

Hariyana Shipbreakers Ltd.



ISO 9001 : 2000

24TH

ANNUAL REPORT
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HARIYANA SHIPBREAKERS LIMITED

HARIYANA SHIPBREAKERS LIMITED

BOARD OF DIRECTORS

DIRECTORS

Shri Shanti Sarup Reniwal
Smt. Lalitadevi Reniwal
Shri Rakesh Reniwal
Shri Sunil Garg
Shri Tanmay Agarwal
Shri Manoj Kumar Bansal

AUDITORS

Jain Seth & Co.
Chartered Accountants
Bhavnagar 364 001.

BANKERS

Punjab National Bank
Foreshore Road,
Mumbai

REGISTERED OFFICE

41, Persepolis,
Cuffeparade,
Mumbai-400 005.

CORPORATE OFFICE

302, Sylverton,
102 Wodehouse Road,
Mumbai-400 005.

BRANCH OFFICE

Madhav Darshan,
Waghawadi Road,
Bhavnagar-364 001.

SHIP BREAKING YARD

Plot No. 14,
Ship Breaking Yard,
Alang, District : Bhavnagar.

FINANCIAL YEAR

2004-2005

ASSESSMENT YEAR

2005-2006

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HARIYANA SHIPBREAKERS LIMITED**NOTICE**

Notice is hereby given that TWENTY FOURTH Annual General Meeting of the members of HARIYANA SHIP BREAKERS LIMITED will be held at 15.00 hours on Thursday, the 29th September, 2005 at the Registered Office of the Company at 41, Persepolis, Cuffe Parade, 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, 2005 together with Directors' and Auditors Report thereon.
2. To declare Dividend
3. To appoint a Director in place of retiring Director.
4. 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 Manoj Kumar Bansal, 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

Sd/-

Place : Bhavnagar
Date : 22nd August, 2005

Shanti Sarup Reniwal
Chairman & Managing Director

- 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. Since No Special business has been proposed to be transacted at this meeting, no 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 24th September, 2005 to 29th September, 2005 (both days inclusive).

**HARIYANA SHIPBREAKERS LIMITED****CHAIRMAN'S MESSAGE**

Dear Shareholders,

The iron and steel industry has emerged as one of the industries which are attracting investments in new capacities in India. Domestic and global demand for steel, primarily from China, has sustained throughout the year which has favoured Indian manufacturers to market their iron and steel to secondary steel makers at remunerative prices.

Due to a highest ever net realization, the company was able to achieve its highest ever profit before tax (Rs.2,88,30,284.78) as well as profit after tax (Rs.2,06,70,068.78) despite decrease in the supply of ships for re-cycling. Encouraged by the financial results of the company, the Board has recommended that a dividend of 20% be paid to shareholders.

Realising the short supply of ship and a slow down in the re-cycling industry, the company have diversified in manufacturing of sponge iron. The company have already installed one sponge iron kiln at Hassan, near Bangalore which started production during March, 2005. Work for the installation of the 2nd Kiln with a capacity of 40000 TPA began in May, 2005 and the Kiln is expected to be operational in the last quarter of 2005.

During the year, the Board has approved the installation of a power plant of 10 MW capacity for utilizing the waste heat of kiln-1 and kiln-2. The board has also approved the installation of two Induction Furnaces with 12Mt capacity and a continuous caster. All these expansions will commence commercial operations by September 2006 taking the total production capacity at 100,000 MT per annum. The Company has also obtained necessary sanctions from the banks for these expansions.

As stated above, various alternatives for the growth of the company have been analysed in detail and the Board has approved, in principle, a long term growth plan including trading of steel products and the turnover from that is expected to reach Rs.100 crores by the end of March, 2006.

The Company continues its march towards achieving business excellence. It has taken several steps in the field of safety environment and has also obtained ISO 9000 certification for good corporate governance practices.

I sincerely wish to thank all employees of the Company for their hard work and also the office bearers for their co-operation with the Company management which has helped the Company in achieving yet another excellent financial performance.

Shanti Sarup Reniwal
Chairman

Mumbai
27th August, 2005.

Twenty Fourth Annual Report 2004-2005**EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF THE SECTION 173 (2) OF THE COMPANIES ACT, 1956**

Item No. 4, 5 & 6

Shri Piyush Tamboli was appointed as An independent Director on the Board of Directors of the Company. However Mr. Tamboli owing to his other occupation has resigned from the Board and his place Shri Manoj Kumar Bansal was appointed as Director on 14th April, 2004. Mr. Bansal is a commerce Graduate with vide experience in finance and accounting.

The Board recommend appointment of Mr. Manoj Kumar Bansal 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

Place : Bhavnagar
Date : 22nd August, 2005

Sd/-
Shanti Sarup Reniwal
Chairman & Managing Director





HARIYANA SHIPBREAKERS LIMITED

DIRECTORS' REPORT

To,
The Members
Hariyana Shipbreakers Limited

The Directors are pleased to submit the 24th Annual Report of the Company together with the audited Accounts of the Company for the period ended 31st March, 2005.

Performance

	2004-05	(Rs. in Lacs) 2003-04
Sales & Other Income	3,313.97	6,768.83
Profit/(Loss) before Tax	288.30	101.04
Provision for Tax	33.43	38.12
Adjustment for deferred tax	48.17	(2.47)
Profit after tax	206.70	65.40
Prior period adjustment	0.00	42.98
Profit/(Loss) Brought Forward	508.94	440.13
Profit (Loss) available for appropriations	715.64	548.42
APPROPRIATIONS		
— Dividend on Preference Shares	20.00	10.00
— Dividend on Equity Shares	100.00	25.00
— Tax on distributed Profit	15.68	4.48
— Balance carried to balance sheet	5,790.96	508.94

Operations

Due to heavy fluctuation in the prices of old ship in the international market, the company had exercised caution and the company has continued working of the ship which was on hand. Further the company has also undertaken trading activities of various ferrous and non ferrous metal as well as shares which has helped the company to improve margin.

Dividend

Taking into account the excellent performance, the Directors recommend a dividend of Rs.2.00 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 continue with the ship breaking activities. In the meantime, the company's steel and power division has started its sponge iron plant and the second phase of the plant is expected to go on stream shortly. The Steel and Power Division of the Company is also implementing a power plant using flue gas from the sponge iron plant.

Management Discussion and analysis

a) Overview

The Iron and steel industry has seen a sudden spurt in the demand during the year 2005-06 and the prices of iron and steel has almost doubled. However market could not sustain the increased price.



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The price of iron and steel which was peaked up during January/February 2005 has started showing declining trend from April, 2005 onwards. It is expected that the market will stabilise by October/November, 2005.

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 current year, there were not much activities in the ship breaking division of the Company.

The Company has started the trading activities during second half of the financial year 2004-05. The trading division is continuing with the activities. However due to the heavy fluctuation in the price of iron and steel in the international market, the company is now exercising caution.

The Steel and Power division has completed the installation on the first klin of the sponge iron plant and started the commercial production during March 2005. The second klin is in advance stage of installation and the same is expected to go into stream shortly. The Steel and Power division of the company is expected to contribute substantially to the revenue of the company in the coming years.

b) Segmental Review

The Company is engaged in the ship breaking, Trading and manufacture of Sponge Iron. In the ship breaking the company purchase ship involve large amount, on usance credit ranging from 180 to 360 days. The ship breaking activities and sales start immediately on purchase of the vessel, whereas the payment for the vessel is to be made after the specified period. Therefore many a time the company will be having spare liquidity. This surplus funds are occasionally advanced to other companies and earn interest. However the income from such activities are not substantial and the main activities of the ship breaking division continue to be that of ship breaking only and income from the financial activities are clubbed with the ship breaking activities.

In the head office of the company is managing the overall financial activities and include financial services, purchase and sales of shares etc. and the income from such activities are shown separately set of books of accounts are maintained for the head office activities and the income earned from the head office is shown as head office income.

The trading division is considered as a separate profit centre and separate book of accounts are maintained for the same also. Like-wise the Steel and Power division of the company is also a separate profit centre.

The segmental income from each profit center is as under.

(Rs. in Lacs)

	Particulars	Financing	Shipbreaking	Trading	Steel & Power	Total
a)	External Sales	197.49	1,304.49	1,654.31	4.55	3,160.84
	Inter segment Sales	0.00	132.73	20.39	0.00	153.12
	Total Revenue	197.49	1,437.23	1,674.70	4.55	3,313.96
b)	Total Revenue of each segment as a % of total	5.97%	43.37%	50.53%	0.14%	100%
c)	Segment Results [Profit/(Loss)]	171.92	103.23	15.94	-2.79	288.30
d)	Segment Results as a % of the total	59.00%	36.00%	6.00%	-1.00%	100%
e)	Segment Assets	1,124.84	303.27	3,282.00	2,063.78	6,773.89
f)	Segment Assets as a % of total assets	16.61%	4.48%	48.45%	30.47%	100%



HARIYANA SHIPBREAKERS LIMITED

c) Review of operation

The year under review the turnover of the company has been affected due to the reasons mentioned above.

d) Financial Review and analysis.

Performance

(Rs. in Lacs)

	2004-05	2003-04	% Change
Gross Turnover	3,019.40	6,458.34	-46.75%
Net Turnover	2,822.01	5,619.79	-50.21%
Other income	294.57	322.71	-8.71%
Total Expenditure	2,944.09	6,615.79	-55.50%
Operating Profit (PBIDT)	369.89	165.26	123.82%
Interest	40.57	21.23	91.09%
Gross Profit (PBDT)	329.31	144.03	128.64%
Depreciation	41.01	42.98	-4.61%
Profit before tax	288.30	101.05	184.04%
Provision for current Tax	33.43	38.12	-12.30%
Profit after current tax	254.87	62.93	305.00%
Deferred tax	48.17	(2.47)	0.00%
Net Profit after total and Exceptional items	206.70	65.40	216.05%

e) Cash Flow Analysis

Source of Cash	2004-05	2003-04
— Cash from operation	160.20	109.31
— Decrease in working capital	265.73	(245.71)
— Net operating cash flow	186.77	(136.40)
— Increase in debts	1,190.96	(47.30)
— Increase in capital	0.00	500.00
— Decrease in cash and cash equivalents	1,377.74	316.30
Use of Cash		
— Net Increase in investments	—	—
— Net capital expenditure	1,733.72	98.72
Increase in cash and cash equivalents	(355.98)	217.58

f) Risk Management

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as of the iron and steel. The Company's raw material is old ship, iron and steel products. The ships are 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. Likewise the company is also exposed the fluctuation in the price of iron and steel as the lead time required for import and sale of the products in the Trading division is around two months.



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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 Shri Piyush Tamboli, one of the independent Director of the Company has resigned and on his place Shri Manoj Kumar Bansal has been appointed as Director. There is no other change in the Board of Directors of the Company.

Smt. Lalitadevi Reniwal and Shri Tanmay Agarwal 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 Shares of the company has since been dematerialized and the trading of the same has become compulsory demat form in the stock exchanges.

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.

**HARIYANA SHIPBREAKERS LIMITED****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

Place : Bhavnagar
Date : 22nd August, 2005

Sd/-
Shanti Sarup Reniwal
Chairman & Managing Director

