



HARIYANA SHIP BREAKERS LIMITED

BOARD OF DIRECTORS	Shri Shanti Sarup Reniwal Smt. Lalitadevi Reniwal Shri Rakesh Reniwal Shri Manoj Kumar Bansal Shri Hanmant Wagh Shri Hemant Thakkar
AUDITORS	Jain Seth & Co. (Chartered Accountants) Bhavnagar 364 001.
BANKERS	Punjab National Bank Raheja Chambers, Nariman Point, Mumbai-400 021.
REGISTERED OFFICE	302, Sylverton Bldg., 102 Wodehouse Road, Colaba, Mumbai-400 005.
REPRESENTATIVE 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.
FINANCIAL YEAR	2006-2007
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NOTICE

Notice is hereby given that the postponed **TWENTY SIXTH ANNUAL GENERAL MEETING** of the Members of **HARIYANA SHIP BREAKERS LIMITED** (which was originally scheduled on Wednesday, 26th September 2007) will now be held on **Wednesday, 31st October, 2007** at the Registered Office of the Company at 302, Sylverton Bldg., Ground Floor, 102 Wodehouse Road, Colaba, Mumbai – 400 005. 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, 2007 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 Smt. Lalitadevi Reniwal, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a director in place of Shri Manojkumar Bansal, 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(s), the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003, all other applicable laws, rules, regulations & guidelines and subject to such approvals, permission and sanctions, the approval of the Company be and is hereby accorded to delist the Equity Shares of the Company from The Ahmedabad Stock Exchange at such time as the Board of Directors (whether acting through Board, Committee of the Board or any Director or any person authorised by the Board) may, in their absolute discretion, consider appropriate and on the terms and conditions as may be stipulated and mutually agreed to the best interest of the Company, after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fees payable to the said exchange and that they be and are hereby authorised to do and perform all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, desirable or appropriate and execute all such applications, documents and writings as may be considered necessary or proper for giving documents and writings as may be considered necessary or proper for giving effect to this resolution."

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

"**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309 and other applicable provisions, if any of the Companies Act, 1956 read with Schedule XIII of the said Act, (including any statutory modification(s), or re-enactment thereof for the time being in force), the consent of the members of the Company be & is hereby accorded to the re-appointment of Shri Shantisarup Reniwal as Managing Director of the Company for a period of 5 (Five) years with effect from 1st April 2007 and authorized to exercise substantial powers of management subject to superintendence, control and direction of Board of directors on the following terms and conditions:





1) Remuneration:

He will not draw any remuneration until otherwise decided by the Board of Directors, subject to the approval of members.

2) Termination:

Both the parties shall be entitled to terminate the above appointment by giving one month notice.

FURTHER RESOLVED THAT notwithstanding anything contained herein above where, if in any financial year during the term of employment of Shri Shantisarup Reniwal, the Company does not earn any profits or earns inadequate profits, unless otherwise approved by the Central Government, the remuneration, if any shall be paid as per the monetary ceiling prescribed in the Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment from time to time in force.

FURTHER RESOLVED THAT the Board of Directors be and is hereby authorized to take all such necessary steps or desirable steps for aforesaid purpose and matters incidental thereto."

By Order of the Board

Sd/-

Shanti Sarup Reniwal

Chairman & Managing Director

Place : Mumbai

Date: 21st September, 2007





Twenty Sixth Annual Report 2006-2007



NOTES:

- (1) This notice is issued afresh consequent upon the postponement of the 26th Annual General Meeting (AGM) earlier scheduled to be held on 26th September 2007. The Annual Report containing the Balance Sheet as at 31st March 2007, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon has already been sent to all the members when the notice convening the 26th AGM (earlier scheduled on 26th September 2007) was dispatched. Pursuant to the Order dated 12/01/2007 of the Hon'ble High Court of Bombay and becoming effective, M/s Hariyana Machinery Exports Private Limited and M/s Hariyana Fashions Private Limited (Transferor Companies) stands amalgamated with the Company u/s 391/394 of the Companies Act, 1956. However in order to give a true and fair position of the company in its Annual Accounts for the Financial Year ended 31st March 2007, the Annual Accounts of the Company need to be recasted/ revised to include inter alia the effect on the paripassu dividend required to be paid on the equity shares of the Company including new equity shares issued to the shareholders of the Transferor Companies as required under the listing agreement. Further the Company has obtained the necessary permission as required u/s 166(1) of the Companies Act, 1956 from the Registrar of Companies, Maharashtra (Mumbai) granting the extension of Time for holding the Annual General Meeting of the Company vide its letter dated 18th September 2007. Accordingly, the Audited Annual Accounts of the Company for the Financial Year ended 31st March 2007 along with the Report of the Board of Directors and Auditors' thereon, incorporating therein inter alia the effect on the paripassu dividend and other documents attached thereto are sent herewith for consideration and adoption by the Members.
- (2) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND ON A POLL VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (3) 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.
- (4) 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.
- (5) As already notified the dates of Closure of Members and Share Transfer Books of the Company were closed from 20th September, 2007 to 26th September, 2007 (with days inclusive) for ascertaining the list of members entitled for dividend.
- (6) 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.
- (7) The Dividend on Equity Shares as recommended by the Directors for the year ended 31st March, 2007 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 20th September, 2007. The dividend in respect of Equity Shares held in electronic form as at close of business hours of 19th September, 2007 will be payable to the beneficial owners of the Equity Shares as per the details furnished by the Depositories for this purpose.
- (8) Shareholders, who still continue to hold shares in physical form, are requested to dematerialise their shares at the earliest and avail of the various benefits of dealing in securities in electronic/ dematerialized form. The shareholders have the option to hold Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL).
- (9) Members who have not encashed their dividend warrant for FY 2003 -2004, FY 2004-2005 and FY 2005-2006 are requested to make their claim to the Company/Registrar and Share Transfer Agent immediately. Members are requested to lodge Share Transfer documents and all other correspondence and queries relating to Share Transfer, Share Certificates, Change of Address etc., at the Office of Registrar & Share Transfer Agent. The relevant address of Registrar and Share Transfer Agent is as under:

<p>Contact Person: Shri 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</p>	<p>Sharex Dynamic (India) Pvt Ltd 17/B, Dena Bank Bldg, 2nd Floor, Horniman Circle, Fort, Mumbai 400 001 Ph: 22702485, 22641376 Fax: 22641349</p>
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- (10) Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of the Office.



**EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF THE SECTION 173 (2) OF THE COMPANIES ACT, 1956.****Item No. 6:**

At present the Company's Equity Shares are listed at (i) The Ahmedabad Stock Exchange, Ahmedabad & (ii) The Bombay Stock Exchange (BSE), Mumbai.

With the extensive network of BSE, the investors will continue to have access to online trading in the Company's Equity Shares across the country. It is observed that the bulk of the trading in the Company's Equity Shares takes place on BSE. The Company's Equity Shares are one of the scripts, which the Securities & Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by investors.

As a part of its cost reduction measures, the Board has proposed at its meeting held on 17th August 2007 to delist the Equity Shares from the Ahmedabad Stock Exchange. In line with Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003, members' approval is being sought by a special resolution for enabling voluntary delisting of Equity Shares from the Ahmedabad Stock Exchange without giving exit opportunity to investors as the Equity Shares will continue to be listed at BSE having nation wide trading terminals. The delisting will take effect after all approvals, permissions and sanctions are received.

Your Directors recommend the special resolution for approval of members. None of the Directors of the Company are in any way concerned or interested in the resolution.

Item No. 7:

Subject to necessary approval by the members in the General Meeting, the Board of Directors of the Company in its meeting held on 1st April, 2007 re-appointed Shri Shantisarup Reniwal as the Managing Director of the Company with effect from 1st April, 2007. Shri Shantisarup Reniwal has rich experience in the line of Company's business & Finance. He also provides guidance for the development of the Company.

The Board of Directors of the Company has subject to provisions of Sections 198, 269, 309 and other applicable provisions, if any of the Companies Act, 1956 read with Schedule XIII of the said Act, re-appointed Shri Shantisarup Reniwal as the Managing Director for a period of 5 (five) years w.e.f. 1st April 2007 on the following terms and conditions:

1) Remuneration:

He will not draw any remuneration until otherwise decided by the Board of Directors, subject to the approval of members.

2) Termination:

Both the parties shall be entitled to terminate the above appointment by giving one month notice.

During the term of employment of the Managing Director, if in any financial year, the Company does not earn any profits or earns inadequate profits, unless otherwise approved by the Central Government, the remuneration, if any shall be paid as per the monetary ceiling prescribed in the Schedule XIII to the Companies Act, 1956 or any statutory modification or re-enactment from time to time in force.

Incompliance with the applicable provisions of the Companies Act, 1956, Ordinary Resolution as per the terms set out in item no. 7 of the accompanying notice is being placed before the members in the Annual General Meeting.

This may be treated as an abstract as required under section 302 of the Companies Act, 1956.

None of the Directors except Shri Shantisarup Reniwal, Smt. Lalitadevi Reniwal & Shri Rakesh Reniwal, being relative of Shri Shantisarup Reniwal are interested in the above resolution.

The Board of Directors recommends the passing of the Resolution at Item No. 7 of the accompanying Notice.

By Order of the Board

Sd/-

Place : Mumbai
Date: 21st September 2007

Shanti Sarup Reniwal
Chairman & Managing Director



DIRECTOR'S REPORT

To,
The Members,
Hariyana Ship Breakers Ltd.
Mumbai

Your Directors present herewith their Twenty Sixth Annual Report of the Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2007.

Performance:

(Rs in Lacs)

	2006-07	2005-06
Sales & Other Income	16276.10	11910.65
Profit/(Loss) before Tax	454.90	476.97
Provision for Current Income Tax	51.10	62.41
Provision for Fringe Benefit Tax	2.64	3.45
Adjustment for MAT Credit	35.43	0.00
Adjustment for deferred tax	163.86	50.53
Profit after tax	272.73	360.58
Prior period adjustment	36.90	0.69
Profit/(Loss) Brought forward	803.02	579.96
Profit(Loss) available for appropriations	1038.86	939.85
APPROPRIATIONS		
- Dividend on Preference Shares	20.00	20.00
- Dividend on Equity Shares	123.33	100.00
- Tax on distributed Profit	24.36	16.83
- Balance carried to balance sheet	871.17	803.02

DIVIDEND

Taking into account the good performance of the Company, Your Directors recommend a dividend of 4% on Redeemable Preference Share of Rs. 10/- each and 20% on the Equity Shares of Rs. 10/- each for approval by the members. The total dividend, if approved by the members at the Annual General Meeting, would absorb Rs. 1, 43, 33, 334/- out of profits for the year and will be payable to all the Equity Shareholders including those Equity Shareholders who have been allotted shares on 18th June 2007 pursuant to the Scheme of Amalgamation u/s 391/394 of the Companies Act, 1956 of Hariyana Machinery Export Private Limited and Hariyana Fashions Private Limited with this Company as sanctioned by the Hon'ble High Court of Bombay and its becoming effective. Dividend distribution tax payable amounting to Rs. 24, 35, 950/- has been appropriated out of profits.

PROSPECTS IN THE COMING YEAR:

Prior to diversification of the activities into trading and manufacture of sponge iron the thrust area of the company was ship breaking. However now the ship breaking is not core business of the Company. There has difficulty in getting the ships at reasonable price for breaking, hence the company could not carry out any ship breaking activities during the year under report and till date. However with the appreciation of India Rupee and also the vessels, which were earlier refurbished and put into use by paying higher insurance premium is completing or nearing completion of their extended life and these vessels have started arriving for breaking.

With the changed circumstances, the company is hopeful that in the coming period the company will be able to utilize the ship breaking capacity also. The trading activity of the company is doing well and is



contributing considerably to the profitability of the company. The sponge iron division of the company is also doing extremely well after overcoming the initial teething problem. The financing and investment division of the company is also doing well, except for the stay imposed by the SEBI on the pay-out for a particular transaction which the company has entered in the National Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

a) Overview:

The company is now a diversified company with ship breaking, manufacture of sponge iron, trading, investment and money lending activities.

b) Segmental Review:

i) Investment & Money Lending

The investment and financing activity is an auxiliary business of the company. Though it has received a jolt on account of the staying of the pay-out of one of the transaction entered by the company in the National Stock Exchange, the company is confident that the company will be able to continue to earn reasonable return on the investment as well as on money lending activities in the coming years also.

ii) Shipbreaking

The ship breaking industry is poised to grow in the coming period. The numbers of ships beached for breaking at Alang Ship Breaking Yard during the first quarter of the current financial year is 38 ships aggregating to 216473 LDT compared to 33 ships aggregating to 150274 LDT in the same quarter of the previous year, an increase of 15% in terms of number of ships and 44% in terms of LDT.

iii) Steel & Power

The iron and steel industry is doing well and with the expected boost in the economy the requirement of steel is slated to increase. Sponge iron is one of the basic raw material for the iron and steel industry and therefore the Directors are confident that the sponge iron division of the company is expected to do better in the coming in year.

The implementation of the co-generation power plant is also taken up by the company and expected to add to the profitability of the unit once it is completed.

iv) Trading

The trading activity of the company is mainly in the iron and steel sector and considering the present market for the iron and steel, the same segment is also expected to grow in the coming years

The segmental results for the year are summarized as under.

	Particulars	Financing	Ship-breaking	Trading	Steel & Power	Total
a)	External Sales	314.32	9.06	9742.31	6210.41	16276.10
	Inter segment Sales	0.00	0.00	0.00	0.00	0.00
	Total Revenue	314.22	9.06	9742.31	6210.41	16276.10
b)	Total Revenue of each segment as a % of total	1.93%	0.06%	59.86%	38.15%	100%
c)	Segment Results [Profit/(Loss)]	259.02	-16.26	91.89	120.24	454.90
d)	Segment results as a % of total	56.94%	-3.57%	20.20%	26.43%	100%
e)	Segment Assets	3694.89	114.46	1734.80	5652.19	11196.33
f)	Segment Assets as a % of total assets	33.00%	1.02%	15.49%	50.48%	100%

c) Review of operation:

As outlined in previous report, the company could not purchase any ship for breaking during the year under report and the ship breaking division has incurred loss during the year under report. The financing, trading and steel and power division has performed well. Though the turnover of the company has increased, the profitability has not increased in tandem with the same. While the turnover has increased by 36.65% the profit before tax has increased by only 4%. However on account of higher provision for depreciation, the net profit has fallen to 4.63% and the profit after tax and deferred tax by 33%. The sharp fall in the net profit after tax is on account of higher provisions required to be made to deferred tax.

d) Financial Review and analysis:

Performance :

(Rs in Lacs)

	2006-07	2005-06	% Change
Gross Turnover	15821.14	11546.08	37
Net Turnover	14890.78	11056.55	34
Other income	454.96	364.58	24
Total Expenditure	15052.07	11026.33	36
Operating Profit (PBIDT)	1242.48	884.32	40
Interest	631.79	301.17	110
Gross Profit (PBDT)	610.69	583.16	05
Depreciation	155.79	106.18	47
Profit before tax	454.90	476.98	(05)
Provision for current Tax & fringe benefit tax	53.74	65.86	(20)
Profit after current tax	401.16	411.11	(04)
Deferred tax	163.86	50.53	216
Adjustment for MAT Credit	35.44	0.00	0.00
Net Profit after total and Exceptional items	272.74	360.58	(35)

e) Cash Flow Analysis

Sources of Cash	2006-07	2005-06
- Cash from operation	353.09	387.40
- Decrease (Increase) in working capital	(1417.05)	(2260.12)
- Non-operating cash flow	—	—
- Increase in debts	833.82	3538.08
- Decrease in cash and cash equivalents	—	—
Uses of Cash		
- Net Increase in investments	(491.02)	705.79
- Net capital expenditure	182.72	891.10
- Increase in cash and cash equivalents.	77.69	68.48

f) Risk Management

The Company is exposed to the risk from the market fluctuations of foreign exchange as well as the fluctuation in the price of iron and steel. In the ship breaking division, the 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.



Likewise the company's finished products are mainly re - rollable scrap generated from ship breaking and the price of the same is linked to the market rate for iron and steel. Any up and down in the price of the iron and steel will affect the profitability of the company. However based on the past trend a major down fall in the price of iron and steel is not expected.

In addition to the above, the company is also exposed to the risk of fluctuation in the stock exchange as the company is investing its surplus funds in the stock market in order to earn capital gain. However the Directors considering their past experience in the line, is confident that the company will not face any major set back in this area.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of annual accounts for the financial year ended 31st March 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them and made judgments and estimates that were 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 or loss of the Company for the year under review;
- (iii) that the directors had 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 fraud and other irregularities;
- (iv) that the directors had prepared the accounts on a going concern basis.

Amalgamation:

Pursuant to the scheme of the amalgamation of Hariyana Fashions Private Limited and Hariyana Machinery Exports Private Limited with the Hariyana Ship Breakers Limited as sanctioned by the Hon'ble High Court of Bombay vide its order dated 12/01/2007 and becoming effective, 11,66,667 Equity Shares of Rs. 10/- each were allotted to the Shareholders of Hariyana Fashions Private Limited and Hariyana Machinery Exports Private Limited and they are entitled to full dividend for the year ended 31st March 2007. The company is in process of complying with the Listing formality in respect of the additional equity shares allotted under the above scheme of Amalgamation.

The Authorised Share Capital and the Issued, Subscribed and Paid-up Share Capital underwent a change subsequent to above allotment: