



Hindustan Hardy Spicer Ltd.



**Twentyfourth Annual Report
2005 - 2006**

Hindustan Hardy Spicer Limited**Annual
Report
2005 - 06****BOARD OF DIRECTORS**

Mr. S. C. Saran	Chairman
Mr. A. R. Rajwade	Managing Director
Mr. K. H. Captain	Director
Mr. Shiamak Marshall	Director
Mr. Phillip A. Rotman II	Director

Bankers

State Bank of India

Auditors

S. B. Billimoria & Company

Solicitors

Bachubhai Munim & Company
Kanga & Company

Registered Office

Bombay Footware Building,
Deonar Village Road,
Opposite N.K.G.B. Bank-Deonar,
Mumbai - 400088.

Plant

C-12, Additional Nasik Industrial Area,
Ambad, Nasik - 422 010.

Registrars and share**Transfer Agents**

Satellite Corporate Services Pvt. Ltd.
B-302, Sony Apartment,
Opp. ST. Jude Highschool,
Off. Andheri Kurla Road,
Jarimari, Sakinaka
Mumbai - 400 072.

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NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the members of HINDUSTAN HARDY SPICER LIMITED will be held at Sunville Deluxe, Pavillion, Dr. Annie Besant Road, Worli, Mumbai 400 018 on Monday, 28th August 2006 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Reports thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Shiamak Marshall who retires by rotation and being eligible offers himself for reappointment.
4. To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s. J. L. Bhatt & Co, Chartered Accountants be and are hereby appointed as Auditors of the Company in place of M/s. S. B. Billimoria & Co., Chartered Accountants to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration as may be decided by the Board of Directors in consultation with the Auditors plus out of pocket expenses, if any."

SPECIAL BUSINESS

5. To appoint Director in place of Mr. Phillip A. Rotman II, who was appointed as a Director by the Board of Directors and who holds office upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director.

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 A PROXY NEED NOT BE A MEMBER.
2. THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

Hindustan Hardy Spicer Limited

3. The Register of Members and Share Transfer Books of the Company will be closed from Monday, August 21, 2006 to Monday, August 28, 2006, both days inclusive.
4. Dividend if declared will be payable to those members whose names appear in the Register of Members on August 28, 2006. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership of shares as at the end of business hours on August 21, 2006 as per details furnished by the Depositories for this purpose.
5. Members are requested to note that pursuant to the provisions of Section 205C of the Companies Act, 1956 the dividend remaining unclaimed/unpaid for a period of seven years from the date they became due for payment shall be credited to the Investors' and Protection Fund setup by the Central Government. Members who have so far not claimed the dividend are requested to make claim with the Company as no claim shall lie against the fund or the Company in respect of individual amounts once credited to the said fund.
6. Members are requested to notify promptly any change in their addresses to the Company's Registrar and Share Transfer Agents, Satellite Corporate Services Pvt. Ltd., B- 302, Sony Apartment, Opp. ST Jude High School, Off. Andheri Kurla Road, Jarimari, Sakinaka, Mumbai 400 072.
7. Any query which the member proposes to raise at the time of the Annual General Meeting should be forwarded to the Company atleast seven (7) days in advance of the Annual General Meeting.

Registered Office :

Bombay Footwear Building,
Deonar Village Road,
Opp: N.K.G.S.B. Bank-
Deonar, Mumbai 400 088

By Order of the Board of Directors

A. R. RAJWADE
MANAGING DIRECTOR

Date : July28, 2006

ANNEXURE TO NOTICE**EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956****ITEM NO. 4**

M/s. S. B. Billimoria & Co., Chartered Accountants, Auditors of the Company, have vide their letter dated July 4, 2006 shown their unwillingness for their re-appointment as auditors of the Company at the ensuing annual general meeting.

The Company has also received a letter from a member of the Company proposing the name of M/s J. L. Bhatt & Co, Chartered Accountants, to be appointed as Auditors of the Company.

Your Directors therefore recommend the appointment of M/s J. L. Bhatt & Co, Chartered Accountants as new Auditors of the Company for approval by the members of the Company.

M/s. J. L. Bhatt & Co, Chartered Accountants, have in terms of section 224 (1B) of the Companies Act, 1956, consented to act as Statutory Auditors of the Company if appointed.

None of the Directors is concerned or interested in the said resolution.

ITEM NO. 5

Mr. Phillip A. Rotman II was appointed as an Additional Director of the Company by the Board of Directors effective from January 30, 2006. By virtue of Section 260 of the Companies Act, 1956., Mr. Phillip A. Rotman II will hold office upto the date of this Annual General Meeting and is eligible for appointment. The Company has received a notice under Section 257 of the Companies Act, 1956 alongwith requisite deposit from a member of the Company proposing his candidature for the office of Director.

The Board commends your approval to the said appointment.

None of the Directors of the company except Mr. Phillip A. Rotman II is concerned or interested in the resolution for his appointment as Director of the Company

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By Order of the Board of Directors

A. R. RAJWADE
MANAGING DIRECTOR

Date : July 28, 2006

Hindustan Hardy Spicer Limited**DIRECTORS' REPORT TO THE MEMBERS**

The Directors have pleasure in presenting the Twenty Fourth Annual Report together with the Statement of Accounts for the year ended on March 31, 2006

FINANCIAL RESULTS

During the year under review, net sales turnover was Rs. 2870.05 lacs as against Rs.2795.20 lacs during the corresponding previous year. Export earnings were Rs.676.21 lacs as against Rs.356.90 lacs during the corresponding previous year (89.47% higher). Profit after tax was Rs. 132.10 lacs as against Rs. 107.52 lacs for the previous year.

	2005-2006 (Rs.in Lacs)	2004-2005 (Rs.in Lacs)
Sales	2870.05	2795.20
PROFIT	243.52	200.09
Less:		
Depreciation	45.76	47.24
Interest	18.66	9.91
	179.10	142.94
Add: Prior Period Adjustment (Net)	18.33	-
PROFIT BEFORE TAX	197.43	142.94
Less: Provision for Taxation		
Current Tax	70.00	62.00
Fringe Benefit Tax	5.70	-
Deferred Tax	(4.58)	(11.70)
Excess provision of previous year written back (net)	(5.79)	(14.88)
PROFIT AFTER TAX	132.10	107.52
Surplus brought forward from Previous Year	196.73	146.97
PROFIT AVAILABLE FOR APPROPRIATION	328.83	254.49
General Reserve	15.00	15.00
Proposed Dividend	45.00	37.50
Tax on Proposed Dividend	6.31	5.26
Surplus Carried Forward	262.52	196.73



DIVIDEND

The Board of Directors are pleased to recommend a dividend of 30% on 15,00,000 Equity Shares of Rs. 10/- each.

OUTLOOK

During the year, the Company has taken various steps and got following certifications :

- 1) ISO 14001:2004 for Environmental Management Systems.
- 2) ISO/TS 16949:2002 for Automotive Application.
- 3) ISO 9001:2000 for Industrial Application.

The second Surveillance Audit for ISO/TS 16949:2002 & ISO 9001:2000 has been successfully completed in June 2006.

The Company has also taken various steps to attain the revised standards set by ISO 14001 as per 2004 version. BVQI has certified the Company as per revised standard for ISO 14001:2004 for Environmental Management System in June 2006.

Long Term Supply Agreement has been signed with Case New Holland. This will enable us to increase the export significantly during the forthcoming Financial Year.

The final approval of Volvo Compact Equipment and Komatsu is in the process and we are expecting the production orders by September 2006.

We expect growth of about 10% during the current year.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**a) CONSERVATION OF ENERGY**

Measures for conservation of energy at all levels have been taken. Similarly, an energy audit was carried out by experts in the field and steps have been taken to conserve and utilize the available energy more efficiently.

b) TECHNOLOGY

Our technology had been imported from our Collaborators, Spicer Gelenkwellenbau GmbH, Germany in 1984. Since then upgradation has continued in consultation with our Collaborators.

Hindustan Hardy Spicer Limited**c) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Foreign Exchange earnings and outgo are as under

	(Rs.in lacs)
1. Foreign Exchange Earnings	676.21
2. Foreign Exchange Outgo on account of import	15.30
3. Foreign Exchange Outgo on account of dividends	9.75
4. Foreign Exchange Outgo on account of travel	14.94
5. Foreign Exchange Outgo on account of sales commission	0.11

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) they had 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 of the Company for that period;
- iii) they 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 the Company and for preventing and detecting of fraud and other irregularities;
- iv) they had prepared the annual accounts on a going concern basis.

DIRECTORS

Your directors express their profound grief on the sad demise of Mr. D. S. Mulla on June 22, 2006. Your directors place on record its appreciation of the valuable service and guidance given by him during the tenure of his directorship with the Company.

Mr. Shiamak Marshall, Director of the Company, retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

During the year Mr. Phillip Rotman II was appointed as additional director of the company by the Board of Directors on January 30, 2006. By virtue of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting and is eligible for appointment.



Mr. Jimenez Ruperto resigned as director of the company with effect from January 30, 2006. Your directors place on record its appreciation of the valuable service and guidance given by him during the tenure of his directorship with the Company.

Mr. Robert Pollock resigned as director of the company with effect from 28-07-2006. Your directors place on record its appreciation of the valuable service and guidance given by him during the tenure of his directorship with the Company.

COMPLIANCE CERTIFICATE

A Compliance Certificate from a secretary in Whole-time Practice under section 383A of the Companies Act, 1956 in respect of the financial year ended on March 31, 2006 is attached hereto.

LISTING

The Equity Shares of the Company are listed at the Bombay Stock Exchange Limited. The company has paid the Annual Listing Fees to them for the year 2006-2007.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule, 1975 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, as amended from time to time and forming part of this Report is annexed.

AUDITORS

M/s. S. B. Billimoria & Co., Chartered Accountants, the Auditors of the company who would retire at the ensuing Annual General Meeting do not offer themselves for reappointment.

The Company has also received a letter from a member of the Company proposing the name of M/s J.L. Bhatt & Company, Chartered Accountants, as Auditors of the Company.

M/s. J.L. Bhatt & Company have in terms of section 224 (1B) of the Companies Act, 1956 consented to act as Statutory Auditors of the Company if appointed.

You are requested to appoint Auditors and to fix their remuneration.

INDUSTRIAL RELATIONS

The overall industrial relations in the Company have been cordial. Your Directors once again wish to place on record their appreciation for the contribution made by the employees at all levels to the continued growth and prosperity of the Company.

Hindustan Hardy Spicer Limited

ACKNOWLEDGEMENT

Your directors wish to place on record, their appreciation for the continued support of the Customers, Financial Institutions, Bankers and Suppliers. Your Directors also wish to record their appreciation for the valuable contribution made by the employees at all levels and the unstinting support of the collaborators.

For and On behalf of the Board of Directors

Place : Mumbai
Date : July 28, 2006

S. C. SARAN
CHAIRMAN

