

HARIYANA SHIP BREAKERS LIMITED

BOARD OF DIRECTORS	:	Shri Shanti Sarup Reniwal Smt. Lalitadevi Reniwal Shri Rakesh Reniwal Shri Manohar Wagh Shri Pradeep Bhatia Shri Tejas 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.
BRANCH OFFICE	:	308 Madhav Darshan, Waghawadi Road, Bhavnagar-364 001. 206 Barton Centre, M.G.Road, Bangalore - 560 001.
SHIP BREAKING YARD	:	Plot No. 14, Ship Breaking Yard, Alang, District : Bhavnagar.
SPONGE IRON PLANT	:	Survey No. 12, 14, 15 Shanthigrama (Hubli), Kanchanhally Village, Hassan - 573201.
FINANCIAL YEAR	:	2009-2010
CONTENTS	:	Notice Directors' Report Corporate Governance Report Auditors' Report Annual Accounts

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HARIYANA SHIP BREAKERS LIMITED

Regd. Office : 302, Sylverton Bldg., Ground Floor, 102, Wodehouse Road, Colaba, Mumbai-400 005.

ATTENDANCE SLIP

Please fill attendance slip and hand it over at the entrance of the Meeting Venue.

(Joint Shareholders may obtain additional Attendance Slip on request).

Folio No. _____ No. of Shares held _____

Name and Address of the Shareholders _____

I hereby record my presence at the 29th ANNUAL GENERAL MEETING of the Company held on Thursday, the 30th day of September, 2010 at 11.00 a.m. at 302, Sylverton Bldg., Ground Floor, 102, Wodehouse Road, Colaba, Mumbai-400 005.

Signature of the Shareholder or Proxy*

* Strike out whichever is not applicable

HARIYANA SHIP BREAKERS LIMITED

Regd. Office : 302, Sylverton Bldg., Ground Floor, 102, Wodehouse Road, Colaba, Mumbai-400 005.

PROXY FORM

Folio No. _____ No. of Shares held _____

I/We _____ of _____ being a _____

member/members of HARIYANA SHIP BREAKERS LIMITED, hereby appoint _____ of _____

or failing him _____ of _____ as my/our proxy to vote me/ us and on my/our behalf at the 29th ANNUAL GENERAL MEETING to be held on Thursday, the 30th day of September, 2010 at 11.00 a.m. at 302, Sylverton Bldg., Ground Floor, 102, Wodehouse Road, Colaba, Mumbai-400 005. or any adjournment thereof.

Date this _____ day of _____ 2010.

Affix One
Rupee
Revenue
Stamp

Note : The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

CASH FLOW STATEMENT

Particulars	Current Year	Previous Year
A Cash Flow from Operating Activities		
— Net Profit before tax and extraordinary items	108,322,155.00	86,294,366.24
— Adjustment for :		
Depreciation	17,323,885.00	16,356,772.00
Share Issue and Preliminary Expenses	72,497.00	72,497.00
Extra Ordinary Item	5,348.00	2,531,663.00
— Operating Profit before Working Capital Changes	125,723,885.00	105,255,298.24
— Adjustments for :		
Trade Receivables	882,759.00	198,014,999.00
Other Receivable including MAT Credit	(313,954,738.00)	(156,228,593.00)
Inventories	(19,950,617.00)	33,380,667.00
Trade Payable	(122,251,206.00)	(172,591,777.00)
Cash Generated from operation	(329,549,917.00)	7,830,594.24
— Tax Paid	(35,717,000.00)	(29,828,603.00)
Net cash from operating activities	(365,266,917.00)	(21,998,008.76)
B. Cash Flow from Investing Activities		
— Purchase of Fixed Assets	(16,484,235.00)	(16,694,164.00)
— Sale of Fixed Assets	1,115,576.00	817,586.00
— Sale (Purchase) of Investment	(5,417,583.00)	6,724,786.00
	(20,786,242.00)	(9,151,792.00)
C. Cash flow from Financing Activities		
— Proceeds from Long Term Borrowings	397,658,487.00	3,682,356.00
— Proceeds from unsecured Loan	3,659,131.00	33,880,830.00
— Dividend Proposed	(14,429,384.00)	(14,429,384.00)
Net cash used for financing activities	386,888,234.00	23,133,802.00
Net Increase in cash & Cash Equivalents (A+B+C)	835,075.00	(8,015,998.76)
Opening Balance of Cash & Cash Equivalents	2,556,997.24	10,572,996.00
Closing Balance of Cash & Cash Equivalents	3,392,072.24	2,556,997.24

We have examined the above Cash Flow Statement of Hariyana Ship Breakers Ltd for the year ended on 31st March, 2010. The Statement has been prepared by the Company in accordance with the requirements of listing agreement clause 32 of Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 20th August, 2010 to the Members of the Company.

For Jain Seth & Co.
Chartered Accountants
(Firm Reg.no. 002069W)

Sd/-
Partner
Prem Goplani
M.No 103765

Place : Mumbai
Date : 20th August, 2010

NOTICE

Notice is hereby given that the TWENTY NINTH ANNUAL GENERAL MEETING of the Members of **HARIYANA SHIP BREAKERS LIMITED** will be held on **Thursday, 30th September 2010** at the Registered Office of the Company at 302, Sylverton Bldg., Ground Floor, 102 Wode House Road, Colaba, Mumbai – 400 005 at **11.00 a.m.** to transact the following business:

ORDINARY BUSINESS :

- To receive, consider and adopt the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date together with the Report of the Board of Directors and Auditors' thereon.
- To declare a dividend on Equity shares
- To appoint a Director in place of Smt. Lalitadevi Reniwal, who retires by rotation and being eligible, offers herself for re- appointment.
- To appoint a Director in place of Shri Manohar Wagh, who retires by rotation and being eligible, offers himself for re- appointment.
- 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 :

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

"RESOLVED THAT Shri Pradeep Bhatia, 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."
- To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Shri Tejas 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
For **HARIYANA SHIP BREAKERS LIMITED**

Sd/-
Shanti Sarup Reniwal
Chairman & Managing Director

Place : Mumbai
Date : 21st August, 2010

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 21st September, 2010 to 30th September, 2010 (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, 2010, 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 20th September, 2010 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 2004-2005, FY 2005-2006, FY 2006-2007, FY 2007-2008 and FY 2008-09 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: 022 28515606, 022 28515644, Fax: 022 2851 2885 • Email: sharexindia@vsnl.com	Sharex Dynamic (India) Pvt Ltd 17/B, Dena Bank Bldg, 2 nd Floor, Horniman Circle, Fort, Mumbai 400 001 Ph: 022 22702485, 022 22641376 Fax: 022 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.

- 3 Additional information as required under Part-IV of Schedule - VI to the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile:

1	Registration Details	
	Registration No.	24774
	State Code	11
	Balance Sheet Date	31st March, 2010
2	Capital raised during the year	Rupees in 'Lacs
	Public Issue	Nil
	Right Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
3	Position of mobilisation and deployment of funds.	
	Total Liabilities	12,633.61
	Total Assets	12,633.61
	Sources of Funds	
	Paid up Capital	617
	Reserve & Surplus	3,479
	Secured Loans	5,688
	Unsecured Loan	375
	Deferred Tax Liability	413
	Current Liabilities	2061
	Application of Funds	
	Net Fixed Assets	3,046
	Investments	292
	Net Current assets	9,263
	Miscellaneous Expenditure	32
	Accumulated Losses	Nil
4	Performance of Company	
	Turnover	14,256
	Total Expenditure (including decrease in stock)	13,173
	Profit/(Loss) before tax	1,083
	Profit/(Loss) after tax	693
	Earning per Share Basic	INR 11.24
	Earning per Share Diluted	INR 11.24
	Dividend Rate	20%
5	Generic Names of Principal Products, services of the Company.	
	Item Code No.	72042909
	Product Description	Ship Breaking
	Item Code No.	
	Product Description	Sponge Iron

SIGNATURE TO SCHEDULES "1" TO "19" AND NOTES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNTS

As per our separate report of even date attached For **Hariyana Ship Breakers Limited**

For Jain Seth & Co.

Chartered Accountants
(Firm Reg.no. 002069W)

Sd/-

Partner

Prem Gopani

M.No 103765

Place : Mumbai

Date : 20th August, 2010

Sd/-
Director

Sd/-
Director

2 Particulars of Finished Goods (Mfg)

		Opening stock	Production	Sale	Closing stock
— Shipbeaking	Qty inMt.	-	27896.94	27896.94	-
Division	Previous Yr	-	3,069.81	3,069.81	-
— Sponge Iron	Qty inMt.	1,133.22	36,749.78	36,061.87	1,821.13
Division	Previous Yr	554.95	43,344.00	42,765.73	1,133.22

Particulars of Trading Goods

		Opening stock	Purchase	Sales	Closing stock
— Trading	Qty	3008.60	10290.52	13299.12	0.00
Division	Previous Yr	6682.77	16417.29	20091.46	3008.60

3 Value of Imported and indigenous raw materials and components consumed (excluding trading material)

	Current Year		Previous Year	
	Qty. Mt.	Value Rs. in Lacs	Qty. Mt.	Value Rs. in Lacs
- Indigenous	70,262.00	1,152.44	78,606.00	1,350.89
- Imported	75,851.52	6,402.38	84,266.60	5,427.70
Total	146,113.52	7,554.82	162,872.60	6,778.58

4 Value of Imported and indigenous stores and spares consumed

- Indigenous	-	133.69	-	185.94
- Imported	-	-	-	-
Total	-	133.69	-	185.94

5 CIF Value of Imports

- Raw Material	6,768.85		5,285.96
- Stores & Spares	-		-
- Trading Goods	-		4,368.21
- Capital Goods	-		-
Total	6,768.85		9,654.17

6 Expenditure in foreign currency other than import

- For Foreign Travel	0.00		0.00
- For others	0.00		0.00
Total	0.00		0.00

7 Earning in foreign currency

0.00		0.00
0.00		0.00
0.00		0.00

- Perquisite to Directors	48,000.00		0.00
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9 Particulars of payment to auditors

- As auditor	134,566.00		78,313.00
- In other capacity	0.00		0.00
Total	134,566.00		78,313.00

(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 Pradeep Bhatia was appointed as an Additional Director on 25th December, 2009. He has a vast experience in administrative and accounting matters. He also has experience in the steel and ship breaking industry. The Company have received a notice under Section 257 of the Companies Act, 1956 from member signifying his intention to propose appointment of Shri Pradeep Bhatia 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 Pradeep Bhatia as Director of the Company.

None of the Directors except Shri Pradeep Bhatia is interested in the resolution.

Item No. 7 :

Shri Tejas Thakkar was appointed as an Additional Director on 12th April, 2010. He is a B.Com graduate and has a good experience in finance and accounting matters. The Company have received a notice under Section 257 of the Companies Act, 1956 from member signifying his intention to propose appointment of Shri Tejas Thakkar 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 Tejas Thakkar as Director of the Company.

None of the Directors except Shri Tejas Thakkar 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 : 21st August, 2010

DIRECTOR'S REPORT

To,
The Members,
Hariyana Ship Breakers Limited
Mumbai

Your Directors present herewith their Twenty Ninth Annual Report of the Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2010.

Financial Results :

(Rs in Lacs)

	2009-10	2008-09
Sales & Other Income	14113.98	17764.98
Profit/(Loss) before Tax	1083.22	862.94
Provision for Corporate Tax and FBT	357.17	298.29
Adjustment for deferred tax	32.79	17.11
Profit after tax	693.26	547.55
Prior period adjustment	0.05	25.46
Profit/(Loss) Brought forward	1806.97	1378.25
Profit/(Loss) available for appropriations	2500.28	1951.26
APPROPRIATIONS		
- Dividend on Equity Shares	123.33	123.33
- Tax on distributed Profit	20.96	20.96
- Balance carried to balance sheet	2355.99	1806.97

During the year under review, the thrust area was Ship Breaking unit of the company which has achieved almost six times increase in terms of Sales Turnover. Sponge Iron and Trading have recorded nearly 50% decrease in sales turnover because of frequent and significant price decrease in the prices of Iron and steel during the year as compared with preceding year and that affected the sales turnover in terms of value. The finance and investment segment has achieved steady growth.

Net Profit earnings before tax have been 25.53% higher than the preceding financial year whereas net profit earnings after tax have remained at 26.61% higher than the preceding financial year

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

During the financial year 2009-10, 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 put

- f) The Company is engaged in the ship breaking, trading, manufacture of sponge iron and also financing activities and sperate set of books of accounts are maintained and the segmental results are as under. (Rs. in Lakhs)

Particulars	Financing	Ship-breaking	Trading	Steel & Power	Total
a) External Sales/Revenue	596.99	5134.88	3889.30	4492.80	14113.97
Inter segment Sales/Revenue	274.16	155.73	84.27	0.00	
Total Revenue	871.15	5290.61	3973.57	4492.80	14113.97*
b) Segment Results Before Interest and Taxes	578.12	256.25	131.70	409.78	1375.85
c) Segment results as a % of total	42.02%	18.62%	9.58%	29.78%	100%
d) Segment Assets	5309.31	2932.56	61.17	4330.58	12633.61
e) Segment Liability	1616.42	5065.10	0.12	1856.47	8538.10

*Total Gross Revenue is after elimination of inter segment revenues of Rs. 514.17 lacs.

- g) Transaction with related parties during the financial year and outstanding balance as on 31st March 2010.

- Subsidiaries	Hariyana Air Products - Partnership Firm
- Associates	Hariyana Ship Demolition Pvt Ltd.

(Rs. In Lacs)

Nature of Transaction	Subsidiaries	Associates	Total
Investment in Capital (Net)	48.00	-	48.00
Net Loans Given/(returned)	-	280.16	280.16
Interest Received	-	134.00	134.00
Balance as at 31st March,2010			
Investment in Capital (Net)	48.00	-	48.00
Loans	-	429.68	429.68

3 Contingent Liabilities note provided for

- a) Income Tax assessment has been completed upto the year assessment year2007-08. The management has been advised that no additional liability will arise in the case of pending assessment.
- b) The company does not anticipate any significant liabilities on account of pending Income Tax and VAT assessments.
- c) The company has given corporate guarantee for Bank Term Loan Finance amounting Rs. 2.51 Crores to M/s. Hariyana Air Product, in which company is also one of the partner.

4 Previous years figures have been regrouped/rearranged wherever necessary so as to make them parable with current years figures.

- l) Information Pursuant to para No.3 & 4 of the Part-II of Schedule -VI of the Companies Act, 1956.

1 Particulars of licenced,installed capacity & actual production

	Current Year		Previous Year	
	Shipbreaking Quantity MT	Sponge Iron Quantity MT	Shipbreaking Quantity MT	Sponge Iron Quantity MT
i) Licenced capacity	N.A.	N.A.	N.A.	N.A.
ii) Installed capacity	N.A.	N.A.	N.A.	N.A.
iii) Actual production	27,896.94	36,749.78	3,069.81	43,344.00

the Company.

i) **Amortisation of Preliminary Expenditure.**

Preliminary expenditure amounting to Rs. 30, 18,523/- has not been written off during the year as the Company is yet to generate revenue from its Power Project. The same will be amortized over a period of 5 years from the year in which revenues are derived from Business Operations.

j) **Deferred Taxation**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income tax Act 1961. Deferred tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred tax assets is recognised and carried forward only to the extent that there is a virtual certainty that the asset will be realised in future.

2 Notes on Accounts

a) The Company is engaged in the ship breaking, Sponge Iron and steel, trading in Ferrous and Non ferrous metals and investment and Finance activities.

b) In the opinion of the management, the realisable value of the fixed assets of the company are much higher than the carrying cost and therefore no provision for impairment is required to be made.

c) i) Deferred tax has been accounted in accordance with the requirement of accounting standard on "Taxes on Income" (AS-22) taking into account the present earning of the company, the anticipated earning etc. and are subject to adjustment on year to year.
ii) The major components of the Deferred Tax Assets/Liabilities, based on the tax effect of the timing differences, as at 31st March 2010, are as under.

Particulars	Amount Rs	
	2009-10	2008-09
Deferred Tax Liability on account depreciation	41,338,290	38,074,892
Deferred Tax Assets	15,738	31,477
Net deferred tax liability at the year end	41,322,552	38,043,415

iii) Due to virtual uncertainty in realisation of carry forward Long Term Capital Loss of merged entities considered the same for the purpose of deriving the deferred tax assets.

d) There are no Micro, small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2010. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

e) The annualised earning per equity shares has been calculated as under.

	Current year	Previous year
- Profit after tax as per profit & Loss accounts	69,326,017	54,755,090
- Add : Prior Period Adjustments	5,348	2,545,788
- Less : Dividend on Preference Shares including dividend Tax	0.00	-
- Net profit for calculation of Earning per shares	69,331,365	57,300,878
- Weighted average No. of shares outstanding during the year	6,166,667	6,166,667
- Weighted average No. of shares including to be issued	6,166,667	6,166,667
- Basic Earning per shares	11.24	9.29
- Diluted earnings per share	11.24	9.29

its main thrust to its ship breaking activities at ship breaking yard at Alang and has done remarkable 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 activities of the company are doing reasonably well and are contributing considerably to the profitability of the company. The sponge iron division of the company went through a not so good year, however, with the increased management focus on market environment, the unit is also expected to yield positive results in the current year as well in the coming years. 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

As has been stated in the out-look, due to boom in the availability of old ships in the international market, the company's ship breaking unit at Alang Ship Breaking Yard, Bhavnagar is fully operational through out the year and has seen a manifold increase in terms of Sales Turnover and Net Profit Margins. Though the year under review saw heavy fluctuation in the international market of old ships coming for breaking,, the management was very cautious and purchased ships at proper time and built a good level of inventories to earn better profits. Now the market has stabilized and taking into account the inventory level of the company as at the year end, it is hoped that the turnover and the profitability will see a further increase in the current financial year.

ii) Steel & Power

As has been stated in the out-look, due to heavy price fluctuations during the year, and because of that the total sales in terms of value is showing decrease. Further, due to some impact of the overall economic slow down, the management took a cautious approach by not taking any major risk, the sales and the net profit margins have been affected during the year under review. However, the management of the view that the worst is over and the iron and steel industry is again doing well and with the expected boost in the economy the requirement of steel is slated to increase and the unit will also move 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 do better in the coming years.