

23rd ANNUAL REPORT 2003 – 2004



ISO 9001:2000

Hariyana Ship Breakers Ltd.

HARIYANA SHIPBREAKERS LIMITED

41, Persepolis, Cuffe Parde,
Mumbai- 400 005

TWENTY THIRD ANNUAL REPORT 2003-2004

<u>BOARD OF DIRECTORS</u>	Shri Shanti Sarup Reniwal Smt Lalitadevi Reniwal Shri Rakesh Reniwal Shri Sunil Garg Shri Tanmay Agarwal Shri Piyush Tamboli
<u>AUDITORS</u>	Jain Seth & Co. Chartered Accountants Bhavnagar 364 001
<u>BANKERS</u>	Punjab National Bank, Foreshore Road, Mumbai
<u>REGISTERED OFFICE</u>	41 Persepolis, Cuffeparde, Mumbai- 400 005,
<u>CORPORATE OFFICE</u>	302 Sylverton 102 Wodehouse Road Mumbai - 400 005,
<u>BRANCH OFFICE</u>	Madhav Darshan, Waghawadi Road Bhavnagar - 364 001,
<u>SHIP BREAKING YARD</u>	Plot No.14, Ship Breaking Yard Alang, District : Bhavnagar
<u>FINANCIAL YEAR</u>	2003-2004
<u>ASSESSMENT YEAR</u>	2004-2005
<u>CONTENS</u>	Notice Directors' Report Auditors' Report Annual Accounts

HARIYANA SHIPBREAKERS LIMITED

41, Persepolis, Cuffe Parde,
Mumbai- 400 005

NOTICE

Notice is hereby given that TWENTY THIRD Annual General Meeting of the members of HARIYANA SHIP BREAKERS LIMITED will be held at 15.00 hours on Monday, the 27th September, 2004 at the Registered Office of the Company at 41, Persepolis, Cuffe Parde, Mumbai - 400 005 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Annual Accounts for the period ended on 31st March, 2004 together with Directors' and Auditors Report thereon.
2. To appoint a Director in place of retiring Director
3. To appoint auditors and fix their remuneration

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification, following resolution, as an ordinary resolution.

RESOLVED that Shri Sunil Garg, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956 and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company.

6. To consider and if thought fit to pass with or without modification, following resolution, as an ordinary resolution.

RESOLVED that Shri Tanmay Agarwal, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956 and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company.

7. To consider and if thought fit to pass with or without modification, following resolution, as an ordinary resolution.

RESOLVED that Shri Piyush Tamboli, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956 and who holds office till the conclusion of this Annual General Meeting, be and is hereby appointed as a Director of the Company.

By order of the Board



Shanti Sarup Reniwal
Chairman & Managing Director

Place : Bhavnagar
Date : 26th July, 2004

- Note
- 1 A Member entitled to attend and vote at the meeting is entitled to appoint a proxy, and the proxy need not be a member of the company. The Instrument appointing a proxy must be deposited with the company 48 hours before start of the meeting.
 - 2 Explanatory Statement Pursuant to the provisions of section 173 (2) is annexed hereto
 - 3 The register of members and transfer register will remain closed from 20th September, 2004 to 27th September, 2004 (both days inclusive)

HARIYANA SHIPBREAKERS LIMITED

41, Persepolis, Cuffe Parde,
Mumbai- 400 005

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

Item No.4,5 & 6

As per the requirement of listing agreement with the stock exchanges, the company is required to appoint equivalent number of independent Directors on the Board of Directors of the Company. Accordingly the Board of Directors at their meeting held on 22nd March 2004 as appointed three eminent persons have diversified experience on the Board and they hold office upto this Annual General Meeting.

- a) Shri Sunil Garg, is a graduate with more than 20 years of experience in iron and steel industries
- b) Shri Tanmay Agarwal, with Civil Engineering from United States of America and is at present engaged in the construction business
- c) Shri Piyush Tamboli, Is Master in Business Administration from United Kingdom and is connected with Investment and Precision Castings Limited, a company engaged in the business of investment and precision castings. He is also associated with various other companies.

The Board recommend appointment of these personalities as Directors of the Company which will help the company to have better transparency and divergent views in decision making of the company.

By order of the Board



Shanti Sarup Reniwal
Chairman & Managing Director

Place : Bhavnagar
Date : 26th July, 2004

DIRECTORS' REPORT

To
The Members
Hariyana Shipbreakers Limited

The Directors are pleased to submit the 23rd Annual Report of the Company together with the audited Accounts of the Company for the period ended 31st March, 2004.

Performance

	2003-04 12 months	(Rs in Lacs) 2002-03 9 months
Sales & Other Income	6768.83	4174.81
Profit/(Loss) before Tax	101.04	39.86
Provision for Tax	38.12	11.21
Adjustment for deferred tax	(2.47)	1.75
Profit after tax	<u>65.40</u>	<u>26.90</u>

During the year, the company has performed well.

Dividend

Taking into account the excellent performance, the Directors recommend a dividend of Rs.0.50 per equity shares for approval by the members. The Directors also recommend dividend of 4% on the preferential shares.

Prospects for the coming year

The Company is hopeful that by stabilizing the price for the old ships in the international market, the company will be able to improve the profitability in the coming years. The Company has also taken steps for diversifying the activities and establishing a sponge iron project in Karnataka.

Management Discussion and analysis

a) Overview

The Iron and steel industry was passing through sluggish market condition for some period and the market has improved over the year. The sudden spurt in the demand for iron and steel has resulted in heavy fluctuation in the raw material of the company i.e old ship. The company purchase large ship for breaking and cost of each ship will be 60 to 70% of the annual consumption of raw material. The Company always exercise caution before entering into purchase contract due to the huge volume involved. In view of the above, in the first three month of the financial year, there were no activities.

The demand for the iron and steel, which has peaked up during 2003-04, has started showing slow down and price, has also stabilized. It is expected that the price will come down and stabilize at a reasonable level, which will help the company to continue business activities.

b) Segmental Review.

The Company is engaged in the ship breaking activities and value of single purchase is very large. The company effect sale from above and occasionally the company have surplus fund, which the company advance to other companies and earn interest. However the income from such activities are not substantial and the main activities of the company continue to be that of ship breaking only.

d) Review of operation

The year under review the company achieved an all time high turnover and profit. However on account of heavy carried forward loss from the erstwhile steel plant of the company, the company still have negative reserves and surplus.

e) Financial Review and analysis

Performance

(Rs in Lacs)

	2003-04 12 months	2002-03 9 months	% Change
Gross Turnover	6585.92	4150.72	63%
Net Turnover	5747.36	4037.71	42%
Other income	182.91	24.09	659%
Total Expenditure	5776.66	3983.46	45%
Operating Profit (PBITD)	152.47	77.48	97%
Interest	9.01	9.69	-8%
Gross Profit (PBDT)	143.46	67.79	111%
Depreciation	42.41	27.92	52%
Profit before tax	101.04	39.86	153%
Provision for current Tax	38.12	11.21	240%
Profit after current tax	62.94	28.65	119%
Deferred tax	(2.47)	1.75	-
Net Profit after total and Exceptional items	65.40	26.90	143%

f) Cash Flow Analysis

Sources of Cash	2003-04	2002-03
- Cash from operation	109.31	54.61
- Decrease in working capital	(245.71)	833.34
- Net operating cash flow	(136.40)	887.95
- Increase in debts	(47.30)	(683.18)
- Increase in capital	500.00	0.00
- Decrease in cash and cash equivalents	316.30	204.77
Uses of Cash		
- Net Increase in investments	--	--
- Net capital expenditure	98.72	34.78
Increase in cash and cash equivalents.	217.58	169.99

g) Risk Management

The Company is exposed to the risk from the market fluctuations of foreign exchange. The Company's raw material is old ship which is purchased from the international market on credit ranging upto 180 days. Though the Company is not hedging or covering the foreign exchange requirement, the company is regularly monitoring the foreign exchange movement and suitable remedial measures are taken as and when felt necessary. Though the company is employing such measures, the company is still exposed to the risk of any heavy foreign exchange fluctuation

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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the company for 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.

Board of Directors

During the year following persons were appointed as Additional Directors of the Company to fill up the vacancy of independent Directors, as per the requirement of listing agreement with the Stock Exchanges and SEBI Code of Corporate Governance.

Shri Sunil Garg
Shri Tanmay Agarwal
Shri Piyush Tamboli

They hold office till the ensuing Annual General Meeting and the Directors recommend their appointment as Directors of the Company. Smt Lalitadevi Reniwal retire by rotation and being eligible offers herself for reappointment.

Listing of Shares

The Shares of the Company are listed at Mumbai Stock Exchange and the listing fees has been paid upto date.

Dematerialization of Shares of the Company

The Company is in the process of dematerializing the shares of the Company and as soon as the procedure is completed the shareholders shall be intimated accordingly.

Particulars of Employees

There is no employee drawing the remuneration in excess of limits prescribed under section 217 (2A) of the Companies Act, 1956, read with Companies (particulars of Employees) Rules, 1975.

Auditors

M/s Jain Seth & Co. Chartered Accountants are retiring at the ensuing annual general meeting and they are eligible for reappointment and they offer themselves for reappointment.

Information required under Section 217(1)(e) of the Companies Act

In accordance with the provisions of section 217 (1) (e) of the Companies Act, 1956, the required information relating to conservation of energy, technology absorption and foreign exchange earning and outgo annexed hereto is forming part of this report.

Corporate Governance

Your company has been practicing the principles of good corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity. The report on the Corporate Governance is attached herewith.


Compliance Report

The Company does not have a full time Company Secretary as required under section 383-A of the Companies Act, 1956. However the Company has maintained all the records and complied with the requirement of all the provisions of the Companies Act 1956 and has obtained a Compliance Report from a practicing Company Secretary, which is annexed hereto.

Acknowledgement

Your Directors place on record their appreciation for the continued support from the shareholders, investors & banker. Your Directors also thank the customers, suppliers and employees for their continuous support.

For & on behalf of the Board of Directors



Shanti Sarup Reniwal
Chairman & Managing Director

Place: Bhavnagar

Date : 26th July, 2004

ANNEXURE - I

Information as per section 217 (1) (e) read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rule 1988 and forming part of the Director's Report for the period ended on 31st March, 2004

A Conservation of Energy

- a) Energy conservation measure taken : The energy consumption of the company is very less, which does not warrant any specific energy conservation measures.
- b) Additional investment and proposal if any being implemented for reduction in consumption of energy Nil
- c) Impact of the measures at (a) & (b) on energy consumption & consequent impact on the cost of production. Nil
- d) Total energy consumption and energy consumption per unit of production Nil

B Technology Absorption as per Form-B : Form B Attached**FORM-B**

Form for disclosure of Particulars with respect to absorption, research and development (R&D)

- 1 Specific area in which R&D carried out by the company : Nil
- 2 Benefits derived as a result of the above R&D : Nil
- 3 Future plan of action : Nil
- 4 Expenditure on R&D
- a) Capital : Nil
- b) Recurring : Nil
- c) Total : Nil
- d) Total R&D expenditure as % of total turnover : Nil