

**HF** **HILTON**  
**METAL FORGING LTD.**

**FORGINGS AS YOU LIKE...**

**ANNUAL REPORT 2010-2011**

## HILTON METAL FORGING LTD.

### BOARD OF DIRECTORS :

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

### AUDITOR :

M/s R. K. Chaudhary & Associates,  
Chartered Accounts,  
3rd Floor, Kamanwala Chambers,  
Sir P. M. Road, Fort,  
Mumbai - 400 001.

### REGISTERED & CORPORATE OFFICE :

701, Palm Spring, Palmcut Complex,  
Link Road, Malad (West)  
Mumbai – 400 064.

### BANKERS:

State Bank of Hyderabad  
State Bank of Indore

### REGISTRAR & SHARE TRANSFER AGENTS :

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

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## **NOTICE**

Notice is hereby given that the Sixth Annual General Meeting of the Members of Hilton Metal Forging Limited will be held on Wednesday, the 28<sup>th</sup> September, 2011 at 701 Palm Spring, Link Road, Malad (West), Mumbai-400064 at 4.00 p.m. to transact the following business :

### **AS ORDINARY BUSINESS:**

- 1) To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2011 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. Joseph McKay who retires by rotation and being eligible offers himself for re-appointment
- 4) To declare dividend.
- 5) To appoint Auditors and to fix their remuneration.

**For and On Behalf of Board of Directors**

CHAIRMAN

### **Registered office**

701, Palm Spring  
Link Road,  
Malad (West) Mumbai – 400 064

Date: 29<sup>th</sup> July, 2011

Place: Mumbai

**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. 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 28<sup>th</sup> September, 2011
4. All documents referred in the Notice and Explanatory Statement is 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.
5. 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.
6. Members/ Proxies should bring their copy of Annual Report and also the attendance slip duly filled in for attending the meeting.
7. The Register of Members and Share Transfer Books of the Company will remain closed from 22<sup>nd</sup> September, 2011 to 28<sup>th</sup> September, 2011 -both days inclusive.
8. 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 Board of Directors**

**CHAIRMAN**

**Registered office**

701, Palm Spring  
Link Road,  
Malad (West) Mumbai – 400 064

Date: 29<sup>th</sup> July, 2011

Place: Mumbai

**DIRECTORS' REPORT**

To  
**The Members**  
**Hilton Metal Forging Limited**

1. Your Directors present the Sixth Annual Report and the Audited Statement of accounts of the Company for the year ended March 31<sup>st</sup>, 2011.

**Financial Results**

(Rs in Lacs)

Particulars	Year Ended March 2011	Year Ended March 2010
Sales	6158.29	4707.42
Other Income	351.48	346.83
Profit before Interest, Depreciation, exceptional Items and Tax	713.35	753.08
<b>Less : Finance Charges</b>	337.64	408.16
Profit before Depreciation, exceptional Items, Waivers and Tax	375.71	344.92
<b>Less: Depreciation</b>	197.44	185.05
Profit before exceptional Items and Tax	178.27	159.87
<b>Less: Exceptional Items</b>	47.84	47.84
Profit Before Tax	130.43	112.03
<b>Less: Current Tax /Deferred Tax</b>	113.90	130.91
Profit after Tax	16.53	(18.88)
Balance Brought forward from previous year	573.32	557.96
Prior Period Expenses		
Excess provision written back / written off	-0.01	105.64
Balance Available for Appropriation	589.84	644.72
Appropriation		
Proposed Dividend for the Financial year at the rate of Rs.0.25 per share	31.12	31.11
Corporate Dividend Tax	5.29	5.29
Transferred to General Reserves	35.00	35.00
Balance Carried forward	518.43	573.32

**2. Operations & Future Outlook**

The Company achieved net sales and other income of Rs 6508.64 lacs for the year ended on 31st March, 2011 as against net sales and other income of Rs 5054.49 lacs achieved in the previous year, recording an increase of 28.78% in turnover. The year under review, ended with a gross profit of Rs. 713.35 lacs (previous year Rs 753.08 Lacs) and pre-tax profit of Rs 130.43 Lacs (Previous year Rs 112.03 Lacs). Though the turn-over is increased during the year under review, margin of profit is reduced due to stiff hike in various inputs like furnace oil, electricity etc.

**3. Dividend**

Your Directors are pleased to recommend a dividend of 2.50% i.e Rupee 0.25 per Equity share of Rs 10 each for the year ended March 31st, 2011, resulting out flow will be Rs 36.41 lacs. Your Board further proposes to transfer to General Reserves an amount of Rs 35.00 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, 2011 :

- 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 and Mr. Harmohindar Singh Dhingra the Directors, are liable to retire by rotation at the ensuing Annual General Meeting Being eligible and having given their consent to be re-appointed as the Directors, your Directors recommend their re-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**

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented in addition to the Directors Report in a separate section forming part of Annual Report.

**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 effects 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 defer 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 earnings 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**

Sd/-

Yuvraj Malhotra

Chairman and Managing Director

Mumbai

Dated : 31<sup>st</sup> May 2011

**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)**

<b>Power and Fuel Consumption</b>	<b>Current year ended 31-03-2011</b>	<b>Previous year ended 31-03-2010</b>
1. Electricity		
Purchased Units (KWH)	2659222	2528268
Total Amount (in Rupees)	16306680	14445060
Rate/unit (Rs.)	6.13	5.71
2. Furnace Oil		
Quantity (KLS)	855	810
Total Amount (Rupees)	23267905	18951819
Average Rate Per KLS	27213.92	23397.31

**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.

**F O R M – B  
(DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY  
ABSORPTION, RESERCH 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, ADAPTION 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 around efforts and initiatives viz. participation in international fairs, and other marketing efforts. The Company will expand its client base to other countries and will strive for quality, efficient and international standards.

**FOREIGN EXCHANGE EARNING AND OUTGO:**

Activities relating to Exports: Our Foreign Exchange Earning through exports was to the tune of Rs 3259.68 Lacs. The Company's outgo of foreign exchange activities amounted to Rs 24.74 Lacs particulars of Foreign Exchange earning and the utilization during the period appears in Schedule XVI to the accounts.

Initiative taken to increase Exports etc;

1. Company regularly participates in various exhibition held in foreign, displaying its products approved by quality awarders world-wide and also demonstrate the company's competitiveness in quality and cost factors.
2. The Company is exercising level best efforts to multiply its relation with existing customers by fulfilling their supply needs.

**For and on behalf of the Board of Directors**

Mumbai  
Dated : 31<sup>st</sup> May 2011

Sd/-  
Yuvraj Malhotra  
Chairman and Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### EXTERNAL ENVIRONMENT

2010-11 has reaffirmed the strength in the global economic recovery. In 2009, global output had reduced by 0.5%. Several major developed economies had witnessed a fall in economic output. Most of these developed economies bounced back in 2010 : USA grew by 2.8% in 2010 against (-) 2.6% in 2009; the Euro Zone grew by 1.7% in 2010 against (-) 4.1% in 2009; Japan grew by 3.9% in 2010 against (-) 6.3% in 2009. And, within the Euro Zone, Germany has staged a very strong recovery from (-)4.7% in 2009 to 3.5% in 2010. This has contributed significantly to a recovery in world output growth to 5% in 2010.

The developing and emerging economies also witnessed higher growth in economic output of 7.1% in 2010 against 2.6% in 2009. China and India recovered strongly and are well on their high growth trajectory. Chart B shows that from the third quarter of 2009, both China and India have registered strong growth rates with the trend continuing throughout 2010. Advanced estimates suggest that while China grew by around 10% in 2010, India will register a GDP growth of 8.5% in 2010-11.

While growth is back, there are some concern areas. An environment of rising global demand, supply side constraints and increased speculative activities have led to sharp increases in commodity prices — such as crude oil, minerals and metals and food. With higher consumer and producer price inflation in all key emerging markets, especially India and China, it is not surprising that the central banks have raised interest rates and tightened money supply to curtail excess demand. This development carries two risks. First, is that the higher cost of finance may affect consumer demand. Second, is that it might impede future investments leading to slowing down of economic growth. In addition to these issues, higher input costs are exerting pressure on profit margins.

### INDUSTRY SCENARIO

The fortunes of the forging industry are on a rise - it has consistently recorded a notable increase in production capacity utilization and exports. In addition to the big players, the industry offers enough opportunities to small and medium size enterprises as well they form a large part of this industry. The industry, clearly, is one of our best bets to garner a substantial market share in the manufacturing sector, which as of now, is regarded as China's stronghold. No economy that aspires to hold sway in the global arena can afford not to lay emphasis on the manufacturing industry. Considering the confidence of companies abroad, who are outsourcing their operations to India; it is quite likely that the forging industry will be foremost among the segments that will steer manufacturing growth here. While the current performance of the industry is indeed flattering, what is more gratifying is the fact that players in the sector firmly believe it will scale greater heights in the coming years. The indications are all there - it's just a matter of time before the industry achieves its exceptional potential. This industry has therefore a tremendously bright future. India is definitely emerging as a globally competitive supply base and if companies upgrade their technology levels and modernize themselves, there is no limit to what they can achieve in terms of growth.

It's a niche business and so the size of this industry around the world is relatively small, and same is the case with India. There are more than 300 forging companies, in the small, medium and large sectors. In other industries, small players usually find it difficult to compete with the big players; but here, it's the other way round. What happens in this business, unlike any other business, is that it's the smaller companies which gain higher and higher level of competence and therefore start competing with some segments of products that the bigger players deal in. Hence, bigger players are forced to vacate that space and move on to higher value added products. There is therefore scope for everyone to play a fairly active role in this business - small, medium and large enterprises as well as very large enterprises. The smaller businesses will grow faster than the larger businesses in this industry because the opportunities are quite a lot and smaller businesses generally have much nimbler and more agile