

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
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AUDITORS	:	Jain Seth & Co. (Chartered Accountants) Bhavnagar 364 001.
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BANKERS	:	Punjab National Bank Raheja Chambers, Nariman Point, Mumbai-400 021.
.....		
REGISTERED OFFICE	:	302, Sylverton Bldg., 102 Wodehouse Road, Colaba, Mumbai-400 005.
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BRANCH OFFICE	:	308 Madhav Darshan, Waghawadi Road, Bhavnagar-364 001.
.....		
		206 Barton Centre, M.G.Road, Bangalore - 560 001.
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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.
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FINANCIAL YEAR	:	2010-2011
.....		
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Go Green Today

As a responsible corporate citizen, the Company welcomes and supports the 'Green Initiative' taken by the Ministry of Corporate Affairs, enabling the Company to effect electronic delivery of documents. The above initiative will go a long way in conserving paper which is a natural resource as also result in substantial savings on printing and posting of annual reports and other documents of your Company sent to shareholders.

Members are requested to support this green initiative by updating their email address with the respective Depository Participants, in case of electronic shareholding; or registering their email addresses with the Company's Registrar and Transfer Agents, in case of physical shareholding. Join this cause and make the world a cleaner, greener and healthier place to live.

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Annual General Meeting

Date : Friday, 30th September, 2011

Time : 11:00 a.m.

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

NOTICE

Notice is hereby given that the THIRTIETH ANNUAL GENERAL MEETING of the Members of **HARIYANA SHIP BREAKERS LIMITED** will be held on Friday, **30th September, 2011** at the Registered Office of the Company at **302, Sylverton Building, Ground Floor, 102 Wode House 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, 2011 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 Pradeep Bhatia, who retires by rotation and being eligible, offers himself for re- appointment.
4. To appoint a Director in place of Shri Tejas Thakkar, 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 a Special Resolution :

"RESOLVED that pursuant to Section 293(1)(d) and other applicable provisions of the Companies Act, 1956, consent of the members of the company be and is hereby accorded to the Board of the Directors of the Company for borrowing from time to time at its discretion either from the company's bankers or from the Directors or from elsewhere on such terms and conditions as to repayments, interest or otherwise, as it thinks fit, such as may be necessary for the purpose of the company upto limit of Rupees 200,00,00,000/- (Rupees Two Hundred Crores Only) over and above the aggregate of the paid up capital and free reserves of to company, outstanding at any one time and that such borrowing shall be exclusive of temporary loans obtained or to be obtained by the company from the company's bankers in the ordinary course of business."

"RESOLVED FURTHER THAT the Board of Directors or any Committee thereof/ persons authorized by the Board, be and is hereby authorized to do all such acts deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this Resolution."

By order of the Board

For **HARIYANA SHIP BREAKERS LIMITED**

Sd/-

Shanti Sarup Reniwal

Chairman & Managing Director

Place : Mumbai

Date : 21/08/2011

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 21st September, 2011 to 30th September, 2011 (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, 2011, 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, 2011 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 encased their dividend warrant for FY 2005-2006, FY 2006-2007, FY 2007-2008, FY 2008-09 and FY 2009-10 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
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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 encased 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.

EXPLANATORY STATMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956

As per the provisions of section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the consent of the Company in General Meeting borrow monies, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid up capital and the Free Reserves of Company, that is to say, reserves not set apart for any specific purposes.

The consent off the members is, therefore, sought under provisions of Section 293(1)(d) of the Companies Act, 1956, to enable the Directors to borrow the aforesaid amount.

None of the Directors is, in any way, concerned or interested in the resolution.

The Board of Directors recommends this enabling resolution for approval of the members.

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

Sd/-

Shanti Sarup Reniwal
Chairman & Managing Director

Place : Mumbai
Date : 21/08/2011

DIRECTOR'S REPORT

To,
The Members,
Hariyana Ship Breakers Limited
Mumbai

Your Directors present herewith their Thirtieth Annual Report of the Company together with the Audited Annual Accounts of the Company for the year ended 31st March, 2011.

Financial Results :

(Rs in Lacs)

	2010-11	2009-10
Sales & Other Income	33663.63	14113.98
Profit/(Loss) before Tax	1434.18	1083.22
Provision for Corporate Tax and FBT	480.68	357.17
Adjustment for deferred tax	(5.36)	32.79
Profit after tax	958.86	693.26
Prior period adjustment	32.95	0.05
Profit/(Loss) Brought forward	2355.99	1806.97
Profit/(Loss) available for appropriations	3347.80	2500.28
APPROPRIATIONS / GENERAL RESERVE	100.00	–
- Dividend on Equity Shares	154.17	123.33
- Tax on distributed Profit	25.61	20.96
- Balance carried to balance sheet	3068.03	2355.99

During the year under review, the thrust area was Ship Breaking unit of the company which has achieved 77% increase in terms of Sales Turnover. Sponge Iron unit has achieved 27% increase in terms of Sales Turnover and Trading unit has achieved almost four times increase in terms of Sales Turnover. The finance and investment segment has achieved steady growth of 25%.

Companies consolidated EBIT for the year are at 1833.78 lacs which is 33% higher than the preceding financial year and Net Profit after tax are at 958.86 lacs which is 38% higher than the preceding financial year.

DIVIDEND

Taking into account the sustained good performance of the Company, Your Directors have recommended a Dividend of 25% (Rs. 2.5 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. 15,416,668/- out of profits for the year. Dividend distribution tax payable amounting to Rs. 25,60,516/- has been appropriated out of profits.

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PROSPECTS IN THE COMING YEAR

During the financial year 2010-11, ship-breaking industry at Alang Ship Breaking Yard seen a sustained growth and this booming trend is expected to continue in coming years also. Trading unit of the company has done tremendously well during the year and the trend is expected to continue in the coming years. Steel and Power unit has also driven better results in terms of sales and profit as compared with preceding years and it is hoped that the growth story of the unit shall be sustained. Overall, since the prices of iron and Steel 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 well and are contributing considerably to the profitability of the company. The sponge iron division of the company also has given good results during the year, and 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.

The company has entered into a partnership in M/s. Hariyana Air Products (with 60% share.) During the year the oxygen plant has become operational at Bhavnagar, Gujarat. Because of proximity to Alang Ship Breaking Yard and huge captive consumption requirements of group companies, the company expects good long term benefits from the said partnership venture.

The Company is also taking interest into real estate business. For which has entered into Partnership in the name of "WhiteField Projects" (with 40% share) for construction & selling of residential apartments. The firm has acquired 1 Acre & 20 Guntas of land at Seegehalli, Whitefield, Bangalore with the object of constructing 2 & 3 BHK apartments consisting of 132 Flats. Likely date of completion of the project is August 2012.

The Company has also entered into Partnership and formed a Partnership Firm "Orchid Woods Projects" (with 50% share) for construction & selling of residential apartments. The firm has acquired 3 Acres of land at Kothanur, Hennur Bagalur Main Road, Bangalore with the object of constructing 2 & 3 BHK Apartments consisting of 392 Flats. Likely date of completion in August 2016.

The Company has also entered into partnership (with 33.33% share) to form a partnership firm "Swastik Developers" for construction of building. The firm has acquired 66 Acres of land in Goa. The project is expected to commence soon.

MANAGEMENT DISCUSSION AND ANALYSIS

a) Overview :

The company is now a diversified company with ship breaking, manufacture of sponge & iron, trading activities & investment and money lending activities. The company has also diversified into Real Estate and Construction by going into partnerships with experienced entrepreneurs in the field.

b) Segmental Review :

During the financial year 2010-11, ship-breaking industry at Alang Ship Breaking Yard seen a substantial growth and the trend is expected to continue in coming years also. However, fluctuating and volatile prices of old Ships, Iron and Steel products during the year, the net profit margins of this segment has been affected despite substantial increase in sales. Trading unit of the company has done tremendously well during the year and has achieved almost 400% increase in sales turnover and 300% increase in net profit margin. Steel and Power unit has also driven better results in terms of sales and profit as compared with preceding 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.

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. During the financial year 2010-11, ship-breaking unit seen a substantial growth and the trend is expected to continue in coming years also. However, fluctuating and volatile prices of old Ships, Iron and Steel products during the year, the net profit margins of this segment has been affected despite substantial increase in sales. Though the year under review saw 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 in coming years. 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, the sponge Iron segment has also attained 27% growth in terms of sales turnover and has achieved sales turnover of Rs. 5697.28 lacs as against 4471.08 lacs last year. In spite of to price fluctuations during the year, with cautious approach of the management , the unit has achieved net profit of Rs. 77.31 lacs as against loss of Rs. 25.05 lacs last year. The management of the view that the iron and steel industry is 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.

iii) Trading

The Trading segment has also attained almost 4 times growth in terms of sales turnover and has achieved sales turnover of Rs. 18129.67 lacs as against 3889.30 lacs last year. The segment has achieved net profit of Rs. 653.24 lacs as against loss of Rs. 161.12 lacs last year. The management of the view that the iron and steel sector is 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.

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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.

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 Lacs)

Particulars	Financing	Ship-breaking	Trading	Steel & Power	Total
a) External Sales/Revenue	790.09	8941.64	18210.70	5721.20	33663.63
Inter segment Sales/Revenue	305.91	168.64	227.05	0.00	
Total Revenue	1096.00	9110.28	18437.75	5721.20	33663.63
b) Segment Results Before Interest and Taxes	770.73	(84.37)	605.77	541.66	1833.80
c) Segment results as a % of total	42.03%	(4.60%)	33.03%	29.54%	100%
d) Segment Assets	8407.29	5845.47	7949.27	4744.20	26955.24
e) Segment Liabilities	1838.81	9913.48	8663.89	1640.99	22057.17

* Total Gross Revenue is after elimination of inter segment revenues of Rs. 701.60 lacs.

c) Financial Review and analysis :

Performance :

(Rs in Lacs)

	2010-11	2009-10	% Change
Gross Turnover	33473.08	13932.55	140.25
Other income	190.55	181.42	5.03
Increase/Decrease in Stock of Finished Goods	48.31	142.20	(66.03)
Total Expenditure	31696.88	12707.09	149.44
Operating Profit (PBIDT)	2015.06	1549.09	30.08
Interest	399.62	292.63	36.56
Gross Profit (PBDT)	1615.45	1256.46	28.57
Depreciation	181.26	173.24	4.63
Profit before tax	1434.18	1083.22	32.40
Provision for current Tax & fringe benefit tax	480.68	357.17	34.58
Profit after current tax	953.50	726.05	31.30
Deferred tax	(5.36)	32.79	(116.35)
Adjustment for MAT Credit	—	—	—
Net Profit after total and Exceptional items	958.86	693.26	38.31

e) Cash Flow Analysis :

Sources of Cash	2010-11	2009-10
- Cash from operation	988.67	755.72
- Non-operating cash flow	—	—
- Increase in debts	—	4013.18
- Decrease in cash and cash equivalents	9.76	—
Uses of Cash		
- Net Increase in investments	446.83	54.18
- Increase in working capital	393.41	4552.74
- Decrease in debts	96.50	—
- Net capital expenditure	61.69	153.69
- Increase in cash and cash equivalents.	—	8.30

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 any further major down fall in the price of iron and steel is not expected.

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 2011, 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.

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Directors :

During the year, there has been no change since the last Annual General Meeting.

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

Auditor's Report :

The observation/qualification of the auditors are based on the facts stated in the schedules of notes, 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 :

Messrs Jain Seth & Co., Chartered Accountants, the Statutory Auditors of the Company retires at the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept office, if re-appointed. They have given a certificate to the effect that the re-appointment, if made, would be within the limits prescribed under Section 224(2B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

Members are requested to re-appoint Messrs Jain Seth & Co. Chartered Accountants, as Statutory Auditors for the period commencing from ensuing Annual General Meeting until the conclusion of next Annual General Meeting and fix their remuneration.

Particulars 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.