

Hariyana Ship Breakers Ltd.



HARIYANA GROUP

ISO 9001 : 2000

25TH

ANNUAL REPORT

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HARIYANA SHIP BREAKERS LIMITED

BOARD OF DIRECTORS	Shri Shanti Sarup Reniwal Smt. Lalitadevi Reniwal Shri Rakesh Reniwal Shri Manoj Kumar Bansal Shri Hanumant Wagh Shri Hemant Thakkar
AUDITORS	Jain Seth & Co. <i>Chartered Accountants</i> Bhavnagar 364 001.
BANKERS	Punjab National Bank Raheja Chambers, Nariman Point, Mumbai-400 021.
REGISTERED OFFICE	41, Persepolis, Cuffeparade, Mumbai-400 005.
CORPORATE OFFICE	302, Sylverton, 102 Wodehouse Road, Mumbai-400 005.
BRANCH OFFICE	308 Madhav Darshan, Waghawadi Road, Bhavnagar-364 001.
SHIP BREAKING YARD	Plot No. 14, Ship Breaking Yard, Alang, District : Bhavnagar.
SPONGE IRON PLANT	Film Place, N. R. Circle, H. N. Pura Road Hassan 573 201.



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Twenty Fifth Annual Report 2005-2006**NOTICE**

Notice is hereby given that the **TWENTY FIFTH ANNUAL GENERAL MEETING** of the Members of **HARIYANA SHIP BREAKERS LIMITED** will be held on **Tuesday, 26th September, 2006** at the Registered Office of the Company at 41, Persepolis Cuffe Parade, Mumbai - 400005 at **11.00 a.m.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date together with the Report of the Board of Directors and Auditors' thereon.
2. To declare a dividend.
3. To appoint a director in place of Mr. Shanti Sarup Reniwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Rakesh Reniwal, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint auditors and fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED that Shri Hanumant Wagh, who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and who holds the office upto the date of the ensuing 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, the following resolution as an Ordinary Resolution.

"RESOLVED that Shri Hemant Thakkar, who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and who holds the office upto the date of the ensuing Annual General Meeting, be and is hereby appointed as a Director of the Company."

By Order of the Board

Sd/-

Shanti Sarup Reniwal
Chairman & Managing Director

Place: Mumbai
Date: 10th August, 2006



HARIYANA SHIP BREAKERS LIMITED

NOTES :

- (A) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (B) Proxies in order to be effective, should reach duly completed, stamped and must be deposited at the registered office of the Company not less than 48 hours before the meeting.
- (C) The Register of Members and transfer register will remain closed from 20th September, 2006 to 26th September, 2006 (both days inclusive).
- (D) Explanatory Statement pursuant to the provisions of the Section 173 (2) of the Companies Act, 1956 in respect of special business under Item no. 6 & 7 is annexed herewith.
- (E) Details required under Clause 49 of the Listing Agreement entered with the Stock Exchanges in respect of Directors seeking appointment/ re-appointment at the Annual General Meeting, are given in the relevant section of the Corporate Governance Report included in the Annual Report.
- (F) The Dividend on Equity Shares as recommended by the Directors for the year ended 31st March, 2006 if declared at the Annual General Meeting will be made payable to those members whose names appears in the Register of Members of the Company as on date of Annual General Meeting. The dividend in respect of Equity Shares held in electronic form as at close of business hours of 19th September, 2006 will be payable to the beneficial owners of the Equity Shares as per the details furnished by the Depositories for the purpose.
- (G) Members who have not encashed their dividend warrant for FY 2003 -2004 and FY 2004-2005 are requested to make their claim to the Company/Registrar and Share Transfer Agent immediately. The relevant address of Registrar and Share Transfer Agent is as under:

Contact Person : Mr. Shashikumar
 Sharex Dynamic (India) Pvt Ltd
 Unit-1, Luthra Ind. Premises, Safed Pool
 Andheri Kurla Road, Andheri (E)
 Mumbai – 400 072
 Ph: 28515606, 28515644
 Fax: 28512885

Sharex Dynamic (India) Pvt Ltd
 17/B, Dena Bank Bldg, 2nd Floor,
 Horniman Circle, Fort
 Mumbai 400 001
 Ph: 22702485, 22641376
 Fax: 22641349

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

Item No. 6:

Shri Hanumant Wagh was appointed as Additional Director on 27th December, 2005. Mr. Hanumant Wagh has a vast experience in administrative matters and is very familiar with the nitty gritty of the steel and ship breaking industry for the last 20 years. The Company have received a notice u/s 257 of the Companies Act, 1956 from member signifying his intention to propose appointment of Shri Hanumant Wagh as Director of the Company. A copy of the above notice is available for inspection at the registered office of the Company between 11.00 a.m. to 1.00 p.m. on any day except on Sundays and Public Holidays.

The Board recommends appointment of Mr. Hanumant Wagh as Director of the Company.

None of the Directors except Mr. Hanumant Wagh is interested in the resolution.

Item No. 7:

Shri Hemant Thakkar was appointed as Additional Director on 27th December, 2005. Mr. Hemant Thakkar is B.Com graduate and has good finance and accounting experience in line with the industry's requirements. The Company have received a notice u/s 257 of the Companies Act, 1956 from member signifying his intention to propose appointment Shri Hemant Thakkar as Director of the Company. A copy of the above notice is available for inspection at the registered office of the Company between 11.00 a.m. to 1.00 p.m. on any day except on Sundays and Public Holidays.

The Board recommends appointment of Mr. Hemant Thakkar as Director of the Company.

None of the Directors except Mr. Hemant Thakkar is interested in the resolution.

By Order of the Board

Sd/-

Shanti Sarup Reniwal
Chairman & Managing Director

Place: Mumbai
Date: 10th August, 2006



HARIYANA SHIP BREAKERS LIMITED

CHAIRMAN'S MESSAGE

Dear Shareholders,

The global steel industry has continued strong demand growth during the year. However, depressed prices have put pressure on margins. This year was a significant one for the global minerals and metals industry with considerable volatility in prices. The global steel, special steel and stainless steel demand registered a strong growth. As in the previous year, this growth was largely driven by the two emerging forces in the global steel industry India & China leading to a continued strain on the raw material supply chain thereby affecting industry profitability for a part of the year.

The consumption of finished steel products world-wide increased to over 1 billion tones, an increase of 40 million tones. Steel production and consumption in China continued to outstrip global growth rates. The Indian economy continued to see robust growth across most sectors and the 8% growth rate appears to be sustainable. The Indian corporate sector has shown its confidence in the country's economic fundamentals by committing significant amount of capital towards the creation of new capacity in several sectors. The Indian steel industry has also increased production to cater to the higher consumption levels.

Due to a highest ever net realization, the company was able to achieve its highest **profit before tax Rs.3,06,69,588/-** as well as **profit after tax Rs.2,26,69,204/-** & the board has recommended a **dividend of 20%** to shareholders.

Realizing the short supply of ship and a slow down in the re-cycling industry, the company has concentrated this year in the business of manufacturing of sponge iron and trading & finance.

I wish to place on record my appreciation and hard work of all our employees, whose constant value creation endeavors have yielded excellent results. I am also grateful for the continuing support of my colleagues, our customers, business associates, shareholders and the members of the Board. I am sure, meet the challenges ahead and enable the company to successfully fulfill its long term vision.

At the end, I would like to cordially invite all the shareholders of the company to attend the Twenty Fifth Annual General Meeting (AGM) on Tuesday, September 26, 2006 at 11.00 a.m. at 41, Persepolis Apt., Cuffe Parade, Mumbai 400 005.

Shanti Sarup Reniwal
Chairman

Mumbai
10th August 2006

Twenty Fifth Annual Report 2005-2006**DIRECTORS' REPORT**

To
The Members
Hariyana Ship Breakers Limited

Your Directors present herewith their Twenty Fifth Annual Report of the Company together with the audited Annual Accounts of the Company for the year ended 31st March 2006.

Performance:

	2005-06	(Rs in Lacs) 2004-05
Sales & Other Income	11504.39	3313.97
Profit/(Loss) before Tax	306.70	288.30
Provision for Tax	26.83	33.43
Adjustment for deferred tax	53.17	48.17
Profit after tax	226.69	206.70
Prior period adjustment	1.15	0.00
Profit/(Loss) Brought forward	579.96	508.94
Profit(Loss) available for appropriations	805.50	715.64
APPROPRIATIONS		
- Dividend on Preference Shares	20.00	20.00
- Dividend on Equity Shares	100.00	100.00
- Tax on distributed Profit	16.83	15.68
- Balance carried to balance sheet	668.67	579.96

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 with 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. The Power and sponge iron plant has also contributed to the turnover and profitability of the company

Dividend:

Taking into account the improved performance, the Directors recommend a dividend of 40 paise per Redeemable Preference Share and Rs. 2.00 per Equity Share for approval by the members. The total dividend, if approved by the shareholders at the Annual General Meeting, would absorb Rs.1,20,00,000 out of profits for the year. Dividend distribution tax payable amounting to Rs.16,83,000 has been appropriated out of profits.

Prospects for the coming year:

The Company is hopeful that on 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, to utilize the available financial and marketing resources the company has started trading in the iron and steel business, which is the core business of the company. The second phase of the sponge iron plant of the steel power division has also went into stream during the year and the company is hopeful that the division will contribute major portion of the turnover and profitability in the coming years.



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The Company has completed the breaking of the ship on hand. Due to heavy fluctuation in the prices of old ship in the international market, no fresh purchase of ships were made during the year. Since the international freight rates are ruling high, the availability of ship for breaking is also less. However the funds available with the company were judiciously invested/used and the company has earned interest, bill discounting charges, short term gains etc. Due to lower sales the overall profitability of the company has also declined during the year.

Management Discussion and analysis:

a) Overview:

The Iron and steel industry has witnessed quantum jump and peaked during the year 2005-06. Further due to rise in the international trade, the international freight rate has increased and peaked-up during the period. The higher international freight rate has prompted many ship owners to refurbish and put into voyage their ships which were on the verge of retirement from service, even by paying higher insurance premium. This has resulted in non-availability of vessels for breaking and also peaking up the price for old ship in the international market.

The international market has already stabilized and US economy has started showing sign of recession and it is expected that the international freight rate will stabilize. This will in turn put pressure on the old ship, which will start coming for breaking easing the market for the old ship.

b) Segmental Review:

The Company is engaged in the ship breaking activities, trading in iron and steel and other commodities, manufacture of sponge and generation of power from residual waste and also financing as and when surplus funds are available. The segmental review of each division is given below.

i) Shipbreaking:

Shipbreaking continues to be the core business of the company. Due to tight international freight rate, the ships which were on the verge of retirement has been refurbished and put into voyage, due to which the availability of ship for breaking has come down substantially. It is expected that the situation will improve within the next one to two years time as the ships which were refurbished and put into voyage will complete their useful life. Further many large ships are under construction in various yard and these ships will start plying resulting in stabilizing of the international freight rate.

ii) Trading:

The Company has entered in the trading business only to utilize the financial and marketing resources and once the ship breaking activities restart, the company will concentrate more on the same.

iii) Steel & Power:

Steel and Power division is expected to contribute substantially in the coming years to the turnover and profitability of the company. The company is conducting study on generation of power by utilization of waste heat generated in the sponge iron plant. Once the feasibility study is completed and if it is found economically and technically feasible, the company will take up the installation of the power plant.

iv) Financing:

Financing is an auxiliary business of the company. As and when surplus funds are available, the company judiciously invests the same in shares and securities or lent them on interest.

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	Particulars	Financing	Shipbreaking	Trading	Steel & Power	Total
a)	External Sales	170.55	87.39	8560.05	2686.40	11504.39
	Inter segment Sales	0.00	0.00	0.00	0.00	0.00
	Total Revenue	170.55	87.39	8560.05	2686.40	11504.39
b)	Total Revenue of each segment as a % of total	1.61%	0.74%	74.78%	22.87%	100%
c)	Segment Results [Profit/(Loss)]	115.64	12.25	71.97	106.83	306.70
d)	Segment results as a percentage of the total	38.00%	4.00%	23.00%	35.00%	100%
e)	Segment Assets	1039.87	157.70	2223.22	4888.92	8309.71
f)	Segment Assets as a percentage of total assets	12.51%	1.90%	26.75%	58.83%	100%

c) Review of operation:

As has been stated in the out-look, due to non-availability of ship for breaking, the company has not purchased any vessel for breaking and has only completed the breaking of vessel on hand. The major portion of the turnover is from the trading division where the margin is very thin and is exposed to exchange fluctuation. In view of the above, the profitability has not increased in tandem with the turnover.

d) Financial Review and analysis:

Performance :

(Rs in Lacs)

	2005-06	2004-05	% Change
Gross Turnover	11310.29	3019.40	274.58
Net Turnover	11067.02	2822.01	292.17
Other income	194.10	294.57	(34.11)
Total Expenditure	10861.91	2944.09	268.94
Operating Profit (PBIDT)	722.03	369.89	95.20
Interest	309.61	40.57	663.15
Gross Profit (PBDT)	412.42	329.31	25.24
Depreciation	105.72	41.01	157.80
Profit before tax	306.70	288.30	6.38
Provision for current Tax	26.83	33.43	(19.74)
Profit after current tax	279.87	254.87	9.80
Deferred tax	53.18	48.17	20.75
Net Profit after total and Exceptional items	226.69	206.70	9.67

e) Cash Flow Analysis:

Sources of Cash	2005-06	2004-05
- Cash from operation	247.62	160.20
- Decrease in working capital	(1594.11)	265.73
- Net operating cash flow	1346.49	186.77
- Increase in debts	2533.87	1190.96
- Increase in capital	0.00	0.00
- Decrease in cash and cash equivalents	1187.38	1377.74
Uses of Cash		
- Net Increase in investments	236.27	0.00
- Net capital expenditure	883.72	1733.72
Increase in cash and cash equivalents.	67.39	(355.98)