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Annual Report 2008 - 2009

HILTON METAL FORGING LIMITED

BOARD OF DIRECTORS:

Shri Yuvraj Malhotra	CMD
Shri Navraj Malhotra	Whole time Director
Mr. Harmohindar Singh	
Dhingra	Director
Shri Joseph Mc Kay	Director
Shri Manoj Kumar More	Director
Shri Sanjay Jain	Director
Shri Navin Chokshi	Director

COMPANY SECRETARY:

Vimal Prakash Dubey

AUDITOR:

M/s R.K. Chaudhary & Associates,
Chartered Accountants,
3rd Floor, Kamanwala Chambers,
Sir P.M. Road, Fort,
Mumbai-400001.

REGISTERED OFFICE:

701, Palmspring, Palmcourt Complex,
Link Road, Malad(W),
Mumbai-400064

BANKERS:

State Bank of Hyderabad
The Saraswat Co-op. Bank Ltd
State Bank of Indore
Axis Bank Ltd.

REGISTRAR & SHARE TRANSFER AGENTS:

Sharex Dynamic (India) Pvt. Ltd.,
Unit No.1, Luthra Industrial Premises,
Andheri Kurla Road, Safed Pool,
Andheri (E), Mumbai-400072

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NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the Members of Hilton Metal Forging Limited will be held on Thursday, the 24th September, 2009, at 1st Floor, East Banquet Hall, Goregaon Sports Club, Link Road, Malad (W), Mumbai-400064 at 5.00 p.m. to transact the following business :

AS ORDINARY BUSINESS:

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and the profit & loss account for the year ended on that date along with the schedules thereon and the Reports of the Directors and Auditors thereon.
- 2) To appoint a director in place of Mr Harmohindar Singh Dhingra who retires by rotation and being eligible offers himself for re-appointment
- 3) To appoint a director in place of Mr. Navin Chokshi who retires by rotation and being eligible offers himself for re-appointment
- 4) To appoint a director in place of Mr. Joseph McKay who retires by rotation and being eligible offers himself for re-appointment
- 5) To declare dividend.
- 6) To appoint Auditors and to fix their remuneration.

AS SPECIAL BUSINESS:

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

"RESOLVED THAT the company do hereby ratify the variation in the usage of the funds raised though IPO and Term Loan amounting to Rs. 4132 Lacs as against the envisaged usage of Rs.4815 Lacs in the Prospectus for initial public offering in April,2007."

"RESOLVED FURTHER THAT the balance amount of Rs. 683 Lacs be now utilized as may be decided by the Board of Directors including for working capital requirement of the Company."

- 8) **To consider, and if thought fit to pass with or without modification following resolution as Special Resolution**

"RESOLVED THAT subject to the approval of the Central government and in pursuance of provisions of Section 314 of Companies Act, 1956 , consent of the Company be and is hereby accorded to Mrs. Diksha Malhotra, wife of Mr. Yuvraj Malhotra and relative of Mr. Navraj Malhotra, Directors of the Company, to hold an office or place of Profit as Vice President- Marketing of the Company with effect from 1st April, 2009 at an enhanced remuneration of Rs.1,00,000/- p.m. in the pay scale of Rs. 1,00,000/- to Rs. 3,00,000/- together with usual allowances, benefits, amenities and facilities applicable to other employees occupying similar position within the same salary scale .

RESOLVED FURTHER THAT this resolution shall be deemed to confer the necessary authority to the Board of Directors to sanction to the increments within the grade as they may deem fit and proper and to promote her to any higher grade and remuneration at their discretion and in due course together with the allowances and benefits as may be applicable to the grade or grades for the time being and to give increments within that grade or grades as they may deem fit and proper."

"RESOVED FURTHER THAT the Board of Directors be and is hereby authorized to effect such modification or the scale or any other perquisites payable to Mrs. Diksha Malhotra as may be approved by the Central Government."

For and on behalf of the Board of Directors

Registered Office:

701, PALMSRING,
Palmcourt Complex, Link Road,
Malad (W),Mumbai – 400 064

Date : 19th June,2009

Place : Mumbai

VIMAL PRAKASH DUBEY
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. PROXY FORM AND ATTENDANCE SLIP ARE ENCLOSED. PROXIES, DULY STAMPED AND EXECUTED, MUST REACH AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE ANNUAL GENERAL MEETING.
3. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is annexed to the Notice and forms part of the Notice.
4. Dividend when declared will be paid to all the Shareholders who are entitled to receive payment and whose names appear in the Register of Members as on the 24th September, 2009.
5. All documents referred in the Notice and Explanatory Statement are available for inspection for eligible members on all working days except on Saturdays, and holidays between 11.00 a.m. to 01.00 p.m. up to the date of the General Meeting.
6. Members holding shares in Dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Annual General Meeting.
7. Members/ Proxies should bring their copy of Annual Report and also the attendance slip duly filled in for attending the meeting.
8. The Register of Members and Share Transfer Books of the Company will remain closed from 18th September, 2009 to 24th September, 2009 -both days inclusive.
9. As required under clause 49(IV) (G) of the Listing Agreement of the Stock Exchanges, the relevant details of persons seeking appointment/ re-appointment as Directors are furnished in the Corporate Governance Section of this Annual Report.

For and on behalf of the Board of Directors

VIMAL PRAKASH DUBEY
COMPANY SECRETARY

Registered Office:

701, PALMSRING,
Palmcourt Complex, Link Road,
Malad (W), Mumbai – 400 064

Date : 19th June, 2009

Place : Mumbai

ANNEXURE TO THE NOTICE:

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.7

The break up of Project Cost during different phases of expansion as envisaged in the Prospectus for issue of initial public offering in April, 2007 is outlined in the table below:

(Rs. in Lacs)

Particulars	Amount
Land & Building	178.05
Plant & Machinery including Equipments	3622.67
Furniture & Fixture & Office Equipments	70.00
Preliminary & IPO Expenses	300.00
Margin for Working Capital	455.00
Contingencies	189.28
Total	4815.00

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The Company had raised the total fund of Rs. 4815 Lacs out of which through IPO Rs. 3815 Lacs and through Term Loan Rs. 1000 Lacs was raised.

Due to slow-down in economy world-wide and decreasing product demand, it makes no economic sense to increase the installed capacity and keep it idle, since at present, no remunerative demand is in existence. Further, because of world-wide recession, the prices of machinery are either stagnant or diminishing.

The management has decided to use the balance unutilized fund for some other purpose like working capital finance etc. However, in future when the need of machines arises, the same always can be procured from internal accrual.

The details of utilisation of funds up to 31st march, 2009 as against the usage of funds envisaged in the prospectus for initial public offering along with variation are outlined in the table below:

Particulars	Amount (Rs. in Lacs) as envisaged in Prospectus	Amount (Rs. in Lacs) as utilized up to 31.03.2009	Variation Amount (Rs. in Lacs)
Land & Building	178.05	178.05	0.00
Plant & Machinery including Equipments	3622.67	2962.23	(-)660.44
Furniture & Fixture & Office Equipments	70.00	70.00	0.00
Preliminary & IPO Expenses	300.00	418.77	(+)118.77
Margin for Working Capital	455.00	455.00	0.00
Contingencies	189.28	47.95	(-) 141.33
Total	4815.00	4132.00	(-) 683.00

Since these variations in the usage require the consent of the shareholders under section 61 of the Companies Act, 1956, the Directors recommend passing of this resolution.

None of the Directors is interested in the resolution.

Item No.8

Mrs. Diksha Malhotra has total experience of more than 12 years in the industry. It is proposed to increase her remuneration to Rs. 1,00,000/- p.m. w.e.f. 1st April, 2009 in the pay scale of Rs. 1,00,000/- to Rs. 3,00,000/- together with usual allowances, benefits, amenities and facilities applicable to other employees occupying similar position with in the same salary scale. Since Mrs. Diksha Malhotra being relative of Mr. Yuvraj Malhotra and Mr. Navraj Malhotra, Directors of the company, the consent of shareholders and approval of Central Government is required under section 314(IB) of the Companies Act, 1956 hence this resolution.

None of the Directors, except Mr. Yuvraj Malhotra and Mr. Navraj Malhotra, is directly or indirectly interested in aforesaid resolution.

Directors recommend your acceptance.

For and on behalf of the Board of Directors

VIMAL PRAKASH DUBEY
COMPANY SECRETARY

Registered Office:

701, PALMSRING,
Palmcourt Complex, Link Road,
Malad (W), Mumbai – 400 064

Date : 19th June, 2009

Place : Mumbai

DIRECTORS' REPORT

To

The Members

Hilton Metal Forging Limited

1. Your Directors present the Fourth Annual Report and the Audited Statement of accounts of the Company for the year ended March 31st, 2009.

Financial Results

(Rs in Lacs)

Particulars

	Year Ended March 2009	Year Ended March 2008
Sales	7307.85	7716.74
Other Income	604.77	773.65
Profit before Interest, Depreciation, exceptional Items and Tax	1040.38	903.23
Less : Finance Charges	441.02	245.65
Profit before Depreciation, exceptional Items and Tax	599.36	657.58
Less : Depreciation	125.78	57.08
Profit before exceptional Items and Tax	473.58	600.50
Less : Exceptional Items	47.84	47.84
Profit Before Tax	425.74	552.66
Less : Current Tax /Deferred Tax	150.14	189.72
Profit after Tax	275.60	362.94
Balance Brought forward from previous year	601.23	530.35
Prior Period Expenses	126.82	0.00
Balance Available for Appropriation	750.01	893.29
Appropriation		
Proposed Dividend for the Financial year at the rate of Rs.1.00 per share	124.43	124.43
Corporate Dividend Tax	17.62	17.62
Transferred to General Reserves	50.00	150.00
Balance Carried to Balance Sheet	557.96	601.26

2. Operations & Future Outlook

- (i) The Company achieved net sales and other income of Rs 7912.62 lacs for the year ended on 31st March, 2009 as against net sales and other income of Rs 8490.39 lacs achieved in the previous year, recording a decrease of 6.80% in turnover. The year under review, ended with a gross profit of Rs. 1040.38 Lacs (Previous year Rs. 903.23 Lacs) rise of 2.50% over last year's gross profit and pre-tax profit of Rs 425.74 Lacs (Previous year Rs. 552.66 Lacs). The Company's relentless efforts in developing new high value products, reducing costs, improving productivity and yield, conserving energy, standardizing of production process and improving work practices, initiatives in technical up-gradation, procurement of raw material and combating the dollar movement on export realization, helped to retain margins in an increasing cost scenario. Your company was able to withstand the adverse circumstances prevailed because of world wide slow down in economy. Due to strict environment norms observed by some countries where your company is exporting its material has caused reduction in turnover as compared to last year. However the net profit was reduced mainly because of high financial cost and depreciation on new assets acquired and installed during the year.
- (ii) As per the requirements of Clause 43 of the Listing Agreement, details of the utilization of the funds received from Initial Public Offer of Equity Shares are as under.

Amount Rs in Lacs

Sr No	Particulars	Projected	Actual Spent
1	Land & Building	178.05	178.05
2	Plant & Machinery including Equipments	3622.67	2962.23
3	Furniture, Fixture & Office Equipments	70.00	70.00
4	Preliminary & IPO Expenses	300.00	418.77
5	Margin for Working Capital	455.00	455.00
6	Contingency	189.28	47.95
7	Total	4815.00	4132.00

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The project envisaged and for which the funds were raised thru IPO having size of 3815 Lacs and Bank Finance thru Term Loan of Rs 1000 Lacs is completed with development of site with necessary infrastructure for a forging industry. The Balancing equipments like cutting machines, machining centers. (CNC, VMC and HMC Machines) of various types, size and nature have been installed.

With the installation of balancing equipments the capacity utilization of 16 ton Hammer have been increased and will be more and more used for bigger size and high value items in years to come. Installation of 3 ton Drop Forging Hammer, 2000 Maxi press, Pneumatic Hammer and allied machinery have been completed successfully and put to use. This will increase the production capacity to a large extent.

Due to the slow-down in economy world-wide and decreasing product demand, it makes no economic sense to increase the installed capacity and keep it idle, since at present, no remunerative demand is in existence. Further, because of world-wide recession, the prices of machinery are either stagnant or diminishing. Therefore the management is of the opinion of keeping the purchase of 2000 ton ring rolling machine in abeyance.

The management has decided to use the balance unutilized fund for some other purpose like working capital finance etc. However, in future when the need of machines mentioned above arises, the same always can be procured from internal accrual.

3. Dividend

Your Directors are pleased to recommend a dividend of 10% i.e Rupee 1.00 per Equity share of Rs 10 each for the year ended March 31st, 2009, resulting out flow will be Rs 142.05 lacs. Your Board further proposes to transfer to General Reserves an amount of Rs 50.00 lacs out of the profit.

4. Finance

The requirement of Working Capital finance has been sanctioned by the consortium of banks under leadership of State Bank of Hyderabad.

5. Deposits :

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

6. Directors' Responsibility Statement:

In view of the provisions of Section 217(2AA) of the Companies Act 1956, your Directors state that in preparation of the Financial Statements for the year ended 31st March, 2009:

- a) The applicable Accounting Standards have been followed by the Company, with necessary explanation for material departure, if any;
- b) The accounting policies adopted and applied consistently, in the opinion of the Directors are reasonable and prudent and gives true and fair view of the state of affairs of the Company at the end of the financial period and of the Profit of the Company for the year ended on that date;
- c) The proper and sufficient care was taken for the maintenance of the adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The accounts have been prepared on a going concern basis.

7. Committees:

In terms of the provisions of Companies Act, 1956, and considering the requirement under Clause 49 of the Listing Agreement of the Stock Exchanges, Audit Committee, Shareholders' Grievance Committee, Management Committee and Managerial Remuneration Committee have been formed with the required number of Independent Directors of the Company.

8. Directors:

Mr. Joseph McKay, Mr. Harmohindar Singh Dhingra and Mr. Navin Chokshi, the Directors, are liable to retire by rotation at the ensuing Annual General Meeting and have given their consent to be re-appointed as the Directors. Your Directors recommend their appointment.

9. Auditors:

M/s. R K Chaudhary & Associates, Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The members are requested to appoint the auditors.

The company has received a confirmation from them to the effect that their appointment, if made, would be within the prescribed limits-U/S 224 (1B) of the Companies Act, 1956.

10. Management Discussion and analysis Business of the company and over view

The year under review witnessed a multitude of phenomenon with reference to Industrial production and costs



across the globe. The state of art new facility, which has been built to international standard have been approved by not only American Petroleum Industry but by reputed approver like SASOL and PDO Oman, besides AEL the Indian Master. This has resulted in better order book position and there will be a surge in orders in the years to come.

During the year the expansion programme with the installation of 2000 Maxi Press, pneumatic hammer, HMC, CNC machines along with the various balancing equipments was completed. Your company hopes to increase the production from these new machinery during the future years.

Like other Indian Exporters of Steel products faced the problem of radio contamination detection in the raw material used to produce the forgings, your company also has felt the dent of the same. Many consignments, which were shipped, through midway had to be called back for testing of radio contamination. Your Company not only has installed various instruments to check the contamination but also invited officials of Atomic Energy Regulatory Board to inspect the factory site thoroughly. Your company has obtained a certificate that no radiation level above the natural background radiation level was observed by them on day of their visit as well the company is suitably equipped with radiation monitoring instruments.

The company continues to enjoy 0.89 % anti Dumping Duty on its products exported to USA and this gives huge advantage to the company over its competitors.

All these augur well for the future of your company and we see significant growth in the years to come.

RISK MANAGEMENT

The company recognizes that this is inevitable and believes in having optimum, well-defined and integrated risk management strategy. It also believes that proper risk identification, evaluation and mitigation would help to achieve its target of sustainable profitability and growth.

The upward fluctuation in raw material prices adversely affects profitability. Hence the company constantly monitors raw material price and revises the selling prices of its products.

HUMAN RESOURCES

The company's HR policy and process are aligned to effectively drive its expanding business and forays in to emerging opportunity. This has been achieved by continuous investing in training and development programs, creating a compelling work environment, empowering employees at all levels and maintaining well structured and recognition mechanisms. The company helps employees build new skills and new competencies and promotes knowledge sharing and team building. The company's recruitment practice ensures that suitable candidates with merit are recruited and provided with right opportunity.

CAUTIONARY STATEMENT

Statements in the management discussion and analysis describing the company's objective, projections, estimates and expectations may constitute "FORWARD LOOKING STATEMENTS" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent development, information or events.

11. Disclosure of particulars with respect to conservation of energy, foreign exchange earning / outgo etc :

Statement giving particulars relating to conservation of energy, technology absorption and foreign exchange earning and outgo as required under section 217(1)(e) of the Companies Act, 1956 is annexed.

12. Particulars of Employees

The statement under sub-section (2A) of section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended and forming part of this report is given in annexure. The annexure shall, however, be provided to the member on request to be made to the Company Secretary.

During the period under review, relation with the workmen continued to remain cordial. The Company has and possesses good faith and trust of the workers and continues having best industrial relation with its workmen force.

13. Acknowledgements:

Your Directors take this opportunity to thank the Company's Bankers, foreign buyers for their continued co-operation and patronage. The Board of Directors also thank all the employees for their contribution, dedication, commitment and hard work and continued co-operation throughout the year.

For and on behalf of the Board of Directors

Mumbai
Dated : 19th June, 2009

Yuvraj Malhotra
Chairman and Managing Director

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Annexure to Directors' Report**A Conservation of Energy**

Energy conservation is priority area for the Company, Energy conservation measures taken during the year included:

1. Optimum utilization of maximum demand.
2. Replacement of all incandescent lamps with CFL
3. Control of Compressed air leakage
4. Awareness and training programs for employees

With proper planning and awareness, consumption of electricity and diesel was reduced compared to previous year. Proposed work area includes furnaces, water cooling plants, servo control voltage stabilizers for lighting, compressed air systems and selection of energy efficient plant and machinery. Due to new machines installation and new sheds made functional, consumption of energy is factually seen more as compared to last year.

**Form A
(See Rule2)**

Power and Fuel Consumption	Current year ended 31-03-2009	Previous year ended 31-03-2008
1. Electricity		
Purchased Units (KWH)	2409947	2232152
Total Amount (in Rupees)	15140649	14428284
Rate/unit (Rs.)	6.28	6.46
2. Furnace Oil		
Quantity (KLS)	998	763
Total Amount (Rupees)	24363611	18862053
Average Rate Per KLS	24412.44	24720.90

B: Consumption per unit of production

The company produces wide range of forgings, flanges and other allied products. It is not practicable to establish product wise energy consumption.

FORM - B**(DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT (R & D))**

1. Specific area in which R & D carried out by the company

The company is in continuous process of improving quality standards and developing new items for uses by different types of industries.

2. Benefit derived as a result of the above R & D

The direct result with the use of the above is the company's products are well established in export market and percentage of rejection is very negligible.

3. Future plan and Action

With expansion program, the company is willing to add more testing and laboratory equipment for total controlled analysis of different steel category.

4. Expenditure on R & D

The products of the company are mainly forging and flanges which does not require much of R & D since those are an established standard products like API/ASTM.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

The Company has installed one unit and planning to install two more units of Heat treatment plant to meet the quality of the product and also installed Vertical Machining Centre (VMC) for making dies strictly as per the

customer's drawings. Heat Treatment Plant along with sophisticated die shop has been absorbed successfully in the plant.

EXPORT INITIATIVES:

The Company has exported to USA, United Kingdom and Germany. The Company has taken all round efforts and initiatives viz. participation in international fairs, and other marketing efforts. The Company will expand its clients base to other countries and will strive for quality, efficient and international standards.

FOREIGN EXCHANGE EARNING AND OUTGO:

Our Foreign Exchange earning through exports was to the tune of Rs 5323.21 Lacs. The Company's outgo of foreign exchange activities amounted to Rs 310.01 Lacs particulars of Foreign Exchange earning and the utilization during the period appears in Schedule XVI to the accounts.

For and on behalf of the Board of Directors

Yuvraj Malhotra

Chairman and Managing Director

Mumbai

Dated : 19th June, 2009