

22nd

Annual Report

2005



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HARIG

HARIG CRANKSHAFTS LIMITED

BOARD OF DIRECTORS
(As on 30th August, 2005)

Mr Deshbir Singh

Managing Director

Mr J.W Tetteroo

Mr Anil Sharma

Mr N.S Parulekar

Mr Devender Singh

Mr N.Sinha

Mr S.M Bathe

Nominee BIFR

Mts Surjit Kaur Sandhu

COMPANY SECRETARY

Nishu Tomar

REGISTERED OFFICE & WORKS

C-49, Phase II Noida,
Distt. Gautam Budh Nagar (U.P)

STATUTORY AUDITORS

M/s J.K Arora & Co.
Chartered Accountants

BANKERS

Bank of India
Central Bank of India
ANZ Grindlays Bank

**REGISTRAR & SHARE TRANSFER
AGENT**

Beetal Financial & Services Ltd
Beetal House, 3rd Floor,
99, Madangir, Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir,
New Delhi - 110062.

MEMBERS MAY PLEASE NOTE

THAT NO GIFTS/COUPONS

SHALL BE DISTRIBUTED

AT THE MEETING

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NOTICE**HARIG**

NOTICE is hereby given that the Twenty Second Annual General Meeting of HARIG CRANKSHAFTS LIMITED (the "Company") will be held on Friday, 30th September, 2005 at 11 AM. at C-49, Noida Phase II, Distt. Gautam Budh Nagar, U.P to transact the following business:

ORDINARY BUSINESS

1. To consider, receive and adopt the Balance Sheet as at 31st March, 2005 and the Profit and Loss Account of the Company for the year ended on that date and the reports of the Directors and the Auditor's thereon.
2. To appoint a director in place of Mr. J.W Tetterro, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. N Sinha, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To consider and approve appointment of Auditors

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:
"RESOLVED that Smt Surjit Kaur Sandhu, who was appointed as a Director of the Company to fill in the casual vacancy caused by the resignation of Shri Anil Swarup and who vacates office at this meeting under Section 262 of the Companies Act, 1956 but who is eligible for re-appointment and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company"

Date : 30.08.2005

Place : Noida

By order of the Board
for **HARIG CRANKSHAFTS LIMITED**

NISHU TOMAR
Company Secretary

Notes

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item 5 above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY (IES) IN ORDER TO BE EFFECTIVE, DULY STAMPED MUST REACH THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.
3. The Members are requested to notify change in their addresses, if any, specifying clearly the PINCODE No.
4. The Register of Members and Share Transfer Books of the Company relevant thereto shall remain closed from Saturday, 24th September, 2005 till Friday, 30th September, 2005. (both days inclusive)
5. Members who hold shares in the dematerialized form are requested to indicate without fail their DP ID and Client ID Numbers in the attendance slip.
6. Members holding shares in the physical form are encouraged to nominate a person to whom his shares in the company shall vest in the event of his death.
7. The Memorandum and Articles of Association of the Company are open for inspection for the members at the Company's registered office between 11 a.m to 1 p.m on any working day from 24th September, 2005 onwards upto the date of the Annual general meeting and at the meeting.
8. Members are requested to affix their signature at the space provided on the attendance slip annexed to the proxy form and hand over the slip at the entrance to the place of the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**In respect of Item 5**

Smt Surjit Kaur Sandhu was appointed as Director on the Board of Directors of the Company with effect from 30th July, 2005 to fill in the Casual vacancy caused by the resignation of Mr Anil Swarup and holds office upto the date of the ensuing Annual General Meeting of the Company.

Smt Surjit Kaur Sandhu is an IAS officer and holds at present the position of Managing Director, PICUP. Your Directors feel that it will be in the Company's interest and benefit to have her association and to gain from her wise counsel and hence recommend his appointment as a Director of the Company.

A notice has been received from a member as required in terms of the provisions contained in Section 257 of the Companies Act, 1956, proposing Smt Surjit Kaur Sandhu as the candidate for the office of Director liable to retire by rotation.

None of the Directors except Smt Surjit Kaur Sandhu may be deemed to be concerned or interested in passing this Resolution.

Date : 30.08.2005

Place : Noida

By order of the Board
for **HARIG CRANKSHAFTS LIMITED**

NISHU TOMAR
Company Secretary

TO THE MEMBERS

Your Directors are pleased to present the Annual Report for the year 2004-05 on the business and operation of the company together with Balance Sheet as on 31st March 2005 and Profit & loss account for the year ended on that date.

INDUSTRY SCENARIO

Responding to emerging scenario, Indian auto component sector has shown great advances in recent years in terms of growth, spread, absorption of newer technologies etc. The Indian auto component sector is being written up as the next industry, after software, that has the potential of becoming globally competitive. During the year 2003-04, the sector has recorded a growth of 25.06% by recording a production of the order of Rs 30,640 crore.

The contribution of the automotive industry to GDP has risen from 2.77% in 1992-93 to 4% in 2003-04. With the overall improving economic conditions and growth in Automotive sector due to increase in GDP, the demand for forging is likely to increase as Automotive sector is major consumer of the forging.

OPERATING RESULTS

The company has registered an increase in total income of 36.01% during this financial year.

The sales and total income of the company for the current financial year stood at Rs. 26.81 crores and Rs 31.53 crores as against Rs. 20.70 crores and Rs.23.19 crores respectively for the previous year.

The net loss of Rs.2.76 crores during the period ending 31st March, 2005 is largely on account of heavy interest burden on term loan which we are glad to inform has since been paid. Thus the burden will not adversely effect the Company in future.

FUTURE OUTLOOK AND PRODUCTS

The forging in India are cost effective and thus the prospects of exports from India will improve. There is an increase in business confidence as well as investor confidence. The upbeat outlook for the global economy is indicative of a year of strong forging /crankshaft demand.

RISK AND CONCERNS

The availability and price of steel are causing concern to the forging industry.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has a proper and adequate system of internal control to ensure that all activities are monitored and controlled against any unauthorized use or disposition of assets, and that the transactions are authorized, recorded and reported correctly.

The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines. The Audit Committee of the Board of Directors reviews the adequacy of internal controls.

FINANCIAL PERFORMANCE

1. **Share Capital** : The Company issued and subscribed Share Capital consist of Equity Share Capital only. The paid up capital of the company as at 31st March 2005 stood at Rs.31.84 crores.
2. **Reserves and Surplus** : During the period under review the reserves stood at Rs. 9.07 crores.
3. **Current Assets and Liabilities** : The Current Assets and Liabilities stood at Rs. 32.59 crores and Rs. 12.43 crores for the year under review. The net current assets at the end of the period stood at Rs. 20.16 crores.
4. **One Time Settlement (OTS) with financial institutions** : With a view to reduce the losses and make its net worth positive, the Company had entered into 'ONE TIME SETTLEMENT' with financial institutions i.e IDBI, IFCI & ICICI. As per the agreement with the financial institutions, the entire payment of the institutions has already been made.

DIVIDEND

Keeping in view, the accumulated losses, your Directors regret their inability to recommend any dividend.

FIXED DEPOSITS

Your company, during the year under review, has not accepted any deposit from the public within the meaning of Section 58A of the Companies Act,1956.

APPOINTMENT OF AUDITORS

M/S J K Arora & Company, Chartered Accountant hold the office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received the requisite certificate from M/s J K Arora & Company, Chartered accountants to the effect that their reappointment, if effected, would be within the limits prescribed under section 224 (1B) of the Companies Act.1956.

REPORT OF DIRECTORS & MANAGEMENT DISCUSSION & ANALYSIS**HARIG****AUDITORS REPORTS**

Regarding note IX(a), delay in payments of statutory dues eg provident fund dues, etc on few occasions is due to deficient cash flow as a consequence of recessionary conditions in the market. However all the arrears with respect to statutory dues have already been paid.

Regarding note XI, all the dues of the Financial Institutions has already been cleared as per the One Time Settlement with the Financial Institutions.

Rest of the notes referred to in the auditors report are self explanatory and require no elucidation.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Energy conservation continues to be an area of major emphasis in your company. The company has adopted the strategy of bringing about general awareness among all its employees regarding energy conservation. 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, particulars with respect to conservation of energy and other areas, are annexed hereto and form part of this report.

DIRECTORS

In accordance with the provision of section 256 of Companies Act, 1956 and article 108 of the Articles of Association of the Company, Mr N Sinha and Mr J.W Terroo, Directors retire by rotation and being eligible offer themselves for re-election.

PERSONNEL

Your company recognizes and places on record its conviction that employees are its most important and valuable asset. During the year, none of the employee was in receipt of remuneration more than prescribed under section 217 (2A) of the Companies Act, 1956.

REPORT ON CORPORATE GOVERNANCE

The report on the Corporate Governance is enclosed in compliance with clause 49 of the Listing Agreement.

DIRECTORS RESPONSIBILITY STATEMENT

The financial statements for the year ended 31st March 2005 are in conformity with the applicable Accounting Standards and the same have been prepared on a going concern basis. The Directors accept the responsibility for the integrity and objectivity of these financial statements, as reflected through the consistent application of Accounting Policies. The directors believe that the financial statement reflect fairly true and fair view of the state of affairs of the company as at 31st March, 2005 and the losses of the Company.

The Directors confirm with reasonable assurance that established policies and procedures have been followed for safeguarding the assets of the Company and for preventing any other form of fraud and irregularities, subject to any limitations in any system and procedure and coverage thereof which should be recognized in weighing the assurance provided by any system of internal control.

LISTING OF SHARES

The Shares of the Company are listed at Mumbai Stock Exchange & Delhi Stock Exchange.

ACKNOWLEDGMENTS

Your directors wish to thank and acknowledge the assistance extended by PICUP, IFCI, IDBI and ICICI, Bank of India, the Central Government, Government of Uttar Pradesh and the local authorities.

The company is well poised to face the future. The industry has revived and the company will be reaping the benefits of the investments and hard decisions it has taken in the difficult years just past. The tremendous support, innovativeness and enormous dedication from everyone in the company will continue to be our greatest asset in the coming years.

The directors are grateful to you, the shareholders for your continued patronage.

For and on behalf of the Board

Deshbir Singh
Managing Director

Place : Noida
Dated : 30th August, 2005

N.Sinha
Director

INFORMATION AS PER SECTION 217(1)(E) READ WITH COMPANIES' (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2005**1. Conservation of energy**

The Company has over the previous years taken several steps to conserve energy wherever possible. This continues to remain area with studies, discussions and analysis being undertaken regularly for further improvements.

FORM 'A'

Form of Disclosure of Particulars with respect to Conservation of Energy

A Power and Fuel Consumption

	For the year ending March, 2005	For the year ending March, 2004
a. 1. Electricity Purchased		
Units (Lacs)	28.34	25.17
Total/Amount (Rs in Lacs)	141.95	138.09
Rate/Unit	5.01	5.49
2. Diesel Oil		
Quantity (Kltrs.)	51.28	30.32
Total Amount (Rs in Lacs)	12.98	6.49
Average Rate/unit per ltr.	25.32	21.42
3. Own Generation		
Through Diesel Generator		
Units (Lacs)	1.84	1.08
Total Cost (Rs in Lacs)	12.98	6.49
Cost per unit (Rs.)	7.05	5.97

b. Consumption per unit of Production

	Machined Crankshafts (Per Crankshafts)			Forgings (Per K.g.)		
	Standard (if any)	Current Year	Previous Year	Standard (if any)	Current Year	Previous Year
Electricity (Kwt)	NA	261.68	229.91	NA	2.96	2.80

B. TECHNOLOGY ABSORPTION**FORM 'B'**

Disclosure of Particulars with respect to absorption, research & development (R & D)

A Research and Development (R& D)**1. Specific areas in which R & D carried out by the Company**

Research & Development is carried out for development of new products and for the improvement in the production process and quality of products.

2. Benefits derived as a results of the above R & D

The Company has improved the quality of existing products and entered into new products and has also been able to reduce the cost of production.

3. Future Plan of Action

The Management is committed to strengthen R & D activities to improve its competitiveness in times to come.

4. Expenditure on R & D

(i) Capital (ii) Recurring (iii) Total (iv) Total R & D Expenditure as a percentage of total turnover.

The Company intends to make R & D an integral part of the Corporate Philosophy and attains to develop consciousness for devising new technologies and processes at all levels and with this objective in view, the expenditure incurred on Research & Development has not been quantified and segregated.

C Technology Absorption, Adoption and Innovation**1. Efforts in brief, made towards technology absorption, adaptation and Innovation**

The company has continued with its efforts to absorb the Press Forgings Technology and manufacture of Forging dies for it, with the help of Computer Aided Design/Computer Aided Manufacturing (CAD/CAM) for

ANNEXURE TO THE DIRECTOR REPORT**HARIG**

efficient and precise manufacture of Forging Dies. In addition, the new processes and technologies developed through R & D have been adapted and absorbed in manufacturing techniques.

2. Benefits derived as a result of the above efforts e.g Product Improvement, Cost-Reduction, Product development, Import substitution etc.

By virtue of the measures adopted by the Company and which are in process, the efforts shall result in optimization of Raw Material utilization, lesser machining time, consequent reduction in energy consumption, better metallurgical properties, significant reduction in cost of production and also consumer satisfaction.

D. Foreign Exchange Earnings & Outgo

During the year, the Company has spent Rs 54.83 Lacs in foreign exchange.

SHAREHOLDERS INFORMATION

The Companies Securities are listed at the following 2 Stock Exchanges in India:

1. The Delhi Stock Exchange Association Ltd
2. The Stock Exchange, Mumbai

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COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company has always been committed to the system of good corporate governance. The company acknowledges that there are three key aspects of Corporate Governance viz., accountability, transparency and equality of treatment for all stakeholders and has identified the roles and responsibilities and also the rights of the three constituents of Corporate Governance viz., the Shareholders, the Board of Directors and Management which would enhance shareholder value.

Adequate financial reporting and disclosures are the corner stones of good corporate governance. The Company has been disclosing information on issues concerning the Company's performance from time to time.

BOARD OF DIRECTORS

The board of directors manages the business of the Company. The board formulates the strategy and regularly reviews the performance of the Company against previously agreed objectives.

S.No.	Name of Director	No. of Board Meetings		Other directorships
		Held	Attended	
1.	Sh.Deshbir Singh MD Executive Promoter	6	6	1
2	Shri J W Tetteroo Independent Non Executive	6	-	2
3	Shri N S Parulekar Independent Non Executive	6	2	9
4	Shri Anil Sharma Nominee PICUP	6	4	6
5	Shri N Sinha Independent Non Executive	6	2	-
6	Shri Devender Singh Nominee PICUP	6	3	3
7	Shri S M Bathe Nominee BIFR	6	-	4
8	Mrs Surjit Kaur Sandhu Nominee PICUP	6	-	4

During the year only one meeting of Remuneration Committee was held on 26th August, 2004

AUDIT SUB COMMITTEE

The Audit Committee consists of the following independent and non-executive Directors:

1. Mr. Anil Sharma
2. Mr. N Sinha
3. Mr. N S Parulekar
4. Mr. Devender Singh

The Audit Committee of the Company met four times during the financial year ended March 31, 2005, on 30.04.2004, 26.08.2004, 29.10.2004 and 31.01.2005. Meetings of the Audit Committee are held just before the Board Meeting where the accounts of the Company are considered from the view point of approval of budgets, unaudited quarterly as well as whole years working results.

Terms of reference of the Audit Committee as per the guidelines set out in the listing agreements with the Stock Exchanges and also as per Section 292A of the Companies Act, it inter alia also include the overview of the Company's financial reporting processes, review of the half yearly and annual financial statements, the adequacy of internal control system, the financial and risk management policies etc.

The Managing Director, Statutory Auditor, VP (Finance), Internal Auditors were invites to the Audit Committee Meetings. The Company Secretary was in attendance at these meetings.

The Company Secretary acts as the Secretary of the Audit Committee.

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The committee meets once a month to look into the share transferred during the period and status of dematerialization. In addition it ensures that no complaints are pending against the Company either from any shareholder or any other authority.

All the complaints/requests received from the shareholders during the last financial year were attended/replied as and when received. There is no case of share transfer or any other correspondence pending for more than 30 days as on the date of this report.