

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	Survy No. 12, 14, 15 Shanthigrama (Hobli) Kanchanhally Villegge Hassan 573201.
FINANCIAL YEAR	2007-2008
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NOTICE

Notice is hereby given that the **TWENTY SEVENTH ANNUAL GENERAL MEETING** of the Members of **HARIYANA SHIP BREAKERS LIMITED** will be held on **Friday, 26th September 2008** at the Registered Office of the Company at 302, Sylverton Bldg., Ground Floor, 102 Wodehouse Road, Colaba, Mumbai – 400 005 at **12.00 noon** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2008 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 confirm dividend paid on 4% Redeemable Preference shares at the time of redemption.
3. To declare a dividend on Equity shares.
4. To appoint a director in place of Shri Hanmant Wagh, who retires by rotation and being eligible, offers himself for re- appointment.
5. To appoint a director in place of Shri Hemant Thakkar, who retires by rotation and being eligible, offers himself for re- appointment.
6. To appoint M/s. Jain Seth & Co., Chartered Accountants, retiring Auditors, as Statutory Auditors who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board
For **HARIYANA SHIP BREAKERS LIMITED**

Sd/-
Shanti Sarup Reniwal
Chairman & Managing Director

Place : Mumbai
Date : 28/07/2008



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 18th September, 2008 to 26th September, 2008 (both days inclusive).
- (D) 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.
- (E) The Dividend on Equity Shares as recommended by the Directors for the year ended 31st March, 2008 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 17th September, 2008 will be payable to the beneficial owners of the Equity Shares as per the details furnished by the Depositories for the purpose.
- (F) 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).
- (G) Members who have not encashed their dividend warrant for FY 2003 -2004, FY 2004-2005, FY 2005-2006 and FY 2006-2007 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:

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 E-mail : sharexindia@vsnl.com	Sharex Dynamic (India) Pvt Ltd 17/B, Dena Bank Bldg, 2 nd Floor, Horniman Circle, Fort, Mumbai 400 001 Ph: 22702485, 22641376 Fax: 22641349
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- (H) Members are hereby informed that in terms of the provisions of section 205A of the Companies Act, 1956, dividend not encashed or claimed within seven years from the date of its transfer to the unpaid dividend account, will be transferred to Investor Education & Protection Fund established by the Central Government. In terms of the provisions of section 205C of the Companies Act, 1956, no claim shall lie against the Company or said fund after the said transfer.
- (I) 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.

DIRECTOR'S REPORT

To,
The Members,
Hariyana Ship Breakers Ltd.
Mumbai

Your Directors present herewith their Twenty Seventh Annual Report of the Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2008.

Performance:

(Rs in Lacs)

	2007-08	2006-07
Sales & Other Income	14814.63	16276.10
Profit/(Loss) before Tax	996.30	454.90
Provision for Current Income Tax	257.25	51.10
Provision for Fringe Benefit Tax	1.79	2.64
Mat Credit Adjustment / (entitlement)	35.43	(35.43)
Adjustment for deferred tax	31.40	163.86
Profit after tax	670.43	272.73
Prior period adjustment + (-)	(0.27)	(36.90)
Profit/(Loss) Brought forward	871.17	803.03
Profit(Loss) available for appropriations	1541.33	1038.86
APPROPRIATIONS		
- Dividend on Preference Shares	16.05	20.00
- Dividend on Equity Shares	123.33	123.33
- Tax on distributed Profit	23.69	24.36
- Balance carried to balance sheet	1378.26	871.17

DIVIDEND

Taking into account the good performance of the Company, Your Directors recommend a dividend of 20% on the Equity Shares of Rs. 10/- each for approval by the Members. Your Directors also seek the ratification of the dividend paid to 4% Redeemable Preference Shareholders on redemption. The total dividend, if approved by the shareholders at the Annual General Meeting, would absorb Rs.139.38 Lacs out of profits for the year. Dividend distribution tax payable amounting to Rs.23.69 Lacs 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 was 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. 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. Further with the sign of US economy and other world economy going into recession mode, the international freight rate has been affected and therefore the chances of vessels put into voyage again is a remote chance as most of these old ships will be fetching more than its original cost now, due to steep increase in the price of iron and steel.

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 activities of the company are doing well and are 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 Ltd.

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) 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.

ii) 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 materials 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 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

iii) 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

iv) Investment

The Company invests in the shares and securities in the stock market with a view to earn short term and long term capital gain. 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 Ltd, the company is confident that the company will be able to continue to earn reasonable return of the investment as well as on money lending activities in the coming years also.

v) Money Lending

Money lending is not main business of the company. As and when surplus funds are available with the company, the company lent the same with a view to earn interest.

The segmental results for the year are summarised as under.

(Rs. in Lakhs)

Particulars	Financing	Ship-breaking	Trading	Steel & Power	Total
a) External Sales	293.84	0.10	6953.46	7567.22	14814.62
Inter segment Sales	0.00	0.00	0.00	0.00	0.00
Total Revenue	293.84	0.10	6953.46	7567.22	14814.62
b) Total Revenue of each segment as a % of total	1.98%	0.00%	46.94%	51.08%	100%
c) Segment Results [Profit/(Loss)]	250.39	-22.13	158.38	609.65	996.30
d) Segment results as a % of total	25.13%	-2.22%	15.90%	61.19%	100%
e) Segment Assets	1220.69	120.60	3830.89	5012.38	10184.56
f) Segment Assets as a % of total assets	11.99%	1.18%	37.61%	49.22%	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 trading and steel and power division has performed well. As there was no ship breaking activities, the surplus funds available with the company were given on interest and the company could earn considerable amount of interest. The short term and long term capital gain arising out of investment activities are less compared to the previous year. As there was not ship breaking activities, the gross and net turnover of the company has a negative growth. However with higher contribution from other segment, the profitability of the company has shown quantum jump in profit before tax of 119% and profit after tax of 83.78%. The net profit after exceptional item has shown a growth of 145% over the pervius year.

d) Financial Review and analysis:

Performance :

(Rs in Lacs)

	2007-08	2006-07	% Change
Gross Turnover	14350.49	15821.14	(9.30)
Net Turnover	13184.40	14890.78	(11.50)
Other income	464.14	454.96	2.02
Total Expenditure	13660.87	15033.63	(9.13)
Operating Profit (PBIDT)	1600.96	1242.48	28.85
Less: Interest	445.75	631.79	(29.45)
Gross Profit (PBDT)	1153.76	610.69	88.93
Less: Depreciation	157.46	155.79	1.07
Profit before tax	996.30	454.90	119.01
Less: Provision for current Tax & fringe benefit tax	259.04	53.74	382.02
Profit after current tax	737.26	401.16	83.78
Less: Deferred tax	31.39	163.86	(80.84)
Less:/(add)Adjustment for MAT Credit	(35.43)	35.43	(200)
Net Profit after total and Exceptional items	670.43	272.74	145.81

e) Cash Flow Analysis

Sources of Cash	2007-08	2006-07
- Cash from operation	732.09	353.09
- Decrease (Increase) in working capital	2793.87	(1417.54)
- Non-operating cash flow	—	—
- Increase in debts	(3390.71)	833.82
- Decrease in cash and cash equivalents	78.25	—
Uses of Cash		
- Net Increase in investments	61.67	(491.03)
- Net capital expenditure	151.83	182.71
- Increase in cash and cash equivalents.	—	77.69

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 iron and steel and the price of the same is linked to the market rate on daily basis. 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 finds 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 2008, 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.

Directors

As per the Companies Act, 1956 and the Articles of Association of the Company, two third of the directors are liable to retire by rotation. One third of these retiring directors are required to retire every year by rotation and if eligible, these directors qualify for re-appointment.

Pursuant to the provisions of the Companies Act, 1956 and in accordance with Article number 130 of the Articles of Association of the Company, Shri. Hanmant Wagh and Shri Hemant Thakkar retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Auditors Observations/qualifications:

The observation/qualification of the auditors are based on the facts stated in the schedules of notes and members are requested to refer to the Note number 2 (b) of schedule 20 forming part of the accounts, which are self explanatory and does not require any further clarification/reply.

Deposits:

During the year under review the Company did not accept any deposit from the public within the meaning of section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rule, 1975 as amended.

Auditors:

Retiring auditors, M/s. Jain Seth & Co., Chartered Accountants being eligible offers themselves for re-appointment & necessary eligibility letter u/s 224 (1B) of the Companies Act, 1956 is received from them.

Particular of Employees:

Pursuant to Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, your company has no person in its employment drawing salary within the monetary ceiling prescribed under section 217 (2A) of the Companies Act, 1956.

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and outgo:

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 is annexed hereto which is forming part of this report.

Corporate Governance:

The disclosures as required under the Corporate Governance standards have been furnished as a part of this report. The Company has been practicing the principles of good corporate governance. In addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

Listing of Shares:

The Company has obtained the approval for delisting of Equity Shares from the Ahmedabad Stock Exchange, however it continued to be listed at the Bombay Stock Exchange Ltd., Mumbai. The applicable listing fees have been paid by the Company.

Acknowledgement:

Your Directors gratefully acknowledge and appreciate the contribution made by the employees towards the success of your Company. Your Directors are also thankful for the co-operation and assistance received from the customers, vendors, bankers, Government authorities and its shareholders.

For and on behalf of the Board

Sd/-

Shanti Sarup Reniwal

Chairman & Managing Director

Place : Mumbai
Date : 28/07/2008



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, 2008.

- A Conservation of Energy**
- a) Energy conservation measure taken : The Company has taken various measures to control the consumption of coal which is the main fuel for the sponge iron unit of the company.
- b) Additional investment and proposal if any being implemented for reduction in consumption of energy : The Company is in the process of setting a co-generation unit for utilizing flue gas from the sponge iron plant therein reducing the dependence on the grid power.
- c) Impact of the measures at (a) & (b) on energy consumption & consequent impact on the cost of production. : The above will reduce the dependence of the company on grid power and also will effectively reduce the production cost.
- d) Total energy consumption and energy consumption per unit of production : Coal/Power/Diesel
- 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

Technology Absorption, adaption and innovation.

- 1 Efforts in brief toward technology absorption, adaption and innovation : Nil
- 2 Benefits derived as result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. : Nil