



## HARIYANA SHIP BREAKERS LIMITED

<b>BOARD OF DIRECTORS</b>	:	Shri Shanti Sarup Reniwal Smt. Lalitadevi Reniwal Shri Rakesh Reniwal Shri Manohar Wagh appointed w.e.f. 28 <sup>th</sup> April 2009 Shri Manoj Kumar Bansal resigned w.e.f. 10 <sup>th</sup> April 2009 Shri Hemant Thakkar Shri Hanmant Wagh resigned w.e.f. 22 <sup>nd</sup> November, 2008 Shri Satish Diwate appointed w.e.f. 22 <sup>nd</sup> November 2008
<b>AUDITORS</b>	:	Jain Seth & Co. (Chartered Accountants) Bhavnagar 364 001.
<b>BANKERS</b>	:	Punjab National Bank Raheja Chambers, Nariman Point, Mumbai-400 021.
<b>REGISTERED OFFICE</b>	:	302, Sylverton Bldg., 102 Wodehouse Road, Colaba, Mumbai-400 005.
<b>BRANCH OFFICE</b>	:	308 Madhav Darshan, Waghawadi Road, Bhavnagar-364 001.
<b>SHIP BREAKING YARD</b>	:	Plot No. 14, Ship Breaking Yard, Alang, District : Bhavnagar.
<b>SPONGE IRON PLANT</b>	:	Survey No. 12, 14, 15 Shanthigrama (Hubli), Kanchanhally Village, Hassan - 573201.
<b>FINANCIAL YEAR</b>	:	2008-2009
<b>CONTENTS</b>	:	Notice Directors' Report Corporate Governance Report Auditors' Report Annual Accounts



**CONTENTS**

	Page No.
Notice .....	3
Directors' Report.....	6
Corporate Governance Report.....	14
Auditor's Report .....	29
Balance Sheet .....	32
Profit & Loss Accounts .....	33
Schedules to Accounts.....	34
Notes Forming Parts of the Accounts .....	41
Cash Flow Statement.....	46
Attendance Slip & Proxy .....	47



### NOTICE

Notice is hereby given that the **TWENTY EIGHT ANNUAL GENERAL MEETING** of the Members of **HARIYANA SHIP BREAKERS LIMITED** will be held on **Wednesday, 30th September 2009** 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 31<sup>st</sup> March, 2009 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 on Equity shares.
3. To appoint a Director in place of Shri Shanti Sarup Reniwal, who retires by rotation and being eligible, offers himself for re- appointment.
4. To appoint a Director in place of Shri Rakesh Reniwal, who retires by rotation and being eligible, offers himself for re- appointment.
5. To appoint M/s. Jain Seth & Co., Chartered Accountants, 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.

#### 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 Satish Diwate, 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 Manohar 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."

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

Sd/-  
Shanti Sarup Reniwal  
Chairman & Managing Director

Place : Mumbai  
Date : 29th August, 2009

**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) 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.
- (D) The Register of Members and transfer register will remain closed from 21<sup>st</sup> September, 2009 to 30<sup>th</sup> September, 2009 (both days inclusive).
- (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, 2009, 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 20<sup>th</sup> September, 2009 will be payable to the beneficial owners of the Equity Shares as per the details furnished by the Depositories for the purpose.
- (G) 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).
- (H) Members who have not encashed their dividend warrant for FY 2003-2004, FY 2004-2005, FY 2005-2006, FY 2006-2007 and FY 2007-2008 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: 2851 2885 □ Email: sharexindia@vsnl.com	Sharex Dynamic (India) Pvt Ltd 17/B, Dena Bank Bldg, 2 <sup>nd</sup> Floor, Horniman Circle, Fort, Mumbai 400 001 Ph: 22702485, 22641376 Fax: 22641349
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- (I) 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.

- (J) 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 :**

Shri Satish Diwate was appointed as an Additional Director on 22<sup>nd</sup> November, 2008. He has a vast experience in administrative and accounting matters. The Company has received a notice under Section 257 of the Companies Act, 1956 from member signifying his intention to propose appointment of Shri Satish Diwate as a 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 Shri Satish Diwate as Director of the Company. None of the Directors except Shri Satish Diwate is interested in the resolution.

**Item No. 7 :**

Shri Manohar Wagh was appointed as an Additional Director on 28<sup>th</sup> April, 2009. He is a B.Com graduate and has a good experience in finance and accounting matters. The Company has received a notice under Section 257 of the Companies Act, 1956 from member signifying his intention to propose appointment of Shri Manohar Wagh as a 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 Shri Manohar Wagh as Director of the Company. None of the Directors except Shri Manohar Wagh is interested in the resolution.

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

Sd/-  
Shanti Sarup Reniwal  
Chairman & Managing Director

Place : Mumbai  
Date : 29th August, 2009



## DIRECTOR'S REPORT

**To,  
The Members,  
Hariyana Ship Breakers Limited  
Mumbai**

Your Directors present herewith their Twenty Eighth Annual Report of the Company together with the Audited Annual Accounts of the Company for the year ended 31<sup>st</sup> March, 2009.

### Performance :

(Rs in Lacs)

	2008-09	2007-08
Sales & Other Income	17764.98	14814.63
Profit/(Loss) before Tax	862.94	996.30
Provision for Current Income Tax	296.32	257.25
Provision for Fringe Benefit Tax	1.97	1.79
Mat Credit Entitlement	0	35.43
Adjustment for deferred tax	17.11	31.39
Profit after tax	547.55	670.43
Prior period adjustment	25.46	(0.27)
Profit/(Loss) Brought forward	1378.25	871.17
Profit(Loss) available for appropriations	1951.26	1541.33
APPROPRIATIONS		
Dividend on Preference Shares	0	16.05
- Dividend on Equity Shares	123.33	123.33
- Tax on distributed Profit	20.96	23.69
- Balance carried to balance sheet	1806.97	1378.25

### DIVIDEND

Taking into account the sustained good performance of the Company, Your Directors have recommended a Dividend of 20% (Rs. 2 per share) on the Equity Shares of Rs. 10/- each for approval by the Members. The total dividend, if approved by the shareholders at the Annual General Meeting, would absorb Rs. 12333334/- out of profits for the year. Dividend distribution tax payable amounting to Rs. 2096050/- has been appropriated out of profits.

### PROSPECTS IN THE COMING YEAR

All the units including Ship Breaking, Sponge Iron and Trading have recorded significant increase in terms of production and sales turnover. Prior to diversification of the activities into trading and manufacture of sponge iron the thrust area of the company was ship breaking. During the few couple of years because of not so encouraging business environment and difficulty in getting the ships at reasonable price for breaking. However, during the financial year 2008-09, ship breaking industry at Alang Ship Breaking Yard seen a complete turn around and it is booming like never before. To join the flow of the market the company also resumed its ship breaking activities at ship breaking yard at Alang and has done good business during the year under report. Moreover,



fluctuating and volatile prices of old Ships, Iron and Steel products having been reasonably stabilized and the inventory levels of the company and its market position, all the segments of the company, viz. Ship Breaking, Sponge Iron and Trading, are expected to see manifold increase in terms of Gross Revenues and Net profit Margins in the coming year.

With the changed circumstances, the company is hopeful that in the coming period the company will continue its ship breaking activities and take it to the level of extended growth and will contribute more to the overall growth of the business of the company. 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 well after overcoming the initial teething problem. The financing and investment division of the company is also doing well. Your directors see a very positive and bright future prospects ahead for the company looking to the prevailing upward trend in the Iron and Steel sector in India and internationally.

### 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 seen a complete turn around during the year under report and company could also resume its ship breaking activities and has done good business. However, due to heavy fluctuations in prices of old ships, dollar rupee exchange rates and consequent effects on sales prices of the ship breaking products, the company's net profit margins have not been up to the expected levels. Now, the market has got stabilized and company's ship breaking unit is expected to grow more in the coming period. The numbers of ships beached for breaking at Alang Ship Breaking Yard has seen a manifold increase and the trend is expected to continue in the current financial year also.

##### 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. Barring some effects on net profit margin due to heavy price fluctuations during the year which have now stabilized, the unit has delivered good results and has moved further towards its sustained path of growth. 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 should continue to do better in the coming years.

##### 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 has been very cautious in investment 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 Bombay Stock Exchange which is now settled, the company is confident that the company will be able to continue to earn reasonable return of the investment 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 summarized as under.

(Rs.in Lakhs)

Particulars	Financing	Ship-breaking	Trading	Steel & Power	Total
a) External Sales	241.78	721.13	8015.89	8786.19	17764.99
b) Inter segment Sales	306.23	0	0		306.23
c) Total Revenue	548.01	721.13	8015.89	8786.19	18071.22
d) Total Revenue of each segment as a % of total	3.03%	3.99%	44.36%	48.62%	100%
e) Segment Results [Profit/(Loss)]	457.29	14.70	178.24	212.72	862.94
f) Segment results as a % of total	52.99%	1.70%	20.65%	24.65%	100%
g) Segment Assets	2564.83	989.40	1588.31	4128.08	9270.62
h) Segment Assets as a % of total assets	27.67%	10.67%	17.13%	44.53%	100%

**c) Review of operation :**

As outline in previous report, the company has resumed its ship breaking activities during the year under report and the ship breaking division has also done good business. The trading and steel and power division has performed also well. Any 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/ (Loss) arising out of investment activities are less compared to the previous year. Though the over all turnover of the company has increased, the profitability has not increased in tandem with the same. While the turnover has increased by around 20%, the profit before tax has decreased due to several market factors as already elaborated in earlier paras.



**d) Financial Review and analysis :**

**Performance :**

**(Rs in Lacs)**

	2008-09	2007-08	% Change
Gross Turnover	17517.77	14350.49	22.07
Other income	247.21	464.14	(46.74)
Total Expenditure	16738.61	13660.87	22.53
Operating Profit (PBIDT)	1515.86	1600.96	(5.32)
Interest	489.35	445.75	9.78
Gross Profit (PBDT)	1026.51	1153.76	(11.03)
Depreciation	163.57	157.46	3.88
Profit before tax	862.94	996.30	(13.39)
Provision for current Tax & fringe benefit tax	298.29	259.04	15.15
Profit after current tax	564.66	737.26	(23.28)
Deferred tax	17.11	31.39	(45.49)
Adjustment for MAT Credit	0.00	(35.43)	(100.00)
Net Profit after total and Exceptional items	547.55	670.43	(18.18)

**e) Cash Flow Analysis :**

<b>Sources of Cash</b>	2008-09	2007-08
- Cash from operation	609.99	732.09
- Decrease (Increase) in working capital	(974.25)	2793.87
- Non-operating cash flow	—	—
- Increase in debts	375.63	(3390.71)
- Decrease in cash and cash equivalents	80.16	78.25
<b>Uses of Cash</b>		
- Net Increase in investments	(67.24)	61.67
- Net capital expenditure	158.77	151.83
- Increase in cash and cash equivalents.	0.00	-

**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 up to 180 days to 360 days. Though 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 any further 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 31<sup>st</sup> March 2009, 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 :**

Mr. Hanmant Wagh and Mr. Manoj Bansal resigned as Directors of the Company w.e.f. 22<sup>nd</sup> November 2008 and 10<sup>th</sup> April 2009, respectively. The Board wishes to place on record its appreciation of the valuable services rendered by them during their tenure as Directors. Mr. Satish Diwate and Mr. Manohar Wagh have joined the Board as an Additional Directors on 22<sup>nd</sup> November, 2008 and 28<sup>th</sup> April, 2009 respectively. Mr. Satish Diwate and Mr. Manohar Wagh hold office up to the date of the ensuing Annual General Meeting. Notices have been received under Section 257 of the Companies Act, 1956 from Members proposing the appointment of Mr. Satish Diwate and Mr. Manohar Wagh as Directors.

Pursuant to provisions of Companies Act, 1956 and in accordance with Article number 130 of the Articles of Association of the Company, Shri. Shanti Sarup Reniwal and Shri Rakesh Reniwal retires by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

### **Auditor's 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.