Results in daily newspapers -Andhra Bhoomi or Surya & New Indian Express or Business Standard and the same will be updated in the Company's Website at [www.sujana.com](http://www.sujana.com)
2. Furnishing the Quarterly Financial Results to Stock Exchanges in which company's shares is listed.
3. Sending Balance Sheet, Profit & Loss Account, Directors' Report & Auditors' Report to Shareholders through Post.

## XIII. Adoption of non mandatory requirements

Besides mandatory requirements under Clause-49 of the Listing Agreement your Company has voluntarily constituted a remuneration committee to consider and recommend the remuneration of executive directors. The Company also endeavors to fully comply with all other non mandatory requirements of Clause 49 as well.

#### XIV. General Shareholders Information

##### 1. Details pursuant to the 19th Annual General Meeting

1.	Date	27th February, 2009.
2.	Time	11.30 A.M.
3.	Venue	Plot Nos.10, 11 & 12, Survey No.172, Bollaram Village, Jinnaram Mandal, Medak District, Andhra Pradesh.
4.	Financial Year	2007-2008 (consisting of 15 months from 01.07.2007 to 30.09.2008)
5.	Book Closure Date	26.02.2009 (One day only)
6.	Dividend Payment Date	Not Applicable

##### 2. Details pursuant to Listing of Securities

###### a. Listing of Securities

1. Bombay Stock Exchange Limited, Mumbai
2. The Madras Stock Exchange Limited, Chennai
3. The Hyderabad Stock Exchange Limited, Hyderabad

###### b. Stock Code

BSE Scrip Code: 513414

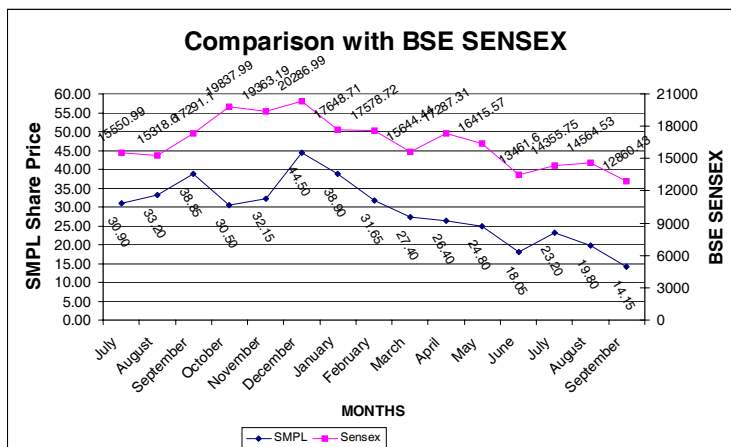
Demat ISIN in NSDL and CDSL for equity shares: INE215G01021

##### 3. Market Price Data

The monthly high and low stock prices during the financial year 2007-08 and performance in comparison to the Broad-based indices such as BSE-Sensex is provided hereunder.

Month	Open	High	Low	Close	BSE SENSEX (Closing)
Jul-07	66.05	66.05	27.00	30.90	15550.99
Aug-07	30.50	41.50	28.00	33.20	15318.6
Sep-07	33.80	40.00	32.60	38.85	17291.1
Oct-07	39.10	39.50	28.55	30.50	19837.99
Nov-07	31.05	39.90	27.50	32.15	19363.19
Dec-07	32.90	47.90	32.05	44.50	20286.99
Jan-08	45.85	55.25	31.25	38.90	17648.71
Feb-08	39.60	40.40	30.00	31.65	17578.72
Mar-08	30.50	32.00	16.35	27.40	15644.44
April-08	26.05	30.00	25.00	26.40	17287.31
May-08	26.85	28.95	23.15	24.80	16415.57
June-08	25.85	26.80	18.00	18.05	13461.6
Jul-08	18.00	24.30	16.00	23.20	14355.75
Aug-08	23.45	26.20	19.10	19.80	14564.53
Sep-08	19.80	21.40	12.20	14.15	12860.43

# SUJANA METAL PRODUCTS LIMITED



#### 4. Share Transfer System

Your Company has appointed M/s. Bigshare Services Private Limited for dealing in with the shares of the Company in physical and electronic mode. Presently they are completing the process of transfer within a period of 10 to 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

#### 5. Dematerialization of Shares

78.89% of the Company's Paid-up capital has been dematerialized upto 30.09.2008 as per the following details.

Particulars	Number of Shares	% of share capital
NSDL	35751914	56.52
CDSL	14150307	22.37
Physical	13354303	21.11
Total	63256524	100

#### 6. Distribution of Shareholding

As on 30th September, 2008, the Distribution Shareholding was as follows:

Range (Rs)	No. of Shares	% of Shareholding	No. of Shareholders	% of Shareholders
1. Upto - 5,000	6359722	10.05	23589	90.35
2. 5,001 - 10,000	1913318	3.02	1173	4.49
3. 10,001 - 20,000	1781692	2.82	592	2.27
4. 20,001 - 30,000	1551699	2.45	305	1.17
5. 30,001 - 40,000	578667	0.91	81	0.31
6. 40,001 - 50,000	1057049	1.67	110	0.42
7. 50,001-1,00,000	1658671	2.62	112	0.43
8. 1,00,001 and above	48355706	76.46	145	0.56
Total	63256524	100.00	26107	100.00



Pattern of shareholding as on 30th September, 2008 (Face Value: Re.5 each)

Category	Number of Shares	Percentage %
Promoter and Promoter Group	29191396	46.15
Financial Institutions/Banks	4531265	7.16
Foreign Institutional Investors	1083873	1.71
Body Corporate	11765047	18.60
Indian Public	16684943	26.38
Total	63256524	100

7. Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity: 5,73,00,000 convertible warrants out of 6,05,00,000 were outstanding for conversion as on 30.09.2008. This apart there were no other outstanding GDRs/ADRs/ and warrants which may have impact on the equity.

8. Plant Location

Hyderabad Division:

- i) Survey No.296/7/9
- ii) Survey No.296/7/7  
IDA Bollaram, Jinnaram Mandal  
Medak District, Andhra Pradesh.

Chennai Division:

Manjankaranai Village, Chengai,  
M.G.R. Dist, Tamilnadu

Visakhapatnam Division:

Sanivada Village, Rajeevnagar,  
Visakhapatnam-530046.

9. Address for Correspondence

**Secretarial Department :**

No.18, Nagarjuna Hills, Panjagutta, Hyderabad-500 082.  
Phone No.2335 1882.

**Regd.Office:**

Survey No. 296/7/9, IDA Bollaram, Jinnaram Mandal, Medak Dist, A.P.

**Corporate Office & Place of keeping the books of accounts :**

18, Nagarjuna Hills, Panjagutta, Hyderabad - 500 082.  
Ph: 23351882, 23351887.

**Registrars and Share Transfer Agents:**

M/s. Bigshare Services Private Limited,  
G-10, Left Wing, Amruta Ville, Opp: Yashoda Hospital,  
Raj Bhavan Road, Somajiguda, Hyderabad - 500 082.  
Phone No.040-23374967

**Declaration in terms of amended Clause 49(1)(d)(ii) of Listing Agreement.**

It is hereby confirmed that all board members and senior management personnel have affirmed compliance with the code of conduct, laid down by the Board of Directors, for the financial year 2007-08.

Place : Hyderabad  
Date : 29.01.2009

R.K.Birla  
Managing Director

# SUJANA METAL PRODUCTS LIMITED

## CEO & CFO CERTIFICATION

We, R.K.Birla, Managing Director & Chief Executive Officer and Shri N. Satyanarayana, Chief Finance Officer, to the best of our knowledge and belief, do hereby certify that

1. We have reviewed financial statements and the Cash Flow Statement for the year and that to the best of our knowledge and belief:
  - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps they have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit committee:
  - i) Significant changes in internal control over financial reporting during the year;
  - ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place : Hyderabad

Date : 29.01.2009

**R.K.BIRLA**

Managing Director &  
Chief Executive Officer

**N. SATYANARAYANA**

Chief Financial Officer

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## Certificate on Corporate Governance

To

The Members of Sujana Metal Products Limited,

I have examined the compliance conditions of Corporate Governance by Sujana Metal Products Ltd., Hyderabad for the period ended 30th September, 2008, as stipulated in Clause 49 of the Listing Agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the company's management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In my opinion and to the best of my knowledge and according to the explanations given to me, I certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Investor's Grievance Committee.

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

Place: Hyderabad

Dated: 29.01.2009

**Y. RAVI PRASADA REDDY**

FCS No:5783, CP No:5360



## AUDITORS' REPORT

To

The Members

**SUJANA METAL PRODUCTS LIMITED**

1. We have audited the attached Balance Sheet of **Sujana Metal Products Limited** as at September 30, 2008, the Profit and Loss Account for the period from July 01, 2007 to September 30, 2008 ended on that date and the Cash Flow Statement for the period ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2008;
    - (ii) in the case of the Profit and Loss Account, of the profit for the period ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.
5. On the basis of written representations received from the directors as on September 30, 2008 and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Deloitte Haskins & Sells  
Chartered Accountants

Hyderabad  
December 29, 2008

C R Rajagopal  
Partner  
Membership No.23418

# SUJANA METAL PRODUCTS LIMITED

## Annexure to the Auditors' Report

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

The nature of the Company's business/activities during the period was such that paragraph 4 (xii), (xiii), (xiv) and (xvi) of CARO are not applicable to the Company.

- (i) In respect of its fixed assets:
  - (a) The Company is in the process of re-compiling its fixed asset register with a view towards reflecting full particulars including quantitative details and situation of its fixed assets.
  - (b) Some of the assets comprising plant and machinery, furniture and vehicles at certain factories were physically verified during the period by the management in accordance with a program of verification, which in our opinion, provides for physical verification of all fixed assets at reasonable intervals. Having regard to the size of the Company and the nature of its assets, the program of verification is reasonable. In view of the fact that the fixed asset register is in the process of re-construction, management has informed that discrepancies, if any, arising between the assets verified and the books and records would be dealt with in the period in which such re-compilation of the register is completed.
  - (c) The fixed assets disposed off during the period, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventories :
  - (a) According to the information and explanations given to us, management has physically verified the inventory during the period. In our opinion, having regard to the nature of business and location of stocks, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt in the books of account.
- (iii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, paragraphs 4 (iii) (a) to (iii) (g) of CARO are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (v) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to in section 301 that need to be entered into the register maintained under the said section have been so entered.
  - (b) Where each of such transactions is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time, where such market prices are available.

- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the provisions of section 58A and 58AA of the Companies Act, 1956 apply.
- (vii) In our opinion, the internal audit functions carried out during the period by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of steel products, pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that the prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- (ix) In respect of statutory dues :
- According to the information and explanations given to us, except for delays in deposit of provident fund dues, employee state insurance dues, taxes deducted at source, advance payment of taxes and wealth tax, the company has been regular in depositing undisputed statutory dues including investor education and protection fund, customs duty, excise duty, cess, service tax and any other material statutory dues applicable to it with the appropriate authorities during the period.
  - According to the information and explanations given to us, details of undisputed amounts payable in respect of investor education and protection fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and any other material statutory dues which were in arrears as at September 30, 2008 for a period of more than six months from the date they became payable are given below.

Nature of Statute	Nature of Dues	Amount (Rupees)	Period to which the amount relates	Due date	Date of Payment
Income Tax Act, 1961	Income Tax	11,135,310	1999-2000	July, September, December and March of each period	Not paid
		273,574	2001-2002		
		610,610	2002-2003		
		1,928,850	2003-2004		
		10,835,755	2005-2006		
		27,947,005	2006-2007		
		46,024,273	2007-2008		
Income Tax Act, 1961	Fringe Benefit Tax	1,488,198	2005-2006	July, September, December and March of each period	Not paid
		1,676,860	2006-2007		
		2,025,107	2007-2008		

- According to the information and explanations given to us, details of dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited as on September 30, 2008 on account of any dispute are given below :

Name of the Statute	Financial Year to which matter pertains	Amount ( Rupees)	Forum where matter is pending
Central Excise Act, 1944	1998-1999	35,456,266	CESTAT
Customs Act, 1962	1998-1999	28,928,336	CESTAT
FERA, 1973	1995-1996	40,000,000	High Court of Andhra Pradesh
APGST Act, 1957	2002-2005	246,275,639	High Court of Andhra Pradesh



# SUJANA METAL PRODUCTS LIMITED

- (x) The Company does not have accumulated losses and has not incurred cash losses during the period covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, there have been delays in repayment of dues to a bank and financial institution. Such delays have been summarized below indicating the maximum amount of delay and the maximum period, with the period and corresponding amount reflected against each.

Lender	Maximum amount of Default (Rs.)	Period (Days)	Amount (Rs.)	Maximum Period of Default (Days)	Remarks
IDBI Bank Limited	24,056,644	4	22,463,243	51	
Industrial Investment Bank of India Limited	15,757,500	7	11,335,000	555	Total outstanding has been paid on April 30, 2008.
Stressed Assets Stabilization Fund (a Division of IDBI Limited)	14,330,775	—	—	91	SASF, in principle, agreed to convert interest accrued of Bank approximately Rs.93 lakhs into equity of the Company as per extant SEBI Guidelines.

- (xii) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interest of the Company.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the period for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xiv) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used for long-term investment.
- (xv) According to the information and explanations given to us, the price at which the Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 is prima facie not prejudicial to the interest of the Company.
- (xvi) During the period covered by our audit report, the Company has not raised any money by public issue.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the period.

For Deloitte Haskins & Sells  
Chartered Accountants

Hyderabad  
December 29, 2008

C R Rajagopal  
Partner  
Membership No.23418



## BALANCE SHEET AS AT SEPTEMBER 30, 2008

(Amount in Rupees)

	SCH REF	AS AT 30.09.2008	AS AT 30.06.2007
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	669,445,120	613,030,120
Share Application Money		1,705,417	292,693,417
Share Warrants		823,200,000	—
<i>(Refer Note 18 of Schedule 19)</i>			
Reserves And Surplus	2	2,675,045,804	1,950,295,944
		<u>4,169,396,341</u>	<u>2,856,019,481</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	4,102,254,500	1,803,490,614
Unsecured Loans	4	—	25,000,000
		<u>4,102,254,500</u>	<u>1,828,490,614</u>
<b>DEFERRED TAX LIABILITY (Net)</b>		<u>473,681,628</u>	<u>283,510,640</u>
<b>TOTAL</b>		<u><u>8,745,332,469</u></u>	<u><u>4,968,020,735</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	4,191,444,518	3,185,916,352
Less: Depreciation / Amortisation		627,478,991	496,456,287
Net Block		<u>3,563,965,527</u>	<u>2,689,460,065</u>
Capital Work in Progress		83,957,096	—
		<u>3,647,922,623</u>	<u>2,689,460,065</u>
<b>INVESTMENTS</b>	6	68,214,879	564,000
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	2,194,776,533	901,065,561
Sundry Debtors	8	3,018,245,753	1,816,160,686
Cash and Bank Balances	9	230,200,200	80,600,047
Loans and Advances	10	2,076,943,252	1,037,917,166
		<u>7,520,165,738</u>	<u>3,835,743,460</u>
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	11	2,339,450,358	1,418,087,298
Provisions	12	151,520,413	139,659,492
		<u>2,490,970,771</u>	<u>1,557,746,790</u>
<b>NET CURRENT ASSETS</b>		<u>5,029,194,967</u>	<u>2,277,996,670</u>
<b>TOTAL</b>		<u><u>8,745,332,469</u></u>	<u><u>4,968,020,735</u></u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	18		
<b>NOTES</b>	19		

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells  
Chartered Accountants

R.K. Birla  
Managing Director

S. Hanumantha rao  
Director

C.R. Rajagopal  
Partner

Shaik Ibraheem  
Company Secretary

Place : Hyderabad  
Date: 29.12.2008

Hyderabad, December 29, 2008

# SUJANA METAL PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 15 MONTH PERIOD ENDED SEPTEMBER 30, 2008

(Amount in Rupees)

	SCH REF	FOR THE PERIOD ENDED 30.09.2008	FOR THE YEAR ENDED 30.06.2007
<b>INCOME</b>			
Gross Sales		19,688,350,231	7,783,048,083
Less: Excise Duty		910,120,886	273,842,324
Net Sales		18,778,229,345	7,509,205,759
Conversion Income		143,250,694	—
Other Income	13	34,844,376	9,229,963
<b>Total (A)</b>		<b>18,956,324,415</b>	<b>7,518,435,722</b>
<b>EXPENDITURE</b>			
Accretion/Depletion to Stocks	14	(644,683,871)	(399,893,482)
Material Consumed	15	17,230,570,166	6,869,972,770
Manufacturing, Administration & Selling Expenses	16	1,155,453,265	307,476,638
Interest and Finance Charges	17	446,599,221	240,163,034
Depreciation / Amortisation		220,282,082	151,295,585
<b>Total (B)</b>		<b>18,408,220,863</b>	<b>7,169,014,545</b>
<b>Profit Before Tax and Extraordinary Items</b>		<b>548,103,552</b>	<b>349,421,177</b>
Extraordinary Item		74,070,620	—
<i>(Refer Note 13 (b) of Schedule 19)</i>			
<b>Profit Before tax and after Extraordinary Items</b>		<b>622,174,172</b>	<b>349,421,177</b>
<b>Provisions For Taxation:</b>			
Current Tax <i>(Including Rs. 13,948,344 towards earlier years)</i>		84,000,000	39,223,375
Deferred Tax		191,212,490	78,446,750
Fringe Benefit Tax		3,709,458	1,842,448
Less: MAT Credit		(39,000,000)	—
<b>Profit after Tax</b>		<b>382,252,224</b>	<b>229,908,604</b>
Balance Brought forward from Previous Year		625,985,315	400,208,712
<b>Profit Available For Appropriation</b>		<b>1,008,237,539</b>	<b>630,117,316</b>
Transfer to Cumulative Redeemable Preference Shares Redemption Reserve		50,367,667	—
Proposed Dividend on Cumulative Redeemable Preference Shares		4,414,531	3,531,625
Tax on Dividends		838,192	600,376
<b>Balance Carried to Balance Sheet</b>		<b>952,617,149</b>	<b>625,985,315</b>
<b>Earnings per share after tax (face value of Rs.5/- each)</b>			
<i>(Refer note 12 of Schedule 19)</i>			
<b>Before Extraordinary Items</b>			
Basic		5.40	4.33
Diluted		2.54	3.75
<b>After Extraordinary Items</b>			
Basic		6.54	4.33
Diluted		3.07	3.75
Significant Accounting Policies	18		
Notes	19		

As per our report attached  
For Deloitte Haskins & Sells  
Chartered Accountants

C.R. Rajagopal  
Partner  
Hyderabad, December 29, 2008

For and on behalf of the Board  
R.K. Birla  
Managing Director

S. Hanumantha rao  
Director  
Shaik Ibraheem  
Company Secretary  
Place : Hyderabad  
Date: 29.12.2008



**CASH FLOW FOR THE 15 MONTH PERIOD ENDED SEPTEMBER 30, 2008**

(Amount in Rupees)

	For the period ended 30.09.08	For the year ended 30.06.07
<b>A. CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	622,174,172	349,421,177
Adjustments for:		
Depreciation / Amortisation	220,282,082	151,295,585
Extraordinary items	(74,070,620)	—
Unrealised Foreign Exchange (gain) / loss	16,297,872	—
Interest income	(24,551,357)	(5,961,693)
Interest expense	446,599,221	240,163,034
(Profit) / Loss on sale of fixed assets	118,539	—
<i>Operating profit before working capital changes</i>	<u>1,206,849,909</u>	<u>734,918,103</u>
Decrease / (increase) in sundry debtors	(1,077,243,744)	(417,995,079)
Decrease / (increase) in inventories	(851,754,138)	(570,392,919)
Decrease / (increase) in loans & advances	(888,577,695)	(597,214,671)
Increase / (decrease) in current liabilities	363,626,801	478,984,007
Increase / (decrease) in provisions	(5,962,782)	435,656
<i>Cash used in operations</i>	<u>(1,253,061,649)</u>	<u>(371,264,903)</u>
Income taxes paid	(21,560,140)	(30,144,640)
<i>Net cash used in operating activities</i>	<u>(1,274,621,789)</u>	<u>(401,409,543)</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(617,136,469)	(209,511,145)
Proceeds from sale of fixed assets	—	30,922,137
Acquisition of Undertaking	(350,200,000)	—
Investment in Subsidiaries	(67,650,879)	(564,000)
Interest received	22,245,884	3,798,761
<i>Net cash used in investing activities</i>	<u>(1,012,741,464)</u>	<u>(175,354,247)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	16,000,000	—
Share Application Money Received	—	292,693,417
Application money towards share warrants received	823,200,000	—
Share Premium Received	99,200,000	—
Interest Paid	(428,142,954)	(229,638,464)
Proceeds from secured loans	1,925,758,901	578,041,019
Repayment (Net) of Unsecured Loans	(25,000,000)	(10,270,267)
Dividends paid	(3,531,625)	(522,540)
Tax on Dividends	(600,376)	—
<i>Net cash from financing activities</i>	<u>2,406,883,946</u>	<u>630,303,165</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>119,520,693</u>	<u>53,539,375</u>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	80,600,047	32,390,465
Add : Cash and cash equivalents taken over on acquisition of undertaking /transferred to demerged unit	30,079,460	(5,329,793)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<u>230,200,200</u>	<u>80,600,047</u>

Notes: (i) Figures in brackets represent outflows.

(ii) Acquisition of business represents the portion of purchase consideration discharged in cash during the period (the total purchase consideration being Rs. 350,200,000).

(iii) Cash and cash equivalents include restricted balances of Rs. 209,618,999.

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells  
Chartered Accountants

R.K. Birla  
Managing Director

S. Hanumantha rao  
Director

C.R. Rajagopal  
Partner

Shaik Ibraheem  
Company Secretary

Place : Hyderabad  
Date: 29.12.2008

Hyderabad, December 29, 2008

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

	AS AT 30.09.2008	AS AT 30.06.2007
<b>SCHEDULE NO : 1</b>		
<b>SHARE CAPITAL</b>		
Authorised		
210,000,000 Equity Shares of Rs. 5 each (30.06.2007 - 130,000,000 Equity Shares of Rs. 5 each)	1,050,000,000	650,000,000
4,000,000 1% Cumulative Redeemable Preference Shares of Rs. 100 each (30.06.2007 - 4,000,000 Cumulative Redeemable Preference Shares of Rs. 100 each)	400,000,000	400,000,000
	<u>1,450,000,000</u>	<u>1,050,000,000</u>
Issued,Subscribed and Paid up		
63,256,524 Equity Shares of Rs. 5 each (30.06.2007- 51,973,524 Equity Shares of Rs. 5 each ) of The 63,256,524 Equity Shares: 13,140,489 Shares of Rs. 5 each were issued as fully paid up to the Shareholders of Erstwhile Sujana Steels Limited on its Amalgamation with the Company, for consideration other than cash; 593,735 Equity Shares of Rs. 5 each were Issued to IDBI Bank Limited as part of the Restructuring of Secured Loans (Refer Note 22 of Schedule 19)	316,282,620	259,867,620
3,531,625 1% Cumulative Redeemable Preference Shares of Rs.100 Each (30.06.2007 - 3,531,625 Cumulative Redeemable Preference Shares of Rs. 100 Each) (Refer Note 21 of Schedule 19) of the Above:	353,162,500	353,162,500
3,531,625 Preference Shares of Rs. 100/- each were Issued to IDBI Bank Limited as part of the Restructuring of Secured Loans	<u>669,445,120</u>	<u>613,030,120</u>





## SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

	AS AT 30.09.2008	AS AT 30.06.2007
<b>SCHEDULE NO : 2</b>		
<b>Reserves and Surplus</b>		
General Reserve		
Opening Balance	71,886,800	111,886,800
Less: Transfer to Sujana Towers Limited Pursuant to the Scheme of Arrangement	—	(40,000,000)
Less: Adjustment to Opening Balance of Employee Related liabilities in Accordance with the transitional provisions of AS 15 "Employee Benefits" [Net of Deferred Tax of Rs. 1,041,502] (Refer Note 10 of Schedule 19)	(2,022,641)	—
	<u>69,864,159</u>	<u>71,886,800</u>
Capital Reserve	524,748,818	524,748,818
Securities Premium		
Opening Balance	727,675,011	1,349,584,655
Less: Transfer to Sujana Towers Limited Pursuant to the scheme of arrangement	—	(621,909,644)
Add: Received during the period	349,773,000	—
	<u>1,077,448,011</u>	<u>727,675,011</u>
Cumulative Redeemable Preference Shares Redemption Reserve		
Transfer from Profit and Loss Account	50,367,667	—
	<u>50,367,667</u>	<u>—</u>
Profit and Loss Account	952,617,149	625,985,315
	<u>2,675,045,804</u>	<u>1,950,295,944</u>
<b>SCHEDULE NO : 3</b>		
<b>Secured Loans</b>		
<i>(Refer Note 3 (a) of Schedule 19)</i>		
Term Loans (from Banks)	1,078,731,763	1,224,079,375
Working Capital Loans (From Banks)	3,005,106,607	571,757,926
Deferred Finance - Vehicle Loans		
From Banks	17,968,856	6,797,796
From Others	447,274	855,517
	<u>4,102,254,500</u>	<u>1,803,490,614</u>
<b>SCHEDULE NO : 4</b>		
<b>Unsecured Loans</b>		
<i>(Refer Note 3(b) of Schedule 19)</i>		
Loans from others	—	25,000,000
	<u>—</u>	<u>25,000,000</u>

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE BALANCE SHEET SCHEDULE NO : 5 - FIXED ASSETS - STANDALONE

(Amt in Rupees)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As At 01.07.2007	Additions	On Acquisition of Undertaking (Note 1)	Deletions (Note 2)	As At 30.09.2008	As At 01.07.2007	For The Period	Deletions	As At 30.09.2008	As At 30.09.2008	As At 01.07.2007
<b>TANGIBLE</b>											
Land-freehold	11,373,674	28,472,467	131,687,930	—	171,534,071	—	—	—	—	171,534,071	11,373,674
Buildings	233,780,043	22,389,818	48,573,522	—	304,743,383	15,416,496	10,993,647	—	26,410,143	278,333,240	218,363,547
Plant & Machinery	2,838,445,076	469,515,562	519,500,000	358,859,708	3,468,600,930	436,785,337	190,274,865	89,259,378	537,800,824	2,930,800,106	2,401,659,739
Electrical Installation	24,490,810	535,044	113,000,000	—	138,025,854	7,019,768	5,839,699	—	12,859,467	125,166,387	17,471,042
Furniture & Fixtures	4,391,671	315,392	1,132,500	—	5,839,563	2,463,593	846,060	—	3,309,653	2,529,910	1,928,078
Office Equipment	5,323,695	4,811,972	744,500	—	10,880,167	1,208,473	612,653	—	1,821,126	9,059,041	4,115,222
Vehicles	32,970,679	9,692,584	6,200,000	—	48,863,263	10,041,261	4,680,273	—	14,721,534	34,141,729	22,929,418
Computers	35,140,704	2,783,928	2,165,000	—	40,089,632	23,521,359	4,167,230	—	27,688,589	12,401,043	11,619,945
<b>INTANGIBLE</b>											
Goodwill	—	—	2,867,655	—	2,867,655	—	2,867,655	—	2,867,655	—	—
<b>Total</b>	<b>3,185,916,352</b>	<b>538,516,767</b>	<b>825,871,107</b>	<b>358,859,708</b>	<b>4,191,444,518</b>	<b>496,456,287</b>	<b>220,282,082</b>	<b>89,259,378</b>	<b>627,478,991</b>	<b>3,563,965,527</b>	<b>2,689,460,065</b>
30.06.2007	2,408,485,495	1,902,457,050	—	1,125,026,193	3,185,916,352	618,626,079	151,295,585	273,465,377	496,456,287	2,689,460,065	3,482,805,341

Notes:

- i) The assets pertain to the operating unit acquired from Sarita Steel and Industries Limited, on a 'Slump Sale' Basis and whose values have been determined by means of a professional valuation (refer note 20 of Schedule 19).
- ii) The deletions pertain to the assets sold to certain parties, for a total consideration of Rs. 269,369,356.



## SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

	AS AT 30.09.2008	AS AT 30.06.2007
<b>SCHEDULE NO : 6</b>		
<b>Investments (At Cost)</b>		
Unquoted - Long Term (Less permanent diminutions, if any)		
<b>Investments In Subsidiaries :</b>		
Alpha Ventures Ltd (1,000 Ordinary Shares of Usd 1.00 each)	44,000	44,000
Glade Steels (P) Ltd (674,514 Equity Shares of Rs100 each - Subscribed During The Period) - (Refer Note 19 of Schedule 19)	67,451,400	—
Asiantide Enterprises Ltd (39,000 Shares of Hk Dollar 1.00 each - Subscribed During The Period)	199,479	—
<b>Investment In Associates :</b>		
Sujana Power (Gangikondan) Limited (26,000 Equity Shares of Rs.10 each)	260,000	260,000
Sujana Power (Tuticorin) Limited (26,000 Equity Shares of Rs.10 each)	260,000	260,000
	68,214,879	564,000
<b>SCHEDULE NO : 7</b>		
<b>Inventories</b>		
Stores, Spares & Consumables	361,738,103	162,844,371
Raw Materials	185,817,355	58,210,712
Work In Progress	12,281,732	8,266,545
Finished Goods	1,501,979,064	671,743,933
Excise Duty On Finished Goods	132,960,279	—
	2,194,776,533	901,065,561
<b>SCHEDULE NO : 8</b>		
<b>Sundry Debtors : (Unsecured)</b>		
(Refer Note 4 (a) of Schedule 19)		
Over Six Months		
Considered Good	126,407,691	49,977,839
Considered Doubtful	33,253,913	—
Other Debts		
Considered Good*	2,891,838,062	1,766,182,847
	3,051,499,666	1,816,160,686
Less: Provision for Doubtful Debts	(33,253,913)	—
	3,018,245,753	1,816,160,686
of the above:		
Considered Good	3,018,245,753	1,816,160,686
Considered Doubtful	33,253,913	—
	3,051,499,666	1,816,160,686

\* Includes Rs.17,087,936 towards sale of fixed assets (30.06.2007 - Rs. Nil)

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE BALANCE SHEET

(Amount in Rupees)

	AS AT 30.09.2008	AS AT 30.06.2007
<b>SCHEDULE NO : 9</b>		
<b>Cash &amp; Bank Balances</b>		
Cash On Hand	3,279,229	5,994,343
Balances with Scheduled Banks:		
Current Accounts	17,301,972	1,508,053
Deposit Accounts (Margin Money) <i>(Pledged with Banks for Guarantees Issued)</i>	209,618,999	73,097,651
	<u>230,200,200</u>	<u>80,600,047</u>
<b>SCHEDULE NO : 10</b>		
<b>Loans &amp; Advances : ( Unsecured)</b>		
<i>(Refer Note 4 (b) of Schedule 19)</i>		
Advances to Subsidiaries	141,092,847	—
Advances Recoverable in Cash or In kind or for value to be Received		
Suppliers	1,344,745,994	753,316,896
Capital Advances	294,683,338	—
Staff	3,804,951	1,820,521
Others	248,168,142	132,590,082
Advance Tax Including Tax Deducted at Source	7,868,906	81,246,903
Advance Fringe Benefit Tax	1,000,000	1,000,000
MAT Credit Receivable <i>(Refer Note 17 of Schedule 19)</i>	39,000,000	—
Balance With Central Excise	1,973,626	384,524
Deposits - Others	27,202,105	67,558,240
Interest Receivable On Deposits	2,305,473	—
	<u>2,111,845,382</u>	<u>1,037,917,166</u>
Less: Provision for Doubtful Advances	<u>(34,902,130)</u>	<u>—</u>
	<u>2,076,943,252</u>	<u>1,037,917,166</u>
of the above:		
Considered Good	2,076,943,252	1,037,917,166
Considered Doubtful	34,902,130	—
	<u>2,111,845,382</u>	<u>1,037,917,166</u>
<b>SCHEDULE NO : 11</b>		
<b>Current Liabilities</b>		
Acceptances	1,318,320,596	644,504,991
Sundry Creditors		
Dues to Micro & Small Enterprises	—	—
Dues to Other Than Micro, Small And Medium Enterprises		
- for Goods & Services	648,696,183	672,579,965
- for Expenses	53,211,178	10,622,079
Advances From Customers	152,797,174	61,489,629
Interest Accrued But Not Due On Loans	28,980,837	10,524,570
Other Liabilities	137,444,390	18,366,064
	<u>2,339,450,358</u>	<u>1,418,087,298</u>
<b>SCHEDULE NO : 12</b>		
<b>Provisions</b>		
Income-tax	125,849,599	132,219,715
Fringe Benefit Tax	5,940,647	1,842,448
Gratuity	12,648,435	1,465,328
Compensated Absences	1,829,009	—
Dividend On Cumulative Redeemable Preference Shares	4,414,531	3,531,625
Tax On Preference Dividend	838,192	600,376
	<u>151,520,413</u>	<u>139,659,492</u>



## SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

	Period Ended 30.09.2008	Year Ended 30.06.2007
<b>SCHEDULE NO : 13</b>		
Other Income		
Interest On Deposits With Banks and others (Tax Deducted At Source: Rs. 1,718,821)	24,551,357	6,143,031
Miscellaneous Income	10,293,019	3,086,932
	<u>34,844,376</u>	<u>9,229,963</u>
<b>SCHEDULE NO : 14</b>		
(Accretion)/Depletion Of Finished Goods And Stocks In Process		
Opening Stock		
Stock In Process	8,266,545	6,020,465
Finished Goods	671,743,933	274,096,531
	<u>680,010,478</u>	<u>280,116,996</u>
Add : Finished goods taken over and acquisition of undertaking	322,526,726	—
	<u>1,002,537,204</u>	<u>280,116,996</u>
Closing Stock		
Stock In Process	12,281,732	8,266,545
Finished Goods	1,501,979,064	671,743,933
	<u>1,514,260,796</u>	<u>680,010,478</u>
	(511,723,592)	(399,893,482)
(Accretion)/Depletion in Excise Duty On Finished Goods - Stock (Differential)		
	(132,960,279)	—
	<u>(644,683,871)</u>	<u>(399,893,482)</u>
<b>SCHEDULE NO : 15</b>		
Materials Consumed		
Opening Stock	58,210,712	28,740,650
Add: Purchases (includes stocks taken over on acquisition - Refer Note 20 of Schedule 19)	6,325,554,024	1,225,927,378
	<u>6,383,764,736</u>	<u>1,254,668,028</u>
Less: Closing Stock	185,817,355	58,210,712
	<u>6,197,947,381</u>	<u>1,196,457,316</u>
Purchase Of Finished Goods for Resale	11,032,622,785	5,673,515,454
	<u>17,230,570,166</u>	<u>6,869,972,770</u>

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

	Period Ended 30.09.2008	Year Ended 30.06.2007
<b>SCHEDULE NO : 16</b>		
<b>Manufacturing, Administration and Selling Expenses</b>		
Stores, Spares and Consumables	73,985,625	20,628,361
Power and Fuel	413,921,333	96,303,135
Rent	10,427,464	3,853,034
Repairs and Maintenance		
Buildings	4,513,276	815,415
Machinery	15,735,972	4,536,749
Others	1,390,897	845,137
Personnel Cost		
Salaries, Wages and Bonus	118,225,275	45,498,848
Contribution on Provident and Other Funds	5,398,336	3,309,160
Provision for Gratuity	8,797,367	1,465,328
Staff Welfare Expenses	6,155,395	2,064,136
Insurance	7,954,576	2,753,381
Rates and Taxes	6,161,182	9,989,551
Factory Maintenance	6,615,898	4,131,896
Other Manufacturing Expenses	185,339,483	13,984,017
Managerial Remuneration	9,030,000	3,848,000
Printing and Stationery	2,474,071	2,440,301
Communication	5,743,632	2,864,091
Travelling and Conveyance	37,312,300	15,724,603
Exchange Fluctuations (Net)	24,749,191	—
Professional and Consultancy Charges	51,459,450	33,219,375
Auditors' Remuneration	5,225,000	138,695
General Expenses	15,949,236	7,058,849
Bank Charges	9,554,684	2,175,461
Sales Promotion and Advertisement	23,097,197	28,888,524
Selling and Distribution Expenses	4,337,812	36,842
Carriage Outwards	33,695,035	903,749
Provision for Doubtful Debts and Advances	68,085,039	—
Loss on Sale of Fixed Assets (Net)	118,539	—
	<u>1,155,453,265</u>	<u>307,476,638</u>
<b>SCHEDULE NO : 17</b>		
<b>Interest and Finance Charges</b>		
Interest -		
On Fixed Loans	98,734,086	109,752,435
On Working Capital Loans	278,519,949	76,247,322
Others	63,930,554	5,186,266
Other Financial Charges	106,591,057	48,977,011
	<u>547,775,646</u>	<u>240,163,034</u>
Less: Interest Waiver (Refer Note 13 (a) of Schedule 19)	(101,176,425)	—
	<u>446,599,221</u>	<u>240,163,034</u>



## SCHEDULE 18:

### SIGNIFICANT ACCOUNTING POLICIES

#### 1 Basis of Preparation of Financial Statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India and also in accordance with the Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 and other relevant provisions of the Companies Act, 1956, to the extent applicable.

The financial statements are presented in Indian rupees.

#### 2 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods. Examples of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes and the useful lives of fixed assets.

#### 3 Fixed Assets and Depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets comprises the purchase price (net of rebates and discounts) and any other directly attributable costs of bringing the assets to working condition for their intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Depreciation on fixed assets is provided using the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of a Fixed Asset at the time of acquisition of the Asset or of the remaining useful life on a subsequent review, is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life / remaining useful life.

Depreciation is calculated on a pro-rata basis from/upto the date the assets are purchased /sold. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase.

#### 4 Investments

Investments are classified as current or long-term in accordance with Accounting Standard 13 on "Accounting for Investments.

Current Investments are stated at lower of cost and market value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss Account.

Long term Investments are stated at cost comprising of acquisition and incidental expenses. Provision is made to recognize a diminution, other than temporary in the value of such investments.

#### 5 Revenue Recognition

Revenue is recognized when it is earned and to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue from sale of Goods is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained.

Sales are net of sales returns and trade discounts. Export turnover includes related export benefits. Excise duty recovered is presented as a reduction from Gross turnover.

# SUJANA METAL PRODUCTS LIMITED

## 6 Inventories

Raw materials and Work-in-progress are valued at cost using the weighed average cost method.

Finished goods produced and purchased by the Company are valued at cost or net realisable value, whichever is lower.

Excise duty in respect of finished goods lying within the factory is included in valuation of Inventories.

Stores and Spares are carried at cost, ascertained on a weighted average basis. Necessary provision is made in case of identified obsolete and non-moving items.

## 7 Employee Benefits

Short-term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost and are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Contributions to Provident Fund, a defined contribution plan are made in accordance with the statute, and are recognized as an expense when employees have rendered service entitling them to the contributions.

Other long-term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service) are measured on a discounted basis by the Projected Unit Credit Method on the basis of actuarial valuation.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account

## 8 Foreign Currency Transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of transactions and in case of purchase of materials and sale of goods, the exchange gains / losses on settlements during the year, are charged to Profit and Loss Account

Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the date of Balance Sheet. Exchange gains / losses including those relating to fixed assets are dealt with in the Profit and Loss Account.

## 9 Taxes on Income

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income". Taxes comprise both current and deferred tax. Current tax is measured at the amount expected to be paid from the revenue authorities, using the applicable tax rates and laws.

Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. They are measured using the substantively enacted tax rates and tax regulations.

The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

Fringe Benefit Tax (FBT) payable under the provisions of section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on "Accounting for Fringe Benefits Tax" issued by the ICAI regarded as an additional income tax and considered in determination of profits for the year.

Tax on distributed profits payable in accordance with the provisions of Section 115O of the Income Tax Act, 1961 is in accordance with the Guidance Note on "Accounting for Corporate Dividend Tax" regarded as a tax on distribution of profits and is not considered in determination of profits for the year.

## 10 Earnings per Share

The Company reports basic and diluted Earnings Per Share (EPS/DEPS) in accordance with Accounting Standard 20 on "Earnings per share". Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year.

Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares from the exercise of Convertible Share Warrants of unissued share capital, except where the results are anti-dilutive.

## 11 Segment Reporting

The Company operates only in one business segment - steel and steel products. The company's operations predominantly consists of production and sale of steel and steel products. Hence there are no other reportable segment under Accounting Standard 17. During the period, substantial part of the company's business has been carried out in India. The conditions prevailing in India being uniform no separate geographical disclosures are considered necessary.

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULE 19: NOTES

### 1 Contingent Liabilities not provided for :

#### a) Letters of Credit and guarantees issued :

Particulars	As at 30.09.2008	As at 30.06.2007
i) Letters of Credit	INR 1,399,397,000	INR 328,051,000
ii) Counter Guarantees given to Bankers towards:		
- Bank Guarantees issued	INR 73,889,000	INR 2,500,000
- Standby Letter of Credit issued	—	INR 489,549,000
iii) Corporate Guarantees furnished on behalf of Sujana Universal Industries Ltd.	INR 1,164,440,000	INR 1,164,440,000
iv) Corporate Guarantees furnished on behalf of Sujana Universal Industries Ltd.	USD 4,916,992	USD 4,916,992
v) Joint Corporate Guarantee executed by the company along with Sujana Universal Industries Ltd (SUIL) & Sujana Towers Ltd (STL) in favour of Alpha Ventures Ltd and Sujana Holdings Ltd, which are wholly owned subsidiaries of the Sujana Metal Products Limited and Sujana Universal Industries Ltd respectively.	USD 65,000,000	USD 60,000,000

#### b) Taxes and Duties

Particulars	2007-08
	(INR)
i) Excise Duty	40,000,895
ii) Customs Duty	27,028,336
iii) Sales Tax	261,891,807
iv) Others	40,000,000

Particulars	2007-08
	(INR)
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs. 294,683,338)	309,724,312

### 3 Secured and Unsecured Loans

#### a) *Secured Loans*

- i) Term Loans from IDBI Bank are secured by way of first charge on the entire assets of the Company, both present and future, subject to the prior charges, created for the borrowing of working capital and further secured by the personal guarantees of certain directors.
- ii) Working Capital Loans availed from the consortium of Bank of Baroda Chennai, State Bank of Patiala Hyderabad, Bank of India Chennai, Punjab National Bank Mumbai, Indian Bank Chennai, Karnataka Bank Hyderabad and Indian Overseas Bank Chennai, are secured by hypothecation of all stocks of raw materials, work in progress, finished goods, stores & spares, book debts, other current assets of the company and further secured by the second charge on all the fixed assets of the Company. The loan availed from Bank of Baroda Chennai is secured by the personal guarantees of certain Directors of the Company and Corporate Guarantee of Sujana Universal Industries Limited.
- iii) Amount repayable within one year:  
Term Loans - Rs. 85,696,996
- iv) Secured loans include interest accrued and due of Rs. 14,331,095

#### b) *Unsecured Loans*

Unsecured loans: Due to Director Rs. Nil  
Maximum due during the period - Rs. 9,275,000.

### 4 Dues from Directors

#### a) *Sundry Debtors*

Sundry debtors include:  
Receivable from directors - Rs. 1,632,133  
Maximum outstanding during the period - Rs. 1,632,133

#### b) *Loans and Advances*

Loans and Advances include:  
Advances to directors - Rs. 700,907  
Maximum outstanding during the period - Rs. 700,907

### 5 Derivative Instruments

Amounts payable in foreign currency amount, that have not been hedged by a derivative instrument or otherwise, are as follows :

	2007-08	
	Rs.	USD
Import of Goods and Services	113,299,966	2,392,940





**SCHEDULE 19: NOTES**  
**6.2 Related Party Transactions:**

(INR)

Particulars	Subsidiaries		Associates		Key Management Personnel		Enterprises Over Which Key Management Personnel Exercises Significant Influence		Total	Total
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07		
<b>A). Sales</b>										
Glade Steel Pvt.ltd.	5,357,169	-	-	-	-	-	-	-	5,357,169	-
Mr.R.K.Birla	-	-	-	-	1,632,753	-	-	-	1,632,753	-
Sujana Towers Ltd.	-	-	-	-	-	-	434,522,621	13,052,688	434,522,621	13,052,688
Sujana Universal Industries Ltd.	-	-	-	-	-	-	141,057,378	62,138,387	141,057,378	62,138,387
Foster Infm & Trading Pvt Ltd.	-	-	-	-	-	-	23,425,092	-	23,425,092	-
<b>Sub-Total</b>	<b>5,357,169</b>	-	-	-	<b>1,632,753</b>	-	<b>599,005,091</b>	<b>75,191,075</b>	<b>605,995,013</b>	<b>75,191,075</b>
<b>B). Investments Made</b>										
Glade Steel Pvt.ltd.	67,451,400	-	-	-	-	-	-	-	67,451,400	-
Alpha Ventures Ltd.	44,000	-	-	-	-	-	-	-	44,000	-
Asian Tide Enterprises Ltd.	199,479	-	-	-	-	-	-	-	199,479	-
Sujana Power (Tuticorin)Ltd.	-	260,000	-	-	-	-	-	-	260,000	-
Sujana Power (Gangikondan) Ltd.	-	260,000	-	-	-	-	-	-	260,000	-
<b>Sub-Total</b>	<b>67,694,879</b>	-	-	-	-	-	-	-	<b>68,214,879</b>	-
<b>C). Purchases</b>										
Glade Steel Pvt.ltd.	155,868,156	-	-	-	-	-	-	-	155,868,156	-
Sujana Towers Ltd.	-	-	-	-	-	-	160,115,634	-	160,115,634	-
Sujana Universal Industries Ltd.	-	-	-	-	-	-	669,791,162	645,459,820	669,791,162	645,459,820
<b>Sub-total</b>	<b>155,868,156</b>	-	-	-	-	-	<b>829,906,796</b>	<b>645,459,820</b>	<b>985,774,952</b>	<b>645,459,820</b>
<b>D). Advances Received</b>										
(Towards Share Warrants Application Money)										
Mr. Y.S. Chowdary	-	-	-	-	165,600,000	-	-	-	165,600,000	-
Sujana Holdings Ltd.	-	-	-	-	-	-	91,800,000	-	91,800,000	-
Yelamanchili Finance And Trading Pvt.ltd	-	-	-	-	-	-	547,000,000	-	547,000,000	-
<b>Sub-total</b>	-	-	-	-	<b>165,600,000</b>	-	<b>638,800,000</b>	-	<b>804,400,000</b>	-
<b>E) Repayment of Unsecured Loans</b>										
Mr. Y.S. Chowdary	-	-	-	-	9,275,000	-	-	-	9,275,000	-
Sujana Capital Services Ltd.	-	-	-	-	-	-	15,725,000	-	15,725,000	-
<b>Sub-Total</b>	-	-	-	-	<b>9,275,000</b>	-	<b>15,725,000</b>	-	<b>25,000,000</b>	-
<b>F) Remuneration</b>										
Mr.R.K.Birla (Managing Director)	-	-	-	-	8,100,000	-	-	-	8,100,000	3,428,000
Mr.S. Hanumantha Rao (Executive Director)	-	-	-	-	930,000	-	-	-	930,000	420,000
<b>Sub-Total</b>	-	-	-	-	<b>9,030,000</b>	-	-	-	<b>9,030,000</b>	<b>3,848,000</b>

# SUJANA METAL PRODUCTS LIMITED

Particulars	Subsidiaries		Associates		Key Management Personnel		Enterprises Over Which Key Management Personnel Exercises Significant Influence		Total	Total
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07		
G). Reimbursement of Expenses for Services Rendered										
Glade Steel Pvt.ltd.	514,240	-	-	-	-	-	-	-	514,240	-
Sujana Universal Industries Ltd.	-	-	-	-	-	-	4,596	-	4,596	-
J.R.automobiles	-	-	-	-	-	-	249,337	-	249,337	-
<b>Sub-Total</b>	<b>514,240</b>	-	-	-	-	-	<b>253,933</b>	-	<b>768,173</b>	-
H). Balances Outstanding Advances & Loans Receivable										
Glade Steel Pvt.ltd.	141,092,847	-	-	-	-	-	-	-	141,092,847	-
Sujana Power (Tuticorin)Ltd.	-	37,660,075	37,611,475	-	-	-	-	-	37,660,075	37,611,475
Sujana Universal Industries Ltd.	-	-	-	-	-	-	4,396,081	45,648,197	4,396,081	45,648,197
Sujana Projects Ltd.	-	-	-	-	-	-	-	330,000	-	330,000
Yelamanchili Finance And Trading Pvt.ltd	-	-	-	-	-	-	2,500,000	-	2,500,000	-
Foster Infn & Trading Pvt Ltd.	-	-	-	-	-	-	195,092	1,200,000	195,092	1,200,000
Sujana Capital Services Ltd.	-	-	-	-	-	-	-	1,050,733	-	1,050,733
Mr.R.K.Birla	-	-	-	-	-	2,333,040	-	-	2,333,040	354,709
Sujana Towers Ltd.	-	-	-	-	-	-	-	-	-	7,420,369
<b>Sub-total</b>	<b>141,092,847</b>	<b>37,660,075</b>	<b>37,611,475</b>	-	<b>354,709</b>	<b>2,333,040</b>	<b>7,091,173</b>	<b>55,649,299</b>	<b>188,177,135</b>	<b>93,615,483</b>
I). Balances Outstanding Payable										
Sujana Towers Ltd.	-	-	-	-	-	-	9,828,617	-	9,828,617	-
Sujana Capital Services Ltd.	-	-	-	-	-	-	-	-	-	-
Mr. Y.S. Chowdary	-	-	-	-	-	-	-	-	-	-
Mr. S. T.Prasad	-	-	-	-	-	-	-	-	-	-
<b>Sub-Total</b>	-	-	-	-	-	-	<b>9,828,617</b>	-	<b>9,828,617</b>	-
J). Share Warrant Application Money Received										
Sujana Holdings Ltd.	-	-	-	-	-	-	91,800,000	-	91,800,000	-
Yelamanchili Finance And Trading Pvt.ltd	-	-	-	-	-	-	547,000,000	-	547,000,000	-
Mr. Y.S. Chowdary	-	-	-	-	-	50,400,000	-	-	50,400,000	-
<b>Sub-Total</b>	-	-	-	-	-	<b>50,400,000</b>	<b>638,800,000</b>	-	<b>689,200,000</b>	-
<b>Total</b>	<b>370,527,291</b>	<b>38,180,075</b>	<b>37,611,475</b>	<b>4,202,709</b>	<b>238,270,793</b>	<b>776,300,194</b>	<b>2,739,410,610</b>	<b>3,386,388,769</b>	<b>818,114,378</b>	

## 7 Managerial Remuneration

Particulars	2007-2008	2006-2007
	(INR)	(INR)
Salary and Allowances	8,214,000	3,569,000
Contributions to Provident Fund	816,000	279,000
Directors Sitting Fees	120,000	—
<b>Total</b>	<b>9,150,000</b>	<b>3,848,000</b>

## 8 Remuneration to Auditors (excluding service tax)

Particulars	2007-2008	2006-2007
	(INR)	(INR)
Audit Fees	3,600,000	138,695
Certification & Other Services	1,625,000	—
<b>Total</b>	<b>5,225,000</b>	<b>138,695</b>

## 9 Segment Reporting

The Company operates only in one business segment - steel and steel products. The company's operations predominantly consists of production and sale of steel and steel products. Hence there are no reportable segment under Accounting Standard 17. During the period, substantial part of the company's business has been carried out in India. The conditions prevailing in India being uniform no separate geographical disclosures are considered necessary.

## 10 Deferred Tax

	As at 01.07.2007	Adjustment to Reserves	Charge/(Credit) during the period	As at 30.09.2008
		INR		
<b>Deferred Tax Liability</b>				
Fixed Assets	(283,510,640)		218,258,110	(501,768,750)
<b>Total</b>	<b>(283,510,640)</b>		<b>218,258,110</b>	<b>(501,768,750)</b>
<b>Deferred Tax Asset</b>				
Gratuity	—	810,913	(3,488,290)	4,299,203
Compensated absence	—	230,589	(391,091)	621,680
Provision for doubtful debts / advances	—		(23,166,239)	23,166,239
<b>Total</b>	<b>—</b>	<b>1,041,502</b>	<b>(27,045,620)</b>	<b>28,087,122</b>
<b>Net Deferred Tax Liability</b>	<b>(283,510,640)</b>	<b>1,041,502</b>	<b>191,212,490</b>	<b>(473,681,628)</b>

Consequent to the application of Accounting Standard 15 - "Employee Benefits" as notified by the Companies (Accounting Standards) Rules, 2006, all employee benefits have been determined in accordance with the Standard and in accordance with the transitional provisions, the liability as at 1st July, 2007 has been recomputed and the difference with the liability existing as on 30th June, 2007 aggregating to Rs. 2,022,641 (net of deferred tax asset of Rs. 1,041,502 ) has been adjusted to the General Reserve as at July 1, 2007.

# SUJANA METAL PRODUCTS LIMITED

## 11 Employee Benefits

### a) Gratuity

- Gratuity** : This is a unfunded defined benefit plan.
- Scheme Description** : The Scheme provides for a lump sum benefit, subject to a vesting period of 5 years in case of early separation, based on final salary and years of service.
- Actuarial valuation method** : Projected Unit Credit Method

Since the company had, in the past, not accounted for the employee benefits, as was required in terms of the pre-revised AS-15 "Retirement Benefits" issued by the Institute of Chartered Account of India, the liability on the same has been accounted for as follows:

- (i) In accordance with the guidance note issued by the Accounting Standard Board of the Institute of Chartered Accountants of India and the Companies (Accounting Standards) Amendment Rules, 2006 has been determined on acturial basis in the case of gratuity and compensated absences and amounts aggregating to Rs. 7,337,933 (Gratuity - Rs. 6,220,119 and Compensated Absences - Rs. 1,117,814) has been charged to the Profit and Loss Account as expenditure relating to past year.
- (ii) The difference between the employee benefits determined in accordance with the requirements of Accounting Standard (AS) 15 notified by the Companies (Accounting Standards ) Rules, 2006 as at 1st July, 2007 and that computed with the pre revised AS -15 issued by the Institute of Chartered Accountants of India , aggregating to Rs. 2,022,641 (net of deferred tax asset of Rs. 1,041,502 ) has been adjusted to the General Reserve as at July 1, 2007.

Disclosures	2007-08
<b>Components of Employer Expense - Gratuity</b>	
Current Service Cost	2,577,248
Interest Cost	1,070,064
Expected Return on Plan Assets	—
Actuarial Losses/(Gains)	(1,070,064)
<b>Total expense included in the Statement of Profit &amp; Loss</b>	<b>2,577,248</b>
<b>Actual Contribution &amp; Benefit Payments</b>	
Actual Benefit Payments Considered	—
Actual Contributions	—
<b>Net Asset/(Liability) recognized in Balance Sheet</b>	
Present Value of Defined Benefit Obligation	12,648,435
Fair Value on Plan Assets	—
<b>(Net Asset) / Liability recognised in Balance Sheet</b>	<b>12,648,435</b>
<b>Change in Defined Benefit Obligations (DBO)</b>	
Present Value of DBO at Beginning of Year	10,071,187
Current Service Cost	2,577,248
Interest Cost	1,070,064
Actuarial (Gains)/Losses	(1,070,064)
Benefits Paid	—
<b>Present Value of DBO at the End of Year</b>	<b>12,648,435</b>

<b>Change in Fair Value of Plan Assets during the year</b>	
Plan Assets at Beginning of Year	—
Actual Return on Plan Assets	—
Actual Company Contributions	—
Benefits Paid	—
<b>Plan Assets at the End of Year</b>	—
<b>Assumptions</b>	
Interest / Discount Rate	8.50%
Rate of escalation in salary	5.00%
Attrition Rate	5.00%

Note: This being the first year of adoption of AS-15, comparative figures for previous year are not available.

b) *Compensated absences*

The accrual for unutilized leave is determined for the entire available leave balance standing to the credit of the employees at period-end. The value of such leave balance eligible for carry forward, is determined by an independent actuarial valuation and charged to profit and loss account in the period determined

12 Earnings per Share

(Amount in Rupees)

Particulars	As at 30-09-2008	As at 30-06-2007
Profit after Tax and before extraordinary items		
Basic	311,276,026	225,176,227
Diluted	313,660,689	225,176,227
Profit After Tax		
Basic	376,999,501	225,176,227
Diluted	379,384,163	225,176,227
Number of shares considered as weighted average shares for calculation of Basic Earnings per Share (EPS)	57,623,635	51,973,524
Add: Dilutive effect of potential shares out of convertible share warrants	65,761,191	8,130,372
Number of shares considered as weighted average shares and potential shares outstanding for calculation of Diluted EPS.	123,384,826	60,103,896
Earnings per share on profit after tax and before extraordinary items - Face Value: Rs. 5/- each		
Basic	5.40	4.33
Diluted	2.54	3.75
Earnings per share on profit after tax and extraordinary items - Face Value: Rs. 5/- each		
Basic	6.54	4.33
Diluted	3.07	3.75

# SUJANA METAL PRODUCTS LIMITED

## 13 Interest Waiver and Extraordinary item

### (a) Interest Waiver

During the period, the Company received an interest benefit of Rs. 101,176,425 on account of restructuring of loans of Sujana Steels Limited (amalgamated with the Company w.e.f July 1, 2006) with effect from April 1, 2008.

### (b) Extra Ordinary Item

During the period, the Company acquired a business unit of Sarita Steel and Industries Limited on a slump sale basis. Subsequent to acquisition, loans outstanding with IDBI Bank-Stressed Asset Stabilisation Fund was restructured and an interest waiver of Rs. 74,070,620 was received on April 1, 2008 The same is disclosed as an extraordinary item. (Refer Note 20 of Schedule 19)

## 14 Additional information pursuant to the provisions of Paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act.

### (a) Purchase of finished goods for resale

During the period, the company purchased 253,842 MT of finished Steel Products in order for resale.

### (b) Capacities and Production

Particulars	2007-08	2006-07
	MT	MT
Licensed Capacity (Refer Note 1 below)	Not Applicable	Not Applicable
Installed Capacity (Refer Note 2 below)		
M.S. Casting products	58,000	26,400
M.S. Rerolling Products	471,875	290,000
Actual Production		
Casting products	13,385	—
Iron and Steel Products	203,357	63,146

1. Licensed capacity is not applicable in terms of the Government of India Notification No. 477 (E) dated 25th July. 1991.

2. As certified by the Management and accepted by Auditors

### (c) Turnover

Particulars	2007-08		2006-07	
	QTY (MT)	VALUE (INR)	QTY (MT)	VALUE (INR)
Iron & Steel Products	437,395	17,789,184,742	261,077	6,846,620,462
M S Scrap	13,162	239,047,279	3,442	49,915,213
M S Ingots	10,547	272,629,692	765	15,094,861
Others	—	477,367,632	—	597,575,223
<b>Total</b>		<b>18,778,229,345</b>		<b>7,509,205,759</b>



(d) Opening & Closing Stocks

Particulars	2007-08		2006-07	
	QTY (MT)	VALUE (INR)	QTY (MT)	VALUE (INR)
<b>Opening Stock</b>				
Iron & Steel Products	24,844	664,875,168	5,279	276,187,164
Structural Steel	—	—	—	—
MS Scrap	421	6,868,765	22	263,940
Others	—	—	—	—
<b>Closing Stock</b>				
Iron & Steel Products	33,,833	1,077,093,127	2,4844	664,875,168
Structural Steel	10,815	351,746,201	—	—
MS Scrap	397	13,623,595	421	6,868,765
Others	—	59,516,141	—	—

(e) Consumption of Raw Materials

Particulars	2007-08		2006-07	
	QTY (MT)	VALUE (Rs.)	QTY (MT)	VALUE (Rs.)
Billets / Blooms	123,596	3,499,094,892	28,889	521,387,660
MS Products	42,954	1,117,831,664	—	—
Pig / Sponge Iron	13,206	288,154,064	—	—
MS Ingots	45,644	1,176,603,643	36,623	675,069,656
Others	—	116,263,118	—	—
<b>Total</b>		<b>6,197,947,381</b>		<b>1,196,457,316</b>

(f) Consumption of directly imported and indigenously obtained raw materials, Stores and Spares and Components

Particulars	2007-08		2006-07	
	%	VALUE (Rs.)	%	VALUE (Rs.)
<b>Raw Material</b>				
Imported	13%	814,251,814	53%	631,236,571
Indigenous	87%	5,383,695,567	47%	565,220,745
	100%	6,197,947,381	100%	1,196,457,316
Stores and Spares (Indigenous)	100%	73,985,625	100%	20,628,361

# SUJANA METAL PRODUCTS LIMITED

## (g) CIF Value of Imports

Particulars	2007-08 (Rs)	2006-07 (Rs)
Raw Materials	422,420,773	563,858,102
Capital Goods	—	—
Others	580,568,051	—
Total	1,002,988,824	563,858,102

## (h) Expenditure in Foreign Currency (on accrual basis)

Particulars	2007-08 (Rs)	2006-07 (Rs)
Travelling	3,436,123	700,790
Consultancy	—	49,556
Total	3,436,123	750,346

## (i) Earnings in Foreign Exchange

Particulars	2007-08 (Rs)	2006-07 (Rs)
FOB Value of Exports	—	597,575,436
Others	581,395,949	—
Total	581,395,949	597,575,436

## 15 Micro and Medium Scale Business Entities

There are no Micro, Small and Medium Enterprises, to whom the Company, owes dues, which are outstanding for more than 45 days as at September 30, 2008. This information is required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

## 16. Disclosure as per Clause 32 of the Listing Agreement :

Loans and Advances in the nature of Loans given to Subsidiaries, Associates and Others :

Name of The Company	Relationship	Amount Outstanding As At Period End	Maximum Outstanding During the period	Investment in Shares of The Company (No.)
Sujana Power (Tuticorin)Ltd.	Associate	37,660,075	37,660,075	—
Sujana Projects Ltd.	Others	—	330,000	—
Yalamanchili Finance and Trading Pvt. Ltd	Others	2,500,000	2,500,000	447,346
Foster Infin & Trading Pvt Ltd.	Others	195,092	1,395,092	3,333
Sujana Capital Services Ltd.	Others	—	16,775,733	350,000
Glade Steel Private Limited	Subsidiary	141,092,847	141,092,847	—

“Others” represent Companies in which Directors are interested.

All the above loans are interest free and there are no repayment schedules.

#### **17 Minimum Alternate Tax (MAT)**

The Company is liable to pay income tax under the provisions of Section 115JB of the Income Tax Act, 1961. Accordingly provision for income tax of Rs. 70,050,000 has been made for the period.

In accordance with the Guidance Note on "Accounting For Credit Available in Respect of Minimum Alternate Tax (MAT) under the Income Tax Act, 1961" issued by the Institute of Chartered Accountants of India, the Company has recorded as MAT Credit of Rs. 39,000,000 for the period ended September 30, 2008.

#### **18 Application Money received towards Share warrants**

Share warrants represent advances received against 57,300,000 convertible share warrants allotted on preferential basis to Promoter and Promoter Group Companies, at a price of Rs. 36 per warrant, with a right to apply for and be allotted equity shares of Rs. 5 each of the Company at a premium of Rs. 31 per share within a period not exceeding 18 months from the date of allotment of the warrants. i.e, January 28, 2008.

#### **19 Investment in Subsidiary**

The company has an Investment of Rs. 67,451,400 (30.06.07 - Nil) in its wholly owned subsidiary Glade Steels (P) Limited (Glade) and has advanced amounts aggregating to Rs. 141,092,847 (30.06.2007 - Rs.Nil) which is outstanding as at the Balance Sheet date.

Glade has been incurring losses and its accumulated losses as at 30.09.08 of Rs.77,201,320. (31.03.08 - Rs. 67,124,561) exceeds its paid up capital.

In view of the company's long term involvement, management is of the view that no provision is required on this account at this stage.

#### **20 Acquisition of Unit of Sarita Steel and Industries Limited**

During the period, the Company acquired an operating unit from Sarita Steel and Industries Limited on 'slump sale basis'. As part of this acquisition, the Company has taken over the outstanding dues of Rs. 289,482,490 payable to SASF (Stressed Assets Stabilization Fund) , a division of IDBI. SASF had approved of the takeover of these loans and restructured the same to Rs. 217,000,000, subject to specified conditions.

The assets and liabilities takeover whose values have been determined by means of a professional valuation are as follows :

# SUJANA METAL PRODUCTS LIMITED

(Amount in Rupees)

Fixed Assets	823,003,452	
Capital Work in progress	5,337,396	
Raw Materials - 84,674,107		
Finished Goods - 322,526,726		
<i>(includes excise)</i>		
Stores and Spares - 5,597,815		
Total Inventories	412,798,648	
Loans & Advances	116,740,962	
Debtors	124,841,323	
Cash and Cash Equivalents	30,079,460	
<b>Total Assets Taken Over</b>		<b>1,512,801,241</b>
Secured Loans	373,004,985	
Current Liabilities	792,463,911	
<b>Total Liabilities Taken Over</b>		<b>1,165,468,896</b>
Net Assets taken over		<b>347,332,345</b>
Less : Purchase Consideration paid (Goodwill)		<b>350,200,000</b> <b>(2,867,655)</b>

## 21 Cumulative Redeemable Preference Shares

Cumulative Redeemable Preference Shares consist of :

2,038,260 1% of Cumulative Redeemable Preference Shares of Rs. 100 each aggregating to Rs. 203,826,000 would be redeemable in 12 quarterly installments co-terminous with principal payment commencing from July 01, 2015 and ending on April 01, 2018.

1,493,365 1% of Cumulative Redeemable Preference Shares of Rs. 100 each aggregating to Rs. 149,336,500/- would be redeemable in 12 quarterly installments co-terminous with principal payment commencing from October 01, 2013 and ending on July 01, 2016.

## 22 Stressed Assets Stabilization Fund has communicated as follows :

- In terms of letter dated June 25, 2008 outstanding loan of Rs.187,500,000 is to be converted into equity shares of the Company as per SEBI Guidelines with in a period of 4 months.
- In terms of letter dated December 4, 2008 accrued interest approximately of Rs.9,300,000 is to be converted into equity shares of the Company as per extant SEBI Guidelines before February 28, 2009.
- In terms of letter dated December 6, 2008 accrued interest approximately of Rs.19,800,000 is to be converted into equity shares of the Company at par and all formalities relating to allotment are required to be completed by the Company before February 28, 2009.

## 23 Comparatives

The accounts have been prepared for 15 months i.e., for the period July 1, 2007 to September 30, 2008 and are not strictly comparable with previous year's numbers.

## 24 Previous year's figures have been recast/restated wherever necessary.

For Sujana Metal Products Limited

R.K. Birla  
Managing Director

S. Hanumantha Rao  
Director

Place : Hyderabad  
Date: 29.12.2008

Shaik Ibraheem  
Company Secretary



## GLADE STEEL PRIVATE LIMITED

### DIRECTORS' REPORT

To

The Members

Your Directors hereby present the Third Annual Report together with the Audited Accounts for the year ended 31st March, 2008.

#### **FINANCIAL RESULTS**

During the year under review your Company has incurred a net loss of Rs.4.61 Crores (previous year loss of Rs.2.09 Crores) after providing all expenses. Your Directors are hopeful to project better financial results in the forthcoming years.

#### **DIRECTORS**

During the year Shri B. Murali, and Shri R.K. Birla were Co-opted as an Additional Directors w.e.f. 21.01.2008 and Shri C.Harivittal Rao was Co-opted as an Additional Director w.e.f. 17.09.2008. Accordingly, these Additional Directors are to be appointed as Directors of the Company in the ensuing Annual General Meeting. Notices as required u/s 257 of the Companies Act, 1956 have been received from the members proposing the appointment of Shri B. Murali, Shri R.K. Birla and Shri C.Harivittal Rao.

During the year Shri Aslam Ali Khan, and Shri Khatoon Fouzia, Directors of the Company resigned from the Board w.e.f. 22.01.2008, and the Board express gratitude for the services rendered by them during their tenure.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, the Directors confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that 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 or loss of the Company for that period;

- c) that they have taken proper and sufficient care for the maintenance of the adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that they have prepared annual accounts on a going concern basis.

#### **AUDITORS:**

The retiring auditors of the Company M/s Syed & Syed, Chartered Accountants, are retiring at this Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend their reappointment. The Auditors shall hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

#### **FIXED DEPOSITS**

During the year under report, your Company has not accepted any fixed deposits from the public.

#### **PERSONNEL**

The relations between the employees and the management continued to be cordial throughout the year.

#### **ACKNOWLEDGEMENTS**

The Board of Directors wish to place on record its appreciation of the sincere and committed efforts put by the employees, shareholders and bankers for the construction and growth of the Company.

**BY ORDER OF THE BOARD**

**B. Murali**  
Director

**R.K. Birla**  
Director

Place: Hyderabad  
Date : 17.09.2008

# SUJANA METAL PRODUCTS LIMITED

## AUDITORS' REPORT

To

The Members

GLADE STEEL PRIVATE LIMITED

Hyderabad

- 1 We have audited the attached Balance Sheet of M/s. GLADE STEEL PRIVATE LIMITED, as at 31 st March 2008 and also the Profit & Loss Account for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe the our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Govt of India in terms of the Section 227 (4 A) of the Companies Act, 1956 and on the basis of such checks, books and records of the company as we considered appropriate and according to the information and explanation given to us during the course of our audit, we annex hereto a statement on the matters specified in paragraph 4 & 5 of the said order and report as under to the extent applicable
4. Further to our comments above and in the Annexure referred to in paragraph above we state that:
  - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of such books and the information received from the Company and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
  - iii) The Balance Sheet and the related annexures dealt with by this report are in agreement with the books of account and the audited returns from the branches.
  - iv) In our opinion the Balance Sheet comply with the accounting standards referred to in sub-section 3 C of section 211.
  - v) On the basis of written conformations received from the Directors as on 31st March 2008 and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31-03-2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
  - vi) In our opinion and to the best of our knowledge and according to explanation given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. In case of the Balance Sheet, of the state of affairs of the Company as at March 31st ,2008; and
    - b. In the case of the Profit & Loss Account , of the Profit/Loss for the year ended on that date ; and

For SYED & SYED  
Chartered Accountants  
Syed Mansoor Ahmed  
Partner  
MNo ICAI'No 27384

Place: Hyderabad  
Date: 30.08.2008



## ANNEXURE TO THE AUDIT REPORT

Referred to in paragraph 3 of our report, we further report that:

### i FIXED ASSETS :

- a. the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- b. these fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion is reasonable having regard to the size of the company and the nature of its assets .
- c. During the year the company has not disposed off substantial part of the plant and machinery.

### ii) INVENTORY

- (a) physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) the company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification and the same have been properly dealt with in the books of account;

### iii) LOANS

- (a) the company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (b) As the company has not granted any loans from, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301, the question of the the rate of interest and other terms and conditions of loans given or taken by the company, secured or unsecured, are, being prima facie prejudicial to the interest of the company does not arise

- (c) Likewise the question of the payment of the principal amount and interest being irregular or otherwise does not arise
- d) Likewise there is no overdue amount in excess of Rs One lakh in respect of loans granted to companies firms and parties listed inregister maintained under section 301 of the Companies Act 1956
- (e) The company has not taken loans from companies covered in the register maintained under section 301 of the Companies Act 1956.
- (f) As the company has not taken any loans from, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301, the question of the rate of interest and other terms and conditions of loans given or taken by the company, secured or unsecured, are, being prima facie prejudicial to the interest of the company does not arise.
- (g) Likewise the question of the payment of the principal amount and interest being irregular or otherwise does not arise

### iv) INTERNAL CONTROL

- (a) In our opinion and according to the information and explanations given to us, there exists an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.

### iv) SECTION - 301

- (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into a register maintained under section 301 of the Companies Act 1956, have been so entered;
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of the contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time;

# SUJANA METAL PRODUCTS LIMITED

## vi) DEPOSITS FROM PUBLIC

(a) The company has not accepted deposit from public . As such the question of of compliance or otherwise with the provisions of sections 58 A and 58 AA and other relevant provisions of the Companies Act 1956 and the Companies (Acceptance of Deposits) Rules 1975 with regard to the deposits accepted deposits from the public does not arise

## vii) INTERNAL AUDIT

In our opinion , the Company has an internal audit system commensurate with its size and nature of its business;

## viii) COST AUDIT

The Central Govt has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, and no such accounts and records have been made and maintained;

## ix) STATUTORY DUES

a) the company is regular in depositing with appropriate authorities undisputed statutory dues.

b) According to information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Investor Education and Protection Fund, Employees' State Insurance, Sales tax, wealth tax , Service tax, Income-tax Custom Duty, Excise Duty were in arrears as at 31st March 2008 for a period of more than six months from the date they became payable.

c) According to information and explanations given to us, there are no dues of sales tax/ income tax/custom tax/wealth tax/excise duty/ cess which have not been deposited on account of any dispute

(x) The company has been registered for a period less than five years and in our opinion the accumulated losses of the company at the end of the financial year are more than fifty per cent of its net worth,. Further the company has incurred cash losses during financial year 2007-2008 covered by our audit and also in the financial year immediately preceding such financial year

(xi) In our opinion and according to information given and explanations given to us the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders

(xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities

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

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

xiv) the company has not given any guarantee for loans taken by others from bank or financial institutions;

xv) terms loans were applied for the purpose for which the loans were obtained;

xvi) the funds raised on short-terms basis have not been used for long term investment;

xvii) the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act

xviii) According to the information and explanations given to us the company has not issued debentures / securities.

xix) The company has not raised money by public issue

xx) No fraud on or by the company has been noticed or reported during the year;

For SYED & SYED  
Chartered Accountants  
Syed Mansoor Ahmed  
Partner  
MNo ICAI'No 27384

Place: Hyderabad  
Date: 30.08.2008.



**GLADE STEEL PRIVATE LIMITED**  
**BALANCE SHEET AS ON 31.03.2008**

DESCRIPTION	SCH	AS AT 31.03.08 Rs.	AS AT 31.03.07 Rs.
<b>SOURCES OF FUNDS</b>			
<b>1. SHARE CAPITAL</b>			
i) Equity Share Capital	1	67,451,400	67,451,400
ii) Share Application Money		—	5,145,500
<b>2. DEFERRED TAX LIABILITY</b>			
		18,049	18049
<b>3. LOAN FUNDS</b>			
Secured Loans	2	48,343,806	30,000,000
Total		<u>115,813,255</u>	<u>102,614,949</u>
<b>APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>			
	3	87238286	77418607
Less: DEPRECIATION		11321685	4763425
NET FIXED ASSETS		75916601	72655182
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Current Assets			
i) Sundry Debtors	4	7,072,088	2,810,692
ii) Cash & Bank Balances	5	765,747	275,993
iii) Inventories	6	—	11,026,666
Loans & Advances	7	66,441,171	8,779,991
Less: Current Liabilities & Provisions	8	101,830,765	14,308,318
NET CURRENT ASSETS		(27,551,760)	8,585,024
3. Preliminary Expenses		323,853	388623
4. Profit & Loss Account		67,124,561	20986120
Total		<u>115813255</u>	<u>102614949</u>

As per our report of even date

For SYED & SYED  
Chartered Accountants  
Syed Mansoor Ahmed  
Partner  
MNo ICAI'No 27384

For and on behalf of the Board

R.K. Birla  
Director

B. Murali  
Director

Place: Hyderabad  
Date: 30.08.2008

Place: Hyderabad  
Date: 30.08.2008

# SUJANA METAL PRODUCTS LIMITED

## GLADE STEEL PRIVATE LIMITED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31.03.2008

DESCRIPTION	SCH	AS AT 31.03.08 Rs.	AS AT 31.03.07 Rs.
<b>INCOME</b>			
Sales	9	308,138,572	150993108.9
Other Income	10	309,343	101,250
Accretion/(Decretion) of Stocks	11	(5,763,560)	5,763,560
Total		<u>302,684,355</u>	<u>156,857,919</u>
<b>EXPENDITURE</b>			
Material Consumed	12	225,666,424	125,505,326
Manufacturing expenditure	13	100,399,168	44,720,698
Selling & Administrative charges	14	6,456,631	2,313,527
Preliminary Expenses Written off		64,770	64770
Financial Charges	15	4,914,117	435,523
Depreciation		11321685	4763425
Total		<u>348,822,796</u>	<u>177,803,269</u>
Profit Before Taxation		-46138440	(20,945,350)
Provision for taxes		—	—
Income Tax - TDS		—	22721
Profit after Taxation		-46138440	-20968071
Add: Profit brought forward from earlier years		-20986120	—
Profit available for appropriation		-67124561	-20968071
Appropriation of profit		—	—
Balance being carried over Next Year		-67124561	-20968071

As per our report of even date

For SYED & SYED  
Chartered Accountants  
Syed Mansoor Ahmed  
Partner  
MNo ICAI'No 27384

For and on behalf of the Board

R.K. Birla  
Director

B. Murali  
Director

Place: Hyderabad  
Date: 30.08.2008

Place: Hyderabad  
Date: 30.08.2008



**GLADE STEEL PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

	AS ON 31.03.08 Rs.	AS ON 31.03.07 Rs.
<b>SCHEDULE - 1</b>		
Authorised Share Capital 700000 equity shares of Rs 100/- each	70000000	70000000
Issued, Subscribed and Paidup Share Capital 674514 equity shares if Rs 100/-each fully paid up	67,451,400	67,451,400
Share application money	—	5145500
Total Share Capital	<u>67,451,400</u>	<u>72,596,900</u>
<b>SCHEDULE - 2</b>		
<b>SECURED LOANS</b>		
APSFC	47,488,019	30000000
HDFC	855,787	—
Total Secured Loans	<u>48,343,806</u>	<u>30,000,000</u>
<b>SCHEDULE - 4</b>		
<b>SUNDRY DEBTORS</b>		
DEBTORS BEYOND SIX MONTHS	—	
DEBTORS BELOW SIX MONTHS	7,072,088	2810692
TOTAL DEBTORS	<u>7,072,088</u>	<u>2,810,692</u>
<b>SCHEDULE - 5</b>		
<b>CASH IN HAND</b>		
Cash - Petty	4,044	77126
At Factory	879,538	—
S1 Cash	115,258	—
<b>BALANCE WITH BANKS</b>		
Bank of Baroda	—	3100
Bank of Baroda - 1051	(231,973)	—
Bank of Baroda - 7945	—	—
ICICI Bank Ltd	(1,120)	193427
YES Bank	—	2340
TOTAL CASH AND BANK BALANCES	<u>765,747</u>	<u>275,993</u>
<b>SCHEDULE - 6</b>		
<b>INVENTORIES</b>		
Raw Materials	—	2,999,600
Stocks in Process	—	—
Finished Goods	—	5763560
Stores, spares & Consumables	—	2263506
	<u>—</u>	<u>11,026,666</u>

# SUJANA METAL PRODUCTS LIMITED

(Amt In Rupees)

## SCHEDULE NO - 3 : FIXED ASSETS

Fixed Assets	Depreciation Rate %	Opening Balance (WDV)	Additions		Deletions during the year	As on 31.03.08	Depreciation		Net Block		
			Less Than 6 Months	More than 6 Months			Upto 31.03.07	for the period 01.04.07 to 31.03.08)	Total	As on 31.03.08	As on 31.03.07
Computers	40.00	-	26,500	-	-	26,500	-	5,300	5,300	21,200	-
Wirigs A/c Package	15.33	17,611	-	4000	-	21,611	3,189	3,313	6,502	18,298	17,611
Excess Duty amount on Assets	0.00	1,125,500	-	-	-	1,125,500	-	-	-	1,125,500	1,125,500
Electrical Equipments	15.33	2,910,525	-	-	-	2,910,525	319,980	446,183	766,164	2,464,342	2,910,525
Electrical Substation	15.33	3,389,420	-	-	-	3,389,420	613,674	519,598	1,133,272	2,869,822	3,389,420
Electrical Power Screw Compressor	15.33	-	-	540000	-	540,000	-	82,782	82,782	457,218	-
Transformers	15.33	4,371,568	-	-	-	4,371,568	452,004	670,161	1,122,166	3,701,407	4,371,568
Furniture	18.10	232,376	141,695	-	-	374,071	33,666	54,883	88,549	319,188	232,376
Land & Development	0.00	2,260,774	-	-	-	2,260,774	-	-	-	2,260,774	2,260,774
Borewell	15.33	266,282	-	-	-	266,282	48,212	40,821	89,033	225,461	266,282
Buildings	0.00	5,800,000	-	275000	6075000	-	-	-	-	-	-
Civil Works	10.00	-	59,698	-	-	59,698	-	2,985	2,985	56,713	-
Factory Shed	5.00	4,696,894	-	259977	-	4,956,871	208,380	247,844	456,224	4,709,027	4,696,894
Chimney	15.33	563,675	-	-	-	563,675	102,057	86,411	188,468	477,264	563,675
Continuous Rolling Plant	15.33	18,373,082	7,663,100	-	-	26,036,182	-	3,403,970	3,403,970	22,632,212	18,373,082
Cranes	15.33	2,322,070	249,427	-	-	2,571,497	420,424	375,092	795,516	2,196,405	2,322,070
Factory Equipment	15.33	198,714	-	-	-	198,714	35,978	30,463	66,441	188,251	198,714
Furnace Extension Plant	15.33	5,250,716	-	-	-	5,250,716	-	804,935	804,935	4,445,781	5,250,716
Furnace Plant	15.33	7,208,181	-	-	-	7,208,181	1,305,264	1,105,167	2,410,432	6,104,013	7,208,181
Hydraulic Crane	15.33	-	1,193,507	-	-	1,193,507	-	91,482	91,482	1,102,025	-
Lathe Machine	15.33	550,299	-	-	-	550,299	99,635	84,361	183,996	465,938	550,299
Motor for Machines	15.33	4,476,982	-	43095	-	4,520,077	700,442	692,928	1,393,370	3,827,149	4,476,982
Motor Pumps&ts	15.33	326,709	-	-	-	326,709	59,152	50,084	109,237	276,624	326,709
Plant & Machinery	15.33	-	904,970	2438104.3	-	3,343,074	-	443,127	443,127	2,899,946	-
Roughing Mill	15.33	6,336,131	-	-	-	6,336,131	-	971,329	971,329	5,364,802	6,336,131
Water Cooling Plant	15.33	324,038	-	-	-	324,038	57,221	49,675	106,896	274,363	324,038
Water Soft Plant	15.33	483,376	-	-	-	483,376	87,518	74,102	161,620	409,274	483,376
Pollution Control Equipment	15.33	566,014	-	-	-	566,014	102,480	86,770	189,250	479,244	566,014
Weight Bridge	15.33	573,973	-	-	-	573,973	103,921	87,990	191,911	485,983	573,973
Vehicles	25.89	29,273	-	-	-	29,273	10,227	7,579	17,805	21,695	29,273
Office Equipment	18.10	-	19,698	-	-	19,698	-	3,565	3,565	16,133	-
Cast Iron Moulds	15.33	-	3,257,484	3,581,850	-	6,839,334	-	798,784	798,784	6,040,550	-
<b>Total</b>		<b>72,655,183</b>	<b>13,490,380</b>	<b>7,161,724</b>	<b>6,075,000</b>	<b>87,238,286</b>	<b>4,763,425</b>	<b>11,321,685</b>	<b>16,085,110</b>	<b>75,916,602</b>	<b>66,855,183</b>

(Amt In Rupees)

**FIXED ASSETS-Depreciation under Income Tax Act 1961**

Fixed Assets	Depreciation Rate %	Opening Balance (WDV)	Additions		Deletions during the year	As on 31.03.08	Depreciation		Total	Net Block	
			Less Than 6 Months	More than 6 Months			Upto 31.03.07	for the period 01.04.07 to 31.03.08		As on 31.03.08	As on 31.03.07
Computers	40		26,500	-	-	26,500	-	5,300	5,300	21,200	-
Wings A/c Package	15	19,240	-	4000	-	23,240	1,560	3,486	5,046	19,754	19,240
Excise Duty amount on Assets	0	1,125,500	-	-	-	1,125,500	-	-	-	1,125,500	1,125,500
Electrical Equipments	15	2,831,671	-	-	-	2,831,671	398,834	424,751	823,585	2,406,920	2,831,671
Electrical Substation	15	3,402,630	-	-	-	3,402,630	600,464	510,394	1,110,859	2,892,235	3,402,630
Electrical Power Screw Compressor	15	-	-	540000	-	540,000	-	81,000	81,000	459,000	-
Transformers	15	4,240,667	-	-	-	4,240,667	582,505	636,100	1,219,005	3,604,567	4,240,667
Furniture	10	243,440	141,695	-	-	385,135	22,602	31,429	54,031	353,706	243,440
Land & Development	0	2,260,774	-	-	-	2,260,774	-	-	-	2,260,774	2,260,774
Borewell	5	298,769	-	-	-	298,769	15,725	14,938	30,663	283,831	298,769
Buildings	0	5,800,000	-	275000	6075000	-	-	-	-	-	5,800,000
Civil Works	10	-	59,698	-	-	59,698	-	2,985	2,985	56,713	-
Factory Shed	5	4,678,452	-	259977	-	4,938,429	226,822	246,921	473,743	4,691,508	4,678,452
Chimney	15	565,872	-	-	-	565,872	99,860	84,881	184,741	480,991	565,872
Continuous Rolling Plant	15	17,810,332	7,663,100	-	-	25,473,432	-	3,246,282	3,246,282	22,227,150	17,810,332
Cranes	15	2,331,119	249,427	-	-	2,580,546	411,374	368,375	779,749	2,212,171	2,331,119
Factory Equipment	15	217,090	-	-	-	217,090	17,602	32,564	50,165	184,527	217,090
Furnace Extension Plant	15	4,687,966	-	-	-	4,687,966	-	703,195	703,195	3,984,771	4,687,966
Furnace Plant	15	7,237,278	-	-	-	7,237,278	1,277,167	1,085,592	2,362,759	6,151,687	7,237,278
Hydraulic Crane	15	-	1,193,507	-	-	1,193,507	-	89,513	89,513	1,103,994	-
Lathe Machine	15	552,444	-	-	-	552,444	97,490	82,867	180,357	469,577	552,444
Motor for Machines	15	4,446,435	-	43095	-	4,489,530	730,989	673,430	1,404,418	3,816,101	4,446,435
Motor Pumps	15	327,982	-	-	-	327,982	57,879	49,197	107,076	278,785	327,982
Plant & Machinery	15	-	904,970	2438104.3	-	3,343,074	-	433,588	433,588	2,909,485	-
Roughing Mill	15	6,336,131	-	-	-	6,336,131	-	950,420	950,420	5,385,711	6,336,131
Water Cooling Plant	15	324,670	-	-	-	324,670	56,589	48,701	105,289	275,970	324,670
Water Soft Plant	15	485,260	-	-	-	485,260	85,634	72,789	158,423	412,471	485,260
Pollution Control Equipment	15	568,220	-	-	-	568,220	100,274	85,233	185,507	482,987	568,220
Weigh Bridge	5	643,999	-	-	-	643,999	33,895	32,200	66,095	611,799	643,999
Vehicles	15	33,575	-	-	-	33,575	5,925	5,036	10,961	28,539	33,575
Office Equipment	10	-	-	19,688	-	19,688	-	1,970	1,970	17,728	-
Cast Iron Moulds	15	-	3,257,484	-	-	6,839,334	-	781,589	781,589	6,057,745	-
<b>Total</b>		<b>71,469,517</b>	<b>13,496,380</b>	<b>7,161,724</b>	<b>6,075,000</b>	<b>86,052,620</b>	<b>4,823,989</b>	<b>10,764,725</b>	<b>15,608,314</b>	<b>75,267,897</b>	<b>71,469,517</b>



# SUJANA METAL PRODUCTS LIMITED

## GLADE STEEL PRIVATE LIMITED SCHEDULES FORMING PART OF BALANCE SHEET

	AS ON 31.03.08 Rs.	AS ON 31.03.07 Rs.
<b>SCHEDULE - 7</b>		
<b>LOANS &amp; ADVANCES</b>		
1. Deposits Recoverable	7,380,745	2,328,529
2. Advances to Suppliers	59,060,426	6,451,462
	<u>66,441,171</u>	<u>8,779,991</u>
<b>SCHEDULE -8</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	101,790,679	14259346
<b>PROVISIONS</b>		
Audit Fee Payable	22,472	22472
ESI Payable	5,489	—
Professional Tax	265	—
Salaries Payable	3,862	19000
Rent Payable	—	7500
TDS Payable 07-08	7,998	—
<b>TOTAL CURRENT LIABILITIES</b>	<u>101,830,765</u>	<u>14,308,318</u>
<b>SCHEDULE - 9</b>		
<b>SALES</b>		
Sales TMT Bars	28,689,611	—
Sales Ingots	257,363,787	116096204
Sales-Scrap	133,000	—
Sales-Sponge Iron	21,952,174	—
Sale of Trading Goods	—	34896905
	<u>308,138,572</u>	<u>150993108.9</u>
<b>SCHEDULE - 10</b>		
<b>OTHER INCOME</b>		
Discount Received	157,314	—
Interest on FD	34,789	101250
Lease Rentals	117,240	—
	<u>309,343</u>	<u>101,250</u>



**GLADE STEEL PRIVATE LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

	AS ON 31.03.08 Rs.	AS ON 31.03.07 Rs.
<b>SCHEDULE-11</b>		
<b>ACCRETION/DECRETION OF STOCKS</b>		
OPENING STOCKS		
STOCKS IN PROCESS	—	—
FINISHED GOODS	5,763,560	—
CLOSING STOCKS		
STOCKS IN PROCESS	—	—
FINISHED GOODS	—	5,763,560
<b>ACCRETION/(DECRETION) OF STOCKS</b>	<b>(5,763,560)</b>	<b>5,763,560</b>
<b>SCHEDULE-12</b>		
<b>MATERIAL CONSUMED</b>		
Opening stocks of Raw Materials	2,999,600	—
Opening stocks of Consumables	2,263,506	—
Add: Purchase of RawMaterials	190,282,936	120694404
Add: Purchase of Consumables	30,120,383	10074028
Less: Closing stock of Raw Materials	—	2999600
Less: Closing stock of Consumables	—	2263506
<b>MATERIAL CONSUMED</b>	<b>225,666,424</b>	<b>125,505,326</b>
<b>SCHEDULE-13</b>		
<b>MANUFACTURING EXPENDITURE</b>		
Carriage Inward	1,848,205	494992
Local Transportation	1,046,319	—
Power Charges	21,964,608	43335640
Water Charges	146,625	—
Electricity Charges	67,977,883	—
Excise Duty Account	6,027,752	475400
Factory Maintanance	262,540	228666
Job Work Charges	1,029,128	—
Labour Contractor	58,500	—
Repairs & Maintanance-Machinery	37,608	—
Other Manufacturing Expenses	—	186000
<b>TOTAL MANUFACTURING EXPENSES</b>	<b>100,399,168</b>	<b>44,720,698</b>

# SUJANA METAL PRODUCTS LIMITED

## GLADE STEEL PRIVATE LIMITED SCHEDULES FORMING PART OF BALANCE SHEET

	AS ON 31.03.08 Rs.	AS ON 31.03.07 Rs.
<b>SCHEDULE-14</b>		
Administrative, Selling & Distribution charges		
Advertisement Charges	14,500	—
Audit Fee	22,472	42,472
Car Hire Charges	58,570	—
Computer Maintainance	1,850	5,280
Consultancy Fees	12,224	35,000
Courier Charges	349	444
Conveyance	17,609	468
Development Charges	1,980,000	742,500
Discount Allowed	10,759	4,273
Drinking Water	1,430	525
Electricity Charges-Office	330	—
Fee, Rates & Taxes	355,164	3,428
General Expenses	37,377	—
Guest House Expenses	20,037	—
Insurance - Group	80,910	42,500
Internet Charges	1,540	—
Misc Expenses	72,671	75,120
Miscellaneous Balances Written Off	2,302	—
News Papers & Periodicals	165	380
Office Maintainance	9,521	15,350
Postate & Telegrams	500	—
Printing & Stationery	21,295	2,265
Rent	13,500	90,000
Rate Difference	19,191	—
Repairs & Maintainance-Buildings	403,650	—
Repairs & Maintainance-Electrical	1,094	—
Salaries & Wages	1,106,775	1,205,250
Security Charges	176,257	—
Staff Welfare	47,466	20,000
Sales Tax	1,919,953	—
Telephone Charges	43,768	28,272
Vehicle Maintainance	3,402	—
	<u>6,456,631</u>	<u>2,313,527</u>
<b>SCHEDULE - 15</b>		
<b>FINANCE CHARGES</b>		
Bank Charges	64,773	17523
Interest to APSFC	4,369,411	—
Interest to HDFC (Crane Loan)	50,287	—
Interest to ICICI Bank	34,771	—
Loan Processing Charges	394,875	418000
	<u>4,914,117</u>	<u>435,523</u>

**NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2008**

1. Expenditure incurred on Employees who are employed throughout the year and are in receipt of remuneration which in the aggregate was not less than Rs. 200,000- per month or Rs. 24,00,000- per annum is NIL
2. During the year an amount of Rs. NIL- was spent on Foreign Travel of Directors.
3. Auditors Remuneration:
  - a) as auditor
    - i) Statutory auditor Rs. 20000
    - ii) Internal auditor Rs. —
    - iii) Tax Audit Rs. —
    - iv) Cost auditor Rs. —
  - b) Consultants NIL
    - i) Tax Matters Rs. —
    - ii) Company Law matters Rs. —
    - iii) Management Services Rs. —
  - c) Others services, if any Rs. —
4. In the opinion of Board of Directors the Current Assets Loans and Advances are approximately of the value stated if realized in ordinary course of business.

**SIGNIFICANT ACCOUNTING POLICIES**

**A Basis of accounting.**

The firm follows the Mercantile system of accounting.

**B Revenue recognition:**

Revenues are accounted on an accrual i.e. as they are earned or incurred and recorded in the accounts for the period to which they relate.

**C. Depreciation:**

The company has charged depreciation as per Companies Act on ASSETS at rates applicable to written down value method.

As per our report of even date

For **SYED & SYED**  
Chartered Accountants  
Syed Mansoor Ahmed  
Partner  
MNo ICAI'No 27384

For and on behalf of the Board

**R.K. Birla**  
Director

**B. Murali**  
Director

Place: Hyderabad  
Date: 30.08.2008

Place: Hyderabad  
Date: 30.08.2008

INTENTIONALLY KEPT BLANK

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# **Consolidated Accounts for the Period Ended 30-09-2008**

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# SUJANA METAL PRODUCTS LIMITED

## AUDITORS' REPORT

To  
THE BOARD OF DIRECTORS  
SUJANA METAL PRODUCTS LIMITED

1. We have audited the attached consolidated balance Sheet of Sujana Metal Products Limited ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at September 30, 2008, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the period ended on that date both annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in Note 4 (a) of Schedule 18 forming part of the financial statements, in respect of subsidiaries of the Company, having total assets (net) of Rs.223,251,963 as at September 30, 2008, total revenue of Rs.8,796,394,122 and profit after tax of Rs.149,113,779 and net cash inflows of Rs.1,091,944 for the period ended September 30, 2008 the figures used for the consolidation are based on un audited management's accounts.
4. As stated in Note 4(b) of Schedule 18 forming part of the financial statements, the financial statements as at September 30, 2008 are not available in case of associates. The investment in these associates valued at Rs.520,000 have not been adjusted in the Consolidated Financial Statements in the absence of their financial statements as at September 30, 2008.
5. *Subject to the matters referred to in paragraph 3 and 4 above :*
  - a) We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, as notified under the Companies (Accounting Standards) Rules, 2006.
  - b) Based on our audit and on consideration of the other financial information of the components and subject to the matters set out in paragraphs 3 and 4 above, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India.
    - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at September 30, 2008.
    - (ii) in the case of the Consolidated Profit and Loss account, of the profit for the period ended on that date ; and
    - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the period ended on that date.

For Deloitte Haskins & Sells  
Chartered Accountants

C R Rajagopal  
Partner

Membership No.23418

Hyderabad, December 29, 2008



**CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2008***(Amount in Rupees)*

	SCH REF	AS AT 30.09.2008
<b>SOURCES OF FUNDS</b>		
<b>SHAREHOLDERS' FUNDS</b>		
Share Capital	1	669,445,120
Share application Money		1,705,417
Share Warrants		823,200,000
Reserves and Surplus	2	2,849,090,159
		<u>4,343,440,696</u>
<b>LOAN FUNDS</b>		
Secured Loans	3	4,147,994,754
		<u>4,147,994,754</u>
<b>DEFERRED TAX LIABILITY ( NET)</b>		<u>473,699,677</u>
<b>TOTAL</b>		<u><u>8,965,135,127</u></u>
<b>APPLICATION OF FUNDS</b>		
<b>FIXED ASSETS</b>		
Gross Block	4	4,400,808,029
Less: Depreciation / Amortisation		633,672,668
Net Block		<u>3,767,135,361</u>
Capital Work in Progress		83,957,096
		<u>3,851,092,457</u>
<b>INVESTMENTS</b>	5	520,000
<b>GOODWILL ON CONSOLIDATION</b>		63,921,721
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Inventories	6	2,194,776,533
Sundry Debtors	7	5,897,969,816
Cash and Bank Balances	8	231,292,144
Loans and Advances	9	2,099,508,129
		<u>10,423,546,622</u>
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>		
Current Liabilities	10	5,222,749,113
Provisions	11	151,520,413
		<u>5,374,269,526</u>
<b>NET CURRENT ASSETS</b>		5,049,277,096
Miscellaneous Expenditure (To the extent not written off or adjusted)		323,853
<b>TOTAL</b>		<u><u>8,965,135,127</u></u>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	17	
<b>NOTES</b>	18	

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells  
Chartered AccountantsR.K. Birla  
Managing DirectorS. Hanumantha rao  
DirectorC.R. Rajagopal  
Partner  
Hyderabad, December 29, 2008Shaik Ibraheem  
Company Secretary  
Place : Hyderabad  
Date: 29.12.2008

# SUJANA METAL PRODUCTS LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 15 MONTH PERIOD ENDED SEPTEMBER 30, 2008

(Amount in Rupees)

	SCH REF	For The Period Ended 30.09.08
<b>INCOME</b>		
Gross Sales		28,445,002,135
Less: Excise Duty		910,120,886
Net Sales		27,534,881,249
Conversion Income		143,250,694
Other Income	12	35,400,346
<b>Total (A)</b>		<b>27,713,532,289</b>
<b>EXPENDITURE</b>		
Accretion/Depletion to Stocks	13	(644,683,871)
Material Consumed	14	25,497,278,346
Manufacturing, Administration & Selling Expenses	15	1,305,846,202
Interest and Finance Charges	16	631,150,231
Depreciation		226,475,759
<b>Total (B)</b>		<b>27,016,066,667</b>
Profit Before Tax and Extraordinary Items		697,465,622
Extraordinary Item (Refer Note 9 (b) of Schedule 18)		73,822,327
Profit before tax and after extraordinary items		771,287,949
<b>PROVISIONS FOR TAXATION:</b>		
Current Tax (Including Rs. 13,948,344 towards earlier years)		84,000,000
Deferred Tax		191,212,490
Fringe Benefit Tax		3,709,458
Less: MAT Credit		(39,000,000)
Profit After Tax		531,366,001
Balance Brought Forward From Previous Year		625,985,315
Profit available for Appropriation		1,157,351,316
Transfer to cumulative redeemable preference Shares Redemption Reserve		50,367,667
Proposed Dividend on Cumulative Redeemable Preference Shares		4,414,531
Tax on Dividends		838,192
<b>Balance Carried to Balance Sheet</b>		<b>1,101,730,926</b>
Earnings per share after tax (face value of Rs.5/- each) (Refer note 8 of Schedule 18)		
Before Extraordinary Items		
Basic		7.99
Diluted		3.75
After Extraordinary Items		
Basic		9.13
Diluted		4.29
Significant Accounting Policies	17	
Notes	18	

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells  
Chartered Accountants

R.K. Birla  
Managing Director

S. Hanumantha rao  
Director

C.R. Rajagopal  
Partner

Shaik Ibraheem  
Company Secretary

Place : Hyderabad  
Date: 29.12.2008

Hyderabad, December 29, 2008

**CONSOLIDATED CASH FLOW FOR THE 15 MONTH PERIOD ENDED SEPTEMBER 30, 2008***(Amt in Rupees)***For the Period Ended 30.09.2008****A. CASH FLOWS FROM OPERATING ACTIVITIES**

Net Profit before tax	771,287,949
Adjustments for:	
Depreciation / Amortisation	226,475,759
Extraordinary items	(73,822,327)
Unrealised Foreign Exchange (gain) / loss	16,297,872
Unrealised Foreign Exchange (gain) / loss on consolidation	24,930,578
Interest income	(25,824,541)
Interest expense	631,150,231
(Profit) / Loss on sale of fixed assets	118,539
<i>Operating profit before working capital changes</i>	<u>1,570,614,060</u>
Decrease / (increase) in sundry debtors	(3,956,967,807)
Decrease / (increase) in inventories	(851,754,137)
Decrease / (increase) in loans & advances	(811,568,807)
Increase / (decrease) in current liabilities	3,246,925,556
Increase / (decrease) in provisions	(6,211,075)
<i>Cash used in operations</i>	<u>(808,962,210)</u>
Income taxes paid	(21,560,140)
<i>Net cash used in operating activities</i>	<u>(830,522,350)</u>

**B. CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed assets	(890,683,505)
Acquisition of Undertaking	(350,200,000)
Interest received	(76,054,698)
<i>Net cash used in investing activities</i>	<u>(1,316,938,203)</u>

**C. CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from issuance of share capital	16,000,000
Application money towards share warrants	823,200,000
Share Premium Received	99,200,000
Interest Paid	(612,693,964)
Proceeds from secured loans	1,971,499,155
Repayment (Net) of Unsecured Loans	(25,000,000)
Dividends paid	(3,531,625)
Tax on Dividends	(600,376)
<i>Net cash from financing activities</i>	<u>2,268,073,190</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 120,612,637**OPENING CASH AND CASH EQUIVALENTS** 80,600,047*Add : Cash and cash equivalents taken over on acquisition of undertaking / transfer to demerged unit* 30,079,460**CLOSING CASH AND CASH EQUIVALENTS** 231,292,144Notes: (i) *Figures in brackets represent outflows.*(ii) *Acquisition of business represents the portion of purchase consideration discharged in cash during the period (the total purchase consideration being Rs. 350,200,000)*(iii) *Cash and Cash equivalents include restricted balances of Rs. 209,618,999.*

As per our report attached

For and on behalf of the Board

For Deloitte Haskins & Sells  
Chartered AccountantsR.K. Birla  
Managing DirectorS. Hanumantha rao  
DirectorC.R. Rajagopal  
PartnerShaik Ibraheem  
Company SecretaryPlace : Hyderabad  
Date: 29.12.2008

Hyderabad, December 29, 2008

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Amount in Rupees)

	AS AT 30.09.2008
<b>SCHEDULE NO : 1</b>	
<b>SHARE CAPITAL</b>	
Authorised	
210,000,000 Equity Shares of Rs. 5 Each (30.06.2007 - 130,000,000 equity shares of Rs. 5 Each)	1,050,000,000
4,000,000 1% Cumulative Redeemable Preference Shares of Rs. 100 each (30.06.2007 - 4,000,000 Cumulative Redeemable Preference shares of Rs. 100 Each)	400,000,000
	<u>1,450,000,000</u>
Issued, Subscribed and paid up	
63,256,524 Equity Shares of Rs. 5 each (30.06.2007- 51,973,524 equity shares of Rs. 5 each )	316,282,620
Of the 63,256,524 equity shares :	
13,140,489 Shares of Rs. 5 each were issued as fully paid up to the Shareholders of Erstwhile Sujana Steels Limited on its amalgamation with the company, for consideration other than cash ;	
593,735 equity shares of Rs. 5 each were Issued to IDBI Bank Limited as part of the restructuring of secured loans ( Refer Note 14 of Schedule 18)	
3,531,625 1% Cumulative redeemable preference shares of Rs.100 each	353,162,500
(30.06.2007 - 3,531,625 Cumulative Redeemable Preference shares of Rs. 100 each) (Refer Note 13 of Schedule 18)	
Of the above ;	
3,531,625 preference shares of Rs. 100 each Were Issued to IDBI Bank Limited as part of the restructuring of secured loans	
	<u>669,445,120</u>



## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Amount in Rupees)

AS AT  
30.09.2008

### SCHEDULE NO : 2

#### Reserves and Surplus

General Reserve	
Opening Balance	71,886,800
Less: Adjustment to opening balance of employee related Liabilities in accordance with the transitional provisions AS 15 "Employee Benefits" [Net of deferred tax of Rs. 1,041,502] (Refer Note 10 of Schedule 18)	(2,022,641)
	<hr/>
	69,864,159
Capital Reserve	524,748,818
Securities Premium	
Opening Balance	727,675,011
Add: Received during the year	349,773,000
	<hr/>
	1,077,448,011
Add: Transfer from Profit and Loss Account	50,367,667
	<hr/>
	50,367,667
Foreign Currency Translation Reserve	24,930,578
Profit and Loss Account	1,101,730,926
	<hr/>
	2,849,090,159
	<hr/> <hr/>

### SCHEDULE NO : 3

#### Secured Loans

Term Loans (from Banks)	1,124,472,017
Working Capital Loans (from Banks)	3,005,106,607
From Banks	17,968,856
From Others	447,274
	<hr/>
	4,147,994,754
	<hr/> <hr/>

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET SCHEDULE NO : 4 - FIXED ASSETS - CONSOLIDATED

(Amt in Rupees)

DESCRIPTION	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As At 01.07.2007	Additions	"On Acquisition of Undertaking "(Note 1)"	"Deletions "(Note 2)"	As At 30.09.2008	As At 01.07.2007	For The Period	Deletions	As At 30.09.2008	As At 01.07.2007
<b>TANGIBLE</b>										
Land-freehold	11,373,674	30,733,241	131,687,930	-	173,794,845	-	-	-	173,794,845	11,373,674
Buildings	233,780,043	40,819,197	48,573,522	-	323,172,762	15,416,496	11,209,196	-	296,547,070	218,363,547
Plant & Machinery	2,838,445,076	590,293,549	519,500,000	358,859,708	3,589,378,917	436,785,337	185,328,221	89,259,378	3,046,524,737	2,401,659,739
Electrical Installation	24,490,810	68,027,522	113,000,000	-	205,518,332	7,019,768	6,719,827	-	191,778,737	17,471,042
Furniture & Fixtures	4,391,671	639,329	1,132,500	-	6,163,500	2,463,593	879,300	-	2,820,607	1,928,078
Office Equipment	5,323,695	4,828,345	744,500	-	10,896,540	1,208,473	614,333	-	9,073,734	4,115,222
Vehicles	32,970,679	9,714,741	6,200,000	-	48,885,420	10,041,261	4,683,505	-	34,160,654	22,929,418
Computers	35,140,704	2,824,354	2,165,000	-	40,130,058	23,521,359	4,173,722	-	12,434,977	11,619,345
<b>INTANGIBLE</b>										
Goodwill	-	-	2,867,655	-	2,867,655	-	2,867,655	-	-	-
<b>Total</b>	<b>3,185,916,352</b>	<b>747,880,278</b>	<b>825,871,107</b>	<b>358,859,708</b>	<b>4,400,808,029</b>	<b>496,456,287</b>	<b>226,475,759</b>	<b>89,259,378</b>	<b>3,767,135,361</b>	<b>2,689,460,065</b>

Notes:

- i) The assets pertain to the operating unit acquired from Sarita Steel and Industries Limited, on a 'Stump Sale' Basis and whose values have been determined by means of a professional valuation (Refer note 11 of Schedule 18)
- ii) The deletions pertain to the assets sold to certain parties, for a total consideration of Rs. 269,369,956.



## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Amount in Rupees)

	AS AT 30.09.2008
<b>SCHEDULE NO : 5</b>	
<b>Investments (at cost)</b>	
Unquoted - long term (Less : permanent diminution, if any)	
<b>Investment in Associates :</b>	
Sujana Power (Gangaikondan) Limited (26,000 Equity Shares of Rs.10 Each)	260,000
Sujana Power (Tuticorin) Limited (26,000 equity shares of Rs.10 Each)	260,000
	<u>520,000</u>
<b>SCHEDULE NO : 6</b>	
<b>Inventories</b>	
Stores, Spares & Consumables	361,738,103
Raw Materials	185,817,355
Work in Progress	12,281,732
Finished Goods	1,501,979,064
Excise duty on finished goods	132,960,279
	<u>2,194,776,533</u>
<b>SCHEDULE NO : 7</b>	
<b>Sundry Debtors : (Unsecured)</b>	
<b>OVER SIX MONTHS</b>	
Considered Good	126,497,441
Considered Doubtful	33,253,913
<b>OTHER DEBTS</b>	
Considered Good*	5,771,472,375
	<u>5,931,223,729</u>
Less: Provision for Doubtful Debts	(33,253,913)
	<u>5,897,969,816</u>
Of the above:	
Considered Good	5,897,969,816
Considered Doubtful	33,253,913
	<u>5,931,223,729</u>
(* Includes Rs.17,087,936 towards sale of fixed assets)	
<b>SCHEDULE NO : 8</b>	
<b>Cash &amp; Bank Balances</b>	
Cash on Hand	5,140,703
Balances with scheduled banks:	
Current Accounts	16,532,442
Deposit Accounts (Margin Money)	209,618,999
( <i>pledged with banks for guarantees issued</i> )	
	<u>231,292,144</u>



# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

(Amount in Rupees)

	AS AT 30.09.2008
<b>SCHEDULE NO : 9</b>	
<b>Loans &amp; Advances : ( Unsecured)</b>	
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED	
Suppliers	1,345,745,994
Capital Advances	294,683,338
Staff	3,804,951
Others	248,168,141
Advance tax including tax deducted at source	7,868,906
Advance fringe benefit tax	1,000,000
MAT credit receivable	39,000,000
Balance with central excise	1,973,626
Deposits - Others	90,286,064
Interest Receivable on Deposits	101,879,239
	<u>2,134,410,259</u>
Less: Provision for doubtful advances	(34,902,130)
	<u>2,099,508,129</u>
Of the above:	
Considered good	2,099,508,129
Considered doubtful	34,902,130
	<u>2,134,410,259</u>
<b>SCHEDULE NO : 10</b>	
<b>Current Liabilities</b>	
Acceptances	1,318,320,596
Sundry creditors	
Dues to Micro & Small Enterprises	—
Dues to other than Micro, Small and Medium Enterprises	—
- for Goods & Services	680,593,968
- for Expenses	53,211,178
Advances from Customers	2,995,229,592
Interest accrued but not due on term loans	28,980,837
Other Liabilities	146,412,942
	<u>5,222,749,113</u>
<b>SCHEDULE NO : 11</b>	
<b>Provisions</b>	
Income-tax	125,849,599
Fringe benefit tax	5,940,647
Gratuity	12,648,435
Compensated absences	1,829,009
Dividend on cumulative redeemable preference shares	4,414,531
Tax on preference dividend	838,192
	<u>151,520,413</u>



## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

	For The Period Ended 30.9. 2008
<b>SCHEDULE NO : 12</b>	
<b>Other Income</b>	
Interest on deposits with banks and others (Tax Deducted At Source: Rs. 1,718,821)	25,824,541
Miscellaneous Income	9,575,805
	<u>35,400,346</u>
<b>SCHEDULE NO : 13</b>	
<b>(Accretion)/Depletion of finished goods and stocks in process</b>	
<b>Opening Stock</b>	
Stock in Process	8,266,545
Finished Goods	671,743,933
	<u>680,010,478</u>
Add : Finished goods taken over on acquisition of undertaking	322,526,726
	<u>1,002,537,204</u>
<b>Closing Stock</b>	
Stock in Process	12,281,732
Finished Goods	1,501,979,064
	<u>1,514,260,796</u>
	(511,723,592)
(Accretion)/Depletion in excise duty on Finished Goods - Stock (differential)	<u>(132,960,279)</u>
	<u>(644,683,871)</u>
<b>SCHEDULE NO : 14</b>	
<b>Materials Consumed</b>	
Opening Stock	58,210,712
Add: Purchases <i>(includes stocks takenover on acquisition - refer note 11 of Schedule 18)</i>	6,325,554,024
	<u>6,383,764,736</u>
Less: Closing Stock	185,817,355
	<u>6,197,947,381</u>
Purchase of finished goods for Resale	19,299,330,965
	<u>25,497,278,346</u>

# SUJANA METAL PRODUCTS LIMITED

## SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Amount in Rupees)

	For The Period Ended 30.9. 2008
<b>SCHEDULE NO : 15</b>	
<b>Manufacturing, Administration &amp; Selling Expenses</b>	
Stores, Spares & Consumables	73,985,625
Power & Fuel	413,921,333
Rent	9,710,224
Repairs & Maintenance	
Buildings	4,513,276
Machinery	15,735,972
Others	1,390,897
Personnel Cost	
Salaries, Wages and Bonus	121,398,399
Contribution on Provident and other funds	5,398,336
Provision for Gratuity	8,797,367
Staff Welfare Expenses	6,155,395
Insurance	85,458,950
Rates & Taxes	60,521,198
Factory Maintenance	6,615,898
Other Manufacturing Expenses	185,339,483
Managerial Remuneration	9,030,000
Printing & Stationery	2,476,124
Communication	5,743,632
Traveling & Conveyance	37,341,868
Exchange Fluctuations (Net)	24,749,191
Professional & Consultancy Charges	65,591,058
Auditors' Remuneration	5,225,000
General Expenses	17,774,339
Bank Charges	9,559,159
Sales Promotion & Advertisement	23,097,197
Commission & Selling Expenses	4,337,812
Carriage Outwards	33,774,891
Provision for doubtful debts & advances	68,085,039
Loss on sale of fixed assets (Net)	118,539
	<u>1,305,846,202</u>

### SCHEDULE NO : 16

#### Interest and Finance Charges

Interest -	
On fixed loans	103,971,522
On working capital loans	278,519,949
Others	242,825,349
Other financial charges	107,009,836
	<u>732,326,656</u>
Less: Interest Waiver ( <i>Refer note 9(a) of Schedule 18</i> )	(101,176,425)
	<u>631,150,231</u>

## SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation of Financial Statements

The consolidated financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles in India and also in accordance with the Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 and other relevant provisions of the Companies Act, 1956, to the extent applicable.

The financial statements are presented in Indian rupees.

### (b) Revenue Recognition

Revenue is recognized when it is earned and to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue from sale of Goods is recognized on delivery of the products, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks and rewards of ownership are transferred to the customers and no effective ownership is retained.

Sales are net of sales returns and trade discounts. Export turnover includes related export benefits. Excise duty recovered is presented as a reduction from Gross turnover.

### (c) Employee Benefits

Short-term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost and are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Contributions to Provident Fund, a defined contribution plan are made in accordance with the statute, and are recognized as an expense when employees have rendered service entitling them to the contributions.

Other long-term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service) are measured on a discounted basis by the Projected Unit Credit Method on the basis of actuarial valuation.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account

### (d) Fixed Assets and Depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets comprises the purchase price (net of rebates and discounts) and any other directly attributable costs of bringing the assets to working condition for their intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Depreciation on fixed assets is provided using the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of a Fixed Asset at the time of acquisition of the Asset or of the remaining useful life on a subsequent review, is shorter than envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life / remaining useful life.

In respect of subsidiary depreciation is calculated on written down value basis.

Depreciation is calculated on a pro-rata basis from/upto the date the assets are purchased /sold. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase.

### (e) Foreign Currency Transactions

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of transactions and in case of purchase of materials and sale of goods, the exchange gains / losses on settlements during the year, are charged to Profit and Loss Account.

# SUJANA METAL PRODUCTS LIMITED

Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the date of Balance Sheet. Exchange gains / losses including those relating to fixed assets are dealt with in the Profit and Loss Account.

## (f) Investments

Investments are classified as current or long-term in accordance with Accounting Standard 13 on "Accounting for Investments".

Current Investments are stated at lower of cost and market value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Profit and Loss Account.

Long term Investments are stated at cost comprising of acquisition and incidental expenses. Provision is made to recognize a diminution, other than temporary in the value of such investments.

## (g) Inventories

Raw materials and Work-in-progress are valued at cost using the weighted average cost method.

Finished goods produced and purchased by the Company are valued at cost or net realisable value, whichever is lower.

Excise duty in respect of finished goods lying within the factory is included in valuation of Inventories.

Stores and Spares are carried at cost, ascertained on a weighted average basis. Necessary provision is made and charged to revenue in case of identified obsolete and non-moving items.

## (h) Taxes on Income

### i) Indian Companies

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income". Taxes comprise both current and deferred tax. Current tax is measured at the amount expected to be paid from the revenue authorities, using the applicable tax rates and laws.

Minimum alternate tax (MAT) paid in accordance with the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences. They are measured using the substantively enacted tax rates and tax regulations.

The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

Fringe Benefit Tax (FBT) payable under the provisions of section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on "Accounting for Fringe Benefits Tax" issued by the ICAI regarded as an additional income tax and considered in determination of profits for the year.

Tax on distributed profits payable in accordance with the provisions of Section 115O of the Income Tax Act, 1961 is in accordance with the Guidance Note on "Accounting for Corporate Dividend Tax" regarded as a tax on distribution of profits and is not considered in determination of profits for the year.

### ii) Foreign Companies

Foreign Companies recognise tax liabilities and assets in accordance with the applicable local laws.

## SCHEDULE 18: NOTES

### 1 PRINCIPLES OF CONSOLIDATION:

The Consolidated Financial Statements relate to Sujana Metal Products Limited (" the Company") and its subsidiary Companies . The Consolidated financial Statements have been prepared on the following basis.

The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra -group balances and intra-group transactions resulting in unrealised profits or losses as per Accounting Standard 21- Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.

In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the period. All assets and liabilities are converted at the rates prevailing at the end of the period. Any exchange difference arising on consolidation is recognised in foreign currency translation reserve.

The difference between the cost of investment in subsidiaries, and the Company's share of net assets at the time of aquisition of shares in the subsidiaries is recognised in the financial statements as goodwill or capital reserve as the case may be.

Investments in Associates are accounted for in consolidated financial statements under Equity Method as per Accounting Standard 23- Accounting for Investments in Associates in consolidated financial statements.

The Financial Statement of Subsidiaries used in the consolidation are drawn up to the same reporting date as that of the Company i.e. September 30, 2008.

The list of Subsidairy companies which are included in the consolidation and the company's holdings therein are as under.

Name of the Company	Ownership in % 30.09.2008	Country of Incorporation
1) Glade Steel Pvt Ltd. <i>(w.e.f. February 29, 2008)</i>	100%	India
2) Alpha Ventures Ltd. <i>(w.e.f. March 6, 2007)</i>	100%	Cayman Islands
3) AsianTide Enterprises Ltd. <i>(w.e.f. February 1, 2008)</i>	100%	Hong Kong

### 2 CONTINGENT LIABILITIES NOT PROVIDED FOR :

#### a) Letters of Credit and Guarantees Issued

Particulars	As at 30.09.2008	
i) Letters of Credit	INR	1,399,397,000
ii) Counter Guarantees given to Bankers towards: - Bank Guarantees issued	INR	73,889,000
iii) Corporate Guarantees furnished on behalf of Sujana Universal Industries Ltd	INR	1,164,440,000
iv) Corporate Guarantees furnished on behalf of Sujana Universal Industries Ltd.	USD	4,916,992
v) Joint Corporate Guarantee executed by the company along with Sujana Universal Industries Ltd (SUIL) & Sujana Towers Ltd (STL) in favour of Alpha Ventures Ltd and Sujana Holdings Ltd, which were wholly owned subsidiaries of the Sujana Metal Products Limited and Sujana Universal Industries Ltd respectively.	USD	65,000,000

# SUJANA METAL PRODUCTS LIMITED

## b) *Taxes and duties*

Particulars	2007-08
	(INR)
i) Excise Duty	40,000,895
ii) Customs Duty	27,028,336
iii) Sales Tax	261,892,807
iv) Others	40,000,000

Particulars	2007-08
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances of Rs.294,683,338).	(INR) 309,724,312

- 4 a) The unaudited management accounts of Alpha Ventures Limited, Asian Tide Enterprises Limited and Glade Steel Private Limited of the period ended September 30, 2008 have been considered for the consolidation.

## b) **Associates not included in consolidation**

Sujana Power (Gangikondan) Limited and Sujana Power (Tuticorin) Limited have not been included for consolidation as the financial statements as at September 30, 2008, are not available.

## 5 EMPLOYEE BENEFITS

### a) *Gratuity*

- Gratuity** : This is a unfunded defined benefit plan.
- Scheme Description** : The Scheme provides for a lump sum benefit, subject to a vesting period of 5 years in case of early separation, based on final salary and years of service.
- Actuarial valuation method** : Projected Unit Credit

Since the company had, in the past, not accounted for the employee benefits, as was required in terms of the pre-revised AS-15 "Retirement Benefits" issued by the Institute of Chartered Account of India, the liability on the same has been accounted for as follows:

- i) In accordance with the guidance issued by the Accounting Standard Board of the Institute of Chartered Accountants of India and the Companies (Accounting Standards) Amendment Rules, 2006 has been determined on actuarial basis in the case of gratuity and compensated absences and amounts aggregating to Rs. 7,337,933 (Gratuity - Rs. 6,220,119 and Compensated Absences - Rs. 1,117,814) has been charged to the Profit and Loss Account as expenditure relating to past year.
- ii) The difference between the employee benefits determined in accordance with the requirements of Accounting Standard (AS) 15 notified by the Companies (Accounting Standards ) Rules, 2006 as at 1st July, 2007 and that computed with the pre revised AS -15 issued by the Institute of Chartered Accountants of India , aggregating to Rs. 2,022,641 (net of deferred tax asset of Rs. 1,041,502 ) has been adjusted to the General Reserve as at July 1, 2007.



<b>Disclosures</b>	<b>2007-08</b>
<b>Components of Employer Expense</b>	
Current Service Cost	2,577,248
Interest Cost	1,070,064
Expected Return on Plan Assets	—
Actuarial Losses/(Gains)	(1,070,064)
Total expense included in the Statement of Profit & Loss	2,577,248
<b>Actual Contribution &amp; Benefit Payments</b>	
Actual Benefit Payments Considered	—
Actual Contributions	—
<b>Net Asset/(Liability) recognized in Balance Sheet</b>	
Present Value of Defined Benefit Obligation	12,648,435
Fair Value on Plan Assets	—
<b>(Net Asset) / Liability recognised in Balance Sheet</b>	<b>12,648,435</b>
<b>Change in Defined Benefit Obligations (DBO)</b>	
Present Value of DBO at Beginning of Year	10,071,187
Current Service Cost	2,577,248
Interest Cost	1,070,064
Actuarial (Gains)/Losses	(1,070,064)
Benefits Paid	—
<b>Present Value of DBO at the End of Year</b>	<b>12,648,435</b>
<b>Change in Fair Value of Plan Assets during the year</b>	
Plan Assets at Beginning of Year	—
Actual Return on Plan Assets	
Actual Company Contributions	—
Benefits Paid	—
<b>Plan Assets at the End of Year</b>	<b>—</b>
<b>Assumptions</b>	
Interest / Discount Rate	8.50%
Rate of escalation in salary	5.00%
Attrition Rate	5.00%

**b) Compensated absences**

The accrual for unutilized leave is determined for the entire available leave balance standing to the credit of the employees at period-end. The value of such leave balance eligible for carry forward, is determined by an independent actuarial valuation and charged to profit and loss account in the period determined

# SUJANA METAL PRODUCTS LIMITED

## 6 Information about primary business segments.

(INR)  
30.09.2008

Particulars	Business Segments		Unallocable	Total
	Steel	Others		
<b>Revenue:</b>				
Total External Sales	19,107,000,358	8,571,131,585		27,678,131,943
Total Revenue	19,107,000,358	8,571,131,585	—	27,678,131,943
Segment Result before interest, extraordinary items and tax	2,110,336,794	478,776,943	(1,260,497,884)	1,328,615,853
Less: Interest				631,150,231
Profit before extraordinary items and tax				697,465,622
Extraordinary items				73,822,327
Profit before tax				771,287,949
Taxes				239,921,948
Profit after Taxes				531,366,001
Segment Assets	11,303,361,300	2,971,277,779	—	14,274,639,079
Segment Liabilities	2,586,578,689	2,787,690,837		5,374,269,526
Total cost incurred during the period to acquire segment assets	1,573,751,385	—	—	1,573,751,385
Segment Depreciation	226,475,759	—	—	226,475,759
Non- Cash expenses other than Depreciation	—	—	—	—
<b>Information about Secondary segments : Geographical Revenue by Geographical Market</b>				<b>INR</b>
India				18,921,480,039
Outside India				8,756,651,904
				27,678,131,943
<b>Additions to Fixed Assets and Intangible Assets</b>				
In India				1,573,751,385
Outside India				—
				1,573,751,385
<b>Carrying Amount of Segment Assets</b>				
In India				11,239,041,834
Outside India				3,035,597,245
				14,274,639,079

### Notes:

- i) The company has disclosed Business Segment as the primary segment. Segements have been identified taking into account the nature of the products, the differing risks and returns, the organisational structure and internal reporting system. The Company's operations predominantly relate to manufacture of Steel. Other business segments comprise of agricultural and mineral activities.
- ii) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The expenses, which are not directly relatable to the business segment, are shown as unallocated corporate cost. Assets and liabilities that cannot be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

## 7 RELATED PARTY DISCLOSURES

(A) List of Related Parties :	Relationship
<b>A) Associates</b>	
1) Sujana Power (Gangikondan) Ltd.	Holding 26% Share Capital
2) Sujana Power (Tuticorin) Ltd.	Holding 26% Share Capital
<b>B) Key Management Personnel</b>	
1) Mr. Y.S.Chowdary	Chairman
2) Mr. G. Srinivasa Raju	Promoter-Director
3) Mr. R.K.Birla	Managing Director
4) Mr. S. Hanumantha Rao	Executive Director
<b>C) Relatives of Key Management Personnel</b>	
1) Mr. S.T.Prasad	Relative of Mr. Y.S.Chowdary
<b>D) Enterprises over which Key Management personnel exercises significant influence</b>	
1) Sujana Towers Ltd	
2) Sujana Universal Industries Ltd.	
3) Sujana Finance and Trading Pvt Ltd.	
4) Sujana Holdings Ltd.	
5) Sujana Projects Ltd.	
6) Sujana Energy Pvt Ltd.	
7) Sujana Transmissions Ltd.	
8) Yalamanchili Finance and Trading Pvt Ltd.	
9) Foster Infin & Trading Ltd.	
10) YS Consultancy Services Pvt Ltd.	
11) Kakatiya Enclaves Pvt Ltd.	
12) J.R. Automobiles Ltd.	
13) Genemedix Biological Pvt Ltd.	

# SUJANA METAL PRODUCTS LIMITED

## 7 (B) Related Party Transactions :

(INR)

Particulars	Associates	Key Management Personnel	Enterprises Over Which Key Management Personnel Exercises Significant Influence	Total
	2007-08	2007-08	2007-08	2007-08
<b>A). Sales</b>				
Mr.R.K.Birla	-	1,632,753	-	1,632,753
Sujana Towers Ltd.	-	-	434,522,621	434,522,621
Sujana Universal Industries Ltd.	-	-	141,057,378	141,057,378
Foster Infin & Trading Pvt Ltd.	-	-	23,425,092	23,425,092
<b>Sub-Total</b>	-	<b>1,632,753</b>	<b>599,005,091</b>	<b>600,637,844</b>
<b>B). Investments</b>				
Sujana Power (Tuticorin)Ltd.	260,000	-	-	260,000
Sujana Power (Gangikondan) Ltd.	260,000	-	-	260,000
<b>Sub-Total</b>	<b>520,000</b>	-	-	<b>520,000</b>
<b>C). Purchases</b>				
Sujana Towers Ltd.	-	-	160,115,634	160,115,634
Sujana Universal Industries Ltd.	-	-	669,791,162	669,791,162
<b>Sub-Total</b>	-	-	<b>829,906,796</b>	<b>829,906,796</b>
<b>D). Advances Received (Towards Share Warrants Application Money)</b>				
Mr. Y.S. Chowdary	-	165,600,000	-	165,600,000
Sujana Holdings Ltd.	-	-	91,800,000	91,800,000
Yelamanchili Finance And Trading Pvt.ltd	-	-	547,000,000	547,000,000
<b>Sub-Total</b>	-	<b>165,600,000</b>	<b>638,800,000</b>	<b>804,400,000</b>
<b>E) Repayment Of Unsecured Loans</b>				
Mr. Y.S. Chowdary	-	9,275,000	-	9,275,000
Sujana Capital Services Ltd.	-	-	15,725,000	15,725,000
<b>Sub-Total</b>	-	<b>9,275,000</b>	<b>15,725,000</b>	<b>25,000,000</b>
<b>F) Remuneration</b>				
Mr.R.K.Birla (Managing Director)	-	8,100,000	-	8,100,000
Mr. S. Hanumantha Rao (Executive Director)	-	930,000	-	930,000
<b>Sub-Total</b>	-	<b>9,030,000</b>	-	<b>9,030,000</b>
<b>G). Reimbursement of Expenses for Services Rendered</b>				
Sujana Universal Industries Ltd.	-	-	4,596	4,596
J.R.Automobiles	-	-	249,337	249,337
<b>Sub-Total</b>	-	-	<b>253,933</b>	<b>253,933</b>
<b>H). Advances &amp; Loans Receivable</b>				
Sujana Power (Tuticorin)Ltd.	37,660,075	-	-	37,660,075
Sujana Universal Industries Ltd.	-	-	4,396,081	4,396,081
Yelamanchili Finance And Trading Pvt.ltd	-	-	2,500,000	2,500,000
Foster Infin & Trading Pvt Ltd.	-	-	195,092	195,092
Mr.R.K.Birla	-	2,333,040	-	2,333,040
<b>Sub-Total</b>	<b>37,660,075</b>	<b>2,333,040</b>	<b>7,091,173</b>	<b>47,084,288</b>
<b>I). Payable</b>				
Sujana Towers Ltd.	-	-	9,828,617	9,828,617
<b>Sub-Total</b>	-	-	<b>9,828,617</b>	<b>9,828,617</b>
<b>J). Share Warrant Application Money Received.</b>				
Sujana Holdings Ltd.	-	-	91,800,000	91,800,000
Yelamanchili Finance And Trading Pvt.ltd	-	-	547,000,000	547,000,000
Mr. Y.S. Chowdary	-	50,400,000	-	50,400,000
<b>Sub-Total</b>	-	<b>50,400,000</b>	<b>638,800,000</b>	<b>689,200,000</b>
<b>Total</b>	<b>38,180,075</b>	<b>238,270,793</b>	<b>2,739,410,610</b>	<b>3,015,861,478</b>

**8 EARNINGS PER SHARE**
*(Amount in Rupees)*

Particulars	As at 30-09-2008
Profit After tax and before extraordinary items	
Basic	460,382,295
Diluted	462,766,958
Profit After Tax	
Basic	526,113,278
Diluted	529,320,907
Number of shares considered as weighted average shares for calculation of Basic Earnings per Share (EPS)	57,623,635
Add: Dilutive effect of potential shares out of convertible share warrants	65,761,191
Number of shares considered as weighted average shares and potential shares outstanding for calculation of Diluted EPS.	123,384,826
Earning per share on profit after tax and before extraordinary itesms - Face Value: Rs. 5/- each	
Basic	7.99
Diluted	3.75
Earning per share on profit after tax and extraordinary itesms - Face Value: Rs. 5/- each	
Basic	9.13
Diluted	4.29

**9 Interest Waiver and Extraordinary item**
**(a) Interest Waiver**

During the period, the Company received an interest benefit of Rs. 101,176,425 on account of restructuring of loans of Sujana Steels Limited (amalgamated with the Company w.e.f. July 1, 2006) with effect from April 1, 2008.

**(b) Extra Ordinary Item**

During the period, the Company acquired a business unit of Sarita Steel and Industries Limited on a slump sale basis. Subsequent to acquisition, loans outstanding with IDBI Bank-Stressed Asset Stabilisation Fund was restructured and an interest benefit of Rs. 74,070,620 was received on April 1, 2008 The same is disclosed as an extraordinary item. *(Refer Note 11 of Schedule 18)*

**10 DEFERRED TAX**

	As at 01.07.2007	Adjustment to Reserves INR	Charge / (Credit) during the period	As at 30.09.2008
Deferred Tax Liability				
Fixed Assets	(283,528,689)		218,258,110	(501,786,799)
<b>Total</b>	<b>(283,528,689)</b>		<b>218,258,110</b>	<b>(501,786,799)</b>
Deferred Tax Asset				
Gratuity	—	810,913	(3,488,290)	4,299,203
Compensated absence	—	230,589	(391,091)	621,680
Provision for doubtful debts / advances	—	—	(23,166,239)	23,166,239
<b>Total</b>	<b>—</b>	<b>1,041,502</b>	<b>(27,045,620)</b>	<b>28,087,122</b>
<b>Net Deferred Tax Liability</b>	<b>(283,528,689)</b>	<b>1,041,502</b>	<b>191,212,490</b>	<b>(473,699,677)</b>

# SUJANA METAL PRODUCTS LIMITED

Consequent to the application of Accounting Standard 15 - "Employee Benefits" as notified by the Companies (Accounting Standards) Rules, 2006, all employee benefits have been determined in accordance with the Standard and in accordance with the transitional provisions, the liability as at 1st July, 2007 has been recomputed and the difference with the liability existing as on 30th June, 2007 aggregating to Rs. 2,022,641 (net of deferred tax asset of Rs. 1,041,502 ) has been adjusted to the General Reserve as at July 1, 2007.

## 11. Acquisition of Unit of Sarita Steel and Industries Limited

During the period, the Company acquired an operating unit from Sarita Steel and Industries Limited on 'slump sale basis'. As part of this acquisition, the Company has taken over the outstanding dues of Rs. 289,482,490 payable to SASF (Stressed Assets Stabilization Fund), a division of IDBI. SASF had approved of the takeover of these loans and restructured the same to Rs. 217,000,000, subject to specified conditions.

The assets and liabilities takeover and whose values have been determined by means of a professional valuation are as follows :

(Amount in Rupees)

Fixed Assets	823,003,452	
Capital Work in progress	5,337,396	
<i>Raw Materials</i> - 84,674,107		
<i>Finished Goods</i> - 322,526,726		
<i>Stores and Spares</i> - 5,597,815		
Total Inventories	412,798,648	
Loans & Advances	116,740,962	
Debtors	124,841,323	
Cash and Cash Equivalents	30,079,460	
<b>Total Assets Taken Over</b>		<b>1,512,801,241</b>
Secured Loans	373,004,985	
Current Liabilities	792,463,911	
<b>Total Liabilities Taken Over</b>		<b>1,165,468,896</b>
Net Assets taken over		347,332,345
Purchase Consideration paid (Goodwill)		350,200,000
		(2,867,655)

12. Glade Steel Private Limited and Asian Tide Enterprises Limited became subsidiaries of the company during the period. Alpha Ventures Limited became subsidiary on March 06, 2007. The financial position and results of these subsidiaries are given below:

(INR)

Particulars	Glade Steel Private Limited	Alpha Ventures Limited	Asian Tide Enterprises Ltd
<b>LIABILITIES</b>			
Reserves & Surplus	(77,507,124)	187,513,296	(229,945)
Secured Loans	45,740,254	—	—
Current Liabilities & Provisions	176,361,790	2,848,029,812	—
<b>ASSETS</b>			
Fixed Assets	203,169,833	—	—
Current Assets	309,069	2,880,500,148	6,790
Loans & Advances	8,567,418	155,090,307	—
<b>INCOME</b>			
Sale of products and other services	39,555,515	8,756,838,581	26
<b>EXPENSES</b>			
Manufacturing and other expenses	41,152,902	8,414,935,050	199,413
Depreciation	6,193,678	—	—
Interest	5,240,247	179,310,763	—
Extraordinary Items	248,293	—	—
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(13,279,605)</b>	<b>162,592,768</b>	<b>(199,387)</b>

**13 Cumulative Redeemable Preference Shares**

Cumulative Redeemable Preference Shares consist of :

2,038,260 1% of Cumulative Redeemable Preference Shares of Rs. 100 each aggregating to Rs. 203,826,000 would be redeemable in 12 quarterly installments co-terminous with principal payment commencing from July 01, 2015 and ending on April 01, 2018.

1,493,365 1% of Cumulative Redeemable Preference Shares of Rs. 100 each aggregating to Rs. 149,336,500 would be redeemable in 12 quarterly installments co-terminous with principal payment commencing from October 01, 2013 and ending on July 01, 2016.

**14 Stressed Assets Stabilization Fund has communicated as follows:**

- a) In terms of letter dated June 25, 2008 outstanding loan of Rs. 187,500,000 is to be converted into equity shares of the company as per SEBI Guidelines with in a period of 4 months.
- b) In terms of letter dated December 04, 2008 accrued interest approximately of Rs. 9,300,000 is to be converted into equity shares of the company as per extant SEBI Guidelines before February 28, 2009.
- c) In terms of letter dated December 06, 2008 accrued interest approximately of Rs. 19,800,000 is to be converted into equity shares of the company at par and all formalities relating to allotment are required to be completed by the company before February 28, 2009.

15 Figures pertaining to subsidiary companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.

16 This being the first year of preparation of consolidated financial statements, comparative figures for previous year are not applicable.

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For Sujana Metal Products Limited

R.K. Birla  
Managing Director

S. Hanumantha Rao  
Director

Shaik Ibraheem  
Company Secretary

Place : Hyderabad  
Date: 29.12.2008



# SUJANA METAL PRODUCTS LIMITED

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Amount in Thousands)

<b>I</b>	<b>REGISTRATION DETAILS</b>	
	CIN Number	L28120AP1988PLC008610
	Balance Sheet	30.09.2008
	State Code	01
<b>II</b>	<b>CAPITAL RAISED DURING THE YEAR</b>	
	Public Issue	NIL
	Rights Issue	NIL
	Bonus Issue	NIL
	Private Placement	56415
<b>III</b>	<b>POSITION OF MOBILISATION OF AND DEPLOYMENT OF FUNDS</b>	
	Total Liabilities	8745332.47
	Total Assets	8745332.47
	<i>Sources of Funds</i>	
	Paid up Capital	669445.12
	Share Application Money	824905.42
	Reserves & Surplus	2675045.80
	Deferred Tax Liability	473681.63
	Secured Loans	4102254.50
	Un-Secured Loans	NIL
	<i>Application of Funds</i>	
	Net Fixed Assets	3563965.53
	Work in Progress	83957.09
	Investments	68214.88
	Net Current Assets	5029194.97
	Misc. Expenditure	NIL
	Deferred Revenue Expenditure	NIL
	Accumulated Losses	NIL
<b>IV</b>	<b>PERFORMANCE OF THE COMPANY</b>	
	Total Turnover	18778229.34
	Total Expenditure	18408220.86
	Profit before Tax	548103.55
	Profit after Tax	382252.22
	Earnings per Share in Rs.	
	- Basic	5.40
	- Diluted	2.54
	Dividend rate %	NIL
<b>V</b>	<b>GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)</b>	
	PRODUCT DESCRIPTION	STEEL BARS AND RODS
	ITEM CODE (IT CODE NO.)	72145000
	PRODUCT DESCRIPTION	STEEL ANGLES, SHAPES AND U,I,H,L OR T SECTIONS
	ITEM CODE (IT CODE NO.)	72161000



## SUJANA METAL PRODUCTS LIMITED

Regd.Office: Survey No.296/7/9, IDA Bollaram,Jinnaram Mandal, Medak District, A.P.

Member's Folio/Demat Number..... No. of Shares held.....

### PROXY FORM

I/We..... resident(s)

of ..... being a member/members of SUJANA METAL PRODUCTS LIMITED hereby appoint Mr/Ms.....

of..... or failing him/her.....

of..... as my/our proxy to attend and vote for me/us on my/our behalf at the Ninteenth Annual General Meeting of the Company to be held on the 27th February, 2009 at 11.30 A.M and at any adjournment thereof.

Signed this the .....day of ..... 2009

Signature.....

Affix  
Revenue  
Stamp  
Re 1.00

Note: The instrument of proxy shall be deposited at the Registered Office of the Company not less than 48(forty eight) hours before the time for holding the Meeting.

A PROXY NEED NOT BE A MEMBER.

## SUJANA METAL PRODUCTS LIMITED

Regd.Office: Survey No.296/7/9, IDA Bollaram,Jinnaram Mandal, Medak District, A.P.

Member's Folio/Demat Number..... No. of Shares held.....

### ATTENDANCE SLIP (for 19th AGM)

This Attendance Slip duly filled in to be handed over at the entrance of the Meeting Hall

Name of the Attending Member or proxy (In Block Letters) .....

I hereby record my presence at the Ninteenth Annual General Meeting to be held on 27th February, 2009 at Plot Nos.10,11 & 12, Survey No.172, Bollaram Village, Jinnaram Mandal, Medak District, Andhra Pradesh at 11.30 A.M.

To be signed at the time of handing over this slip

.....  
Member's/Proxy's Signature

PRINTED MATTER  
BOOK - POST



If undelivered, please return to:

**SUJANA METAL PRODUCTS LIMITED**

Corporate Office:

No.: 18, Nagarjuna Hills, Panjagutta, Hyderabad-500 082.

Ph: 040-23351882, 23351887

[www.sujana.com](http://www.sujana.com)