

D&H INDIA

ANNUAL REPORT 2006-07

D & H WELDING ELECTRODES (INDIA) LTD.

I N D E X

CONTENTS	Page No.
• NOTICE	1
• DIRECTORS' REPORT	3
• ANNEXURE TO DIRECTORS' REPORT	5
• MANAGEMENT DISCUSSION & ANALYSIS REPORT	6
• AUDITORS' REPORT	11
• BALANCE SHEET	14
• PROFIT & LOSS ACCOUNT	15
• SCHEDULES	16
• CASH FLOW STATEMENT	23

BOARD OF DIRECTORS

Shri J. C. Kapur	- Director
Shri Sushil Rawka	- Director
Shri Vimal Lunia	- Director
Shri Nirmal Lunia	- Director
Shri Surjeet Singh	- Director
Shri Basant Singh Johari	- Director
Shri Madhusudan Jain	- Whole time Director
Shri Vasudeo S. Bhate	- Director (Technical)
Shri Harsh Kumar Vora	- Managing Director

COMPANY SECRETARY

Mr. Rajesh Sen

REGISTERED OFFICE

A-204, Kailash Esplanade, Opposite Shreyas Cinema,
L.B.S. Marg, Ghatkopar (West), Mumbai - 400 086

WORKS & ADMINISTRATIVE OFF.

Unit No. I

Plot 'A', Sector 'A', Industrial Area, Sanwer Road,
Indore - 452 015 (M.P.)

Unit No. II

Village Sejevaya, Ghata Billod
Dist. Dhar - 454 773 (M.P.)

BRANCH OFFICE & SALES DEPOT

Mumbai, Chandigarh, Chennai, Kanpur,
Vadodara, Bilaspur, Bangalore, Hyderabad

BANKERS

State Bank of India

AUDITORS

M/s. ABN & Co.
Indore

REGISTRAR & SHARE

Ankit Consultancy Pvt. Ltd.,

TRANSFER AGENT

2nd Floor, Alankar Point, Geeta Bhawan Square,
A.B. Road, Indore (M.P.) - 452 001

NOTICE**D & H WELDING ELECTRODES (INDIA) LIMITED****NOTICE OF TWENTY SECOND ANNUAL GENERAL MEETING**

Notice is hereby given that the **Twenty Second Annual General Meeting** of the Members of **D & H Welding Electrodes (India) Limited** will be held on Monday the 24th day of September, 2007 at 10.00 a.m. at the Registered Office of the Company at A-204, Kailash Esplanade, Opposite Shreyas Cinema, L. B. S. Marg, Ghatkopar (West), Mumbai - 400 086 to transact the following business :-

As Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2007 & Profit & Loss Account of the Company for the year and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Basant Singh Johari, Director who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Surjeet Singh, Director who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of the Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s ABN & Co. Chartered Accountants, Indore the Retiring Auditors of the Company, from whom a certificate under section 224 (1B) of the Companies Act, has been obtained, be and are hereby re-appointed as Statutory Auditors of the Company to hold office till the conclusion of next Annual General Meeting of the Company, at such a remuneration as may be fixed by the Board of Directors, of the company from time to time based on the recommendation of Audit Committee, plus service tax and other such tax(es), as may be applicable, and reimbursement of out-of-pocket expenses incurred by them for carrying out the Audit."

BY ORDER OF THE BOARD

PLACE: INDORE
DATE : 9th Aug, 2007

HARSH KUMAR VORA
Managing Director

NOTES

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING. A PROXY NEED NOT BE A MEMBER OF THE COMPANY, PROXY IN ORDER TO BE VALID AND EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OR CORPORATE OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- B. The Register of Members and the Share Transfer Books of the Company will remain closed from 19th September, 2007 to 24th September, 2007 (both days inclusive).
- C. Members are requested to send their queries, if any, at least seven days in advance of the meeting to enable the Company to keep the information ready at the meeting.
- D. Members are requested to bring their copies of Annual Report with them, since separate copies will not be distributed at the venue of the Meeting.

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BY ORDER OF THE BOARD

PLACE: INDORE
DATE : 9th Aug, 2007

HARSH KUMAR VORA
Managing Director

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting **Twenty Second Annual Report** on the business and operations of the Company together with the Audited Statement of Accounts for the year ended 31st March, 2007.

OPERATIONAL PERFORMANCE

The operational performance of the company for the period under review is as below :-

	Year ended 31.03.2007 (Rs. In lacs)	Year ended 31.03.2006 (Rs. In lacs)
Gross Sales and other Income	3728.23	2680.62
Profit before Interest & Depreciation	501.68	260.51
Interest and Financial Charges	20.63	24.42
Depreciation	36.65	32.01
Net Profit for the year	444.40	204.08
Provision for Income tax (Current)	155.00	72.00
Balance carried from previous year	248.07	115.56
Profit available for appropriation	533.37	248.08
Provision for dividend & Dividend declaration tax	65.63	Nil
Transfer to General Reserve	95.64	Nil
Balance carried to Balance sheet	372.10	248.07

The sales performance of the Company has shown improvement over the last year. The cost effective measures have also contributed to the improved performance in terms of profitability, inspite of significant increase in the cost of raw materials.

DIVIDEND

Your directors pleased to recommend a dividend of 10 % (Re. 1 per share) absorbing a sum of Rs 56.10 Lacs. The dividend will be paid to all shareholders whose names appear in the Register of Members as on the book closure date.

EXPORT

Your company has chalked out an plan to grow in the export market. This segment of the business is expected to grow at a faster rate, in the coming years. During the year the Company has successfully executed export orders amounting to Rs. 53.86 Lacs as compared to Rs. 13.29 Lacs in the previous year.

EXPANSION

During the year your Company has successfully commissioned the Flux-cored wire project. Your Company is now planning to expand the existing manufacturing capacity by 2500 MT per annum. The cost for this expansion would be around Rs 300 Lakhs and the same is proposed to be raised through internal accruals and term loan from our bankers.

DIRECTORS

Shri Basant Singh Johari and Shri Surjeet Singh Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board of Directors recommends their re-appointment.

DELISTING

The shares of the company got delisted from the Madhya Pradesh Stock Exchange Limited, Indore during the financial year under review w.e.f. 24/03/2007, intimation of the same was received to the company on 21/06/2007. Now, the shares of the company are listed at The Bombay Stock Exchange, Mumbai only.

CORPORATE GOVERNANCE

Report on Corporate Governance is enclosed and is forming part of the Directors' Report. A certificate from the Statutory Auditors of the Company regarding Compliance of the Conditions of the Corporate Governance is attached to this report.

FIXED DEPOSITS

Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules made there under.

DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956 your directors confirm that :-

- a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that they are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of financial year and of the profit of your Company for that period;
- c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- d) the Directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of Conservation of Energy and Technology Absorption under provisions of 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, are given as Annexure to this report.

Company had accomplished its many export order and thus earned Foreign Exchange during the Year. Foreign Exchange Earning during the year was Rs. 53.86 Lacs and Outgo was Rs. 48.12 Lacs.

AUDITORS

M/s ABN & Co. Chartered Accountants, Indore Statutory Auditors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and who being eligible offer themselves for re-appointment. The Board recommends their re-appointment.

AUDITOR'S REPORT

Report of the Auditors and their observations on the Accounts of the Company for the year under review are attached herewith.

PARTICULARS OF EMPLOYEES

There is no information to be given in terms of section 217 (2A) of the Companies Act, 1956 read with the Rules framed there under.

INDUSTRIAL RELATIONS

The relations with the Employees and the workers continued to be cordial during the year. The Board of Directors takes their sincere appreciation for the dedicated efforts put in by the employees for continued good performance.

ACKNOWLEDGMENT

The Directors thank the customers, vendors, investors, business associates and bankers for their support to the company.

The Directors also thank the Government of India, the Concerned State Governments and other Government Departments and Government Agencies for their cooperation.

FOR AND ON BEHALF OF THE BOARD

PLACE: INDORE
DATE : 9th Aug, 2007

HARSH KUMAR VORA
Managing Director

V. S. BHATE
Technical Director

ANNEXURE TO DIRECTORS' REPORT**FORM 'A'****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

The company is not covered under the list of specified industries. However, required energy conservation measures were already taken to ensure optimum power consumption to the extent necessary.

FORM 'B'**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION**

1. Specific areas in which R & D carried out by the company
2. Benefits derived as a result of above R & D
3. Future plan of action
4. Expenditure on R & D
 - a) Capital
 - b) Recurring
 - c) Total
 - d) Total R & D expenditure as percentage of total turn-over.

No R&D carried out.
Therefore no
expenses were
incurred on R&D

Technology absorption, adaptation and innovation.

1. Efforts in brief made towards technology absorption, adaptation and innovation.
2. Benefits derived as a result of the above efforts e.g. product improvement, product development import substitution etc.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
 - a) Technology
 - b) Year of import
 - c) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

NIL

FOR AND ON BEHALF OF THE BOARD

PLACE: INDORE
DATE : 9th Aug, 2007

HARSH KUMAR VORA
Managing Director

V. S. BHATE
Technical Director

MANAGEMENT DISCUSSION & ANALYSIS REPORT**Performance**

The overall production of the Company was increased by about 48.88 % and sales increased by 38.60 % to Rs. 36.98 crores, as against 26.68 crores in the last year. The Profit before tax for the year has increased to Rs. 4.44 crores.

Opportunities & Threats

Although the Company is facing a stiff competition from SSI Units, it is posed to enter into new ventures in the welding line to add more products into its product range. The profit-oriented business is given a thrust and hopefully Company is all positive to make in roads in market leading of first rung companies. The bigger problem is the unsteady pricing factor of ferrous items of which prices are decided by London Metal Market.

Risks & Concerns

Dependability on Raw Material, Supplies continues to be a big risk for the Company to face. It is pertinent to ensure easy availability of raw materials such as Rutile, Steel and Metals at fair prices.

Internal Control System

The company has adequate internal control systems commensurate with the nature and size of the business. All the transactions are properly authorized and recorded. The Company has an Audit Committee, which regularly meets to review the Financial Reports and Statements of the Company. It also invites the Statutory Auditors of the Company to get their opinions and suggestions on the Company's system of preparing and maintaining financial statements and on the adequacy of its internal control system.

Quality Management System ISO – 9001 : 2000

Your company's administrative office and works situated at Indore has been certified as ISO 9001 : 2000 by International Certification Services for Quality Management System. The above Certification is valid upto December 2008.

CORPORATE GOVERNANCE**I. Company's Philosophy on Code of Corporate Governance**

The Company believes in the practice of good Corporate Governance acting as a good corporate citizen. The spirit of Corporate Governance has been prevailing in the Company. The company believes in the values of transparency, professionalism and accountability. The Company recognizes the acceptability of the Board and importance of the decisions relating to its customers, dealers, employers, shareholders etc.

The Company always strives to achieve performance at all levels by adhering to corporate governance practices.

II. Board of Directors

The strength of Board of Directors as on 31st March, 2007 was 9 out of which 3 were Executive Directors, 3 were Non Executive Directors and 3 were Non Executive Independent Directors.

Shareholding of Non Executive Directors in the Company as on 31.03.2007 :

Shri Sushil Rawka	:	63,300
Shri J. C. Kapur	:	NIL
Shri Nirmal Lunia	:	NIL
Shri Vimal Lunia	:	NIL
Shri B. S. Johari	:	3,300
Shri Surjit Singh	:	NIL

The Board of Directors duly met Five times during the Financial Year 2006 – 2007 and the gap between two meeting did not exceed four months. Dates on which the Board meetings were held are as follows: 29/04/06, 28/07/06, 18/08/06, 31/10/06 and 31/01/07. Attendance of directors during Board Meetings is shown in Table A. The Categories of directors are also mentioned in the same table.