

ANNUAL REPORT

FOR THE YEAR ENDED 31ST March 2006



HINDUSTAN WIRES LIMITED

HINDUSTAN WIRES LIMITED

BOARD OF DIRECTORS

Shri U.S. Bhartia
Shri G.R. Goenka
Shri K.M. Lal
Shri Bodhishwar Rai (SBI Nominee)
Shri R.K. Gupta, Executive Director

BANKERS

State Bank of India

AUDITORS

Messrs. K.N. Gutgutia & Co.

REGISTERED OFFICE

3A, 5th Floor, Shakespeare Sarani
Kolkata – 700 071

FACTORY:

Plot No.267, Sector – 24, Faridabad
(Haryana) – 121 005

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HINDUSTAN WIRES LIMITED**NOTICE**

NOTICE is hereby given that the Forty sixth Annual General Meeting of the Members of the Company will be held at the Auditorium of Bharatiya Bhasha Parishad at 36A, Shakespeare Sarani, Kolkata 700017 on Friday the 8th September 2006 at 11.00 AM to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and Balance Sheet as at 31st March, 2006 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Shri U S Bhartia, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Statutory Auditors of the Company to hold office from the conclusion of this meeting until conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration. M/s. K.N. Gutgutia & Co., Chartered Accountants, the retiring auditors are eligible for re-appointment.

SPECIAL BUSINESS.

4. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an ordinary resolution.

"Resolved that pursuant to the provisions of Section 309, 310 and 311 read with Schedule XIII of the Companies Act, 1956 and such other provisions as may be applicable, subject to the approval of the Central Government or other authorities, if any, consent of the members of the Company be and is hereby accorded for variation in the agreement dated 31st January 2003 and Resolution of Members passed in the Annual General Meeting held on 24th September 2003, by way of increase in managerial remuneration of Mr. R K Gupta – Executive Director of the Company from basic salary of Rs. 35,500/- per month to Rs. 67,500 per month and other terms and conditions including allowances and perquisites remaining the same as mentioned therein w.e.f. 1st April 2006 to 31st October 2007 (remaining period of tenure of appointment.) so as not to exceed the limit of managerial remuneration as specified in Schedule XIII of the Companies Act, 1956 or any other amendments need thereto from time to time.

Further "Resolved that Board of Directors be authorised to alter or vary or modify any terms and conditions including managerial remuneration so as not to exceed the limit of managerial remuneration as specified in schedule XIII of the Companies Act, 1956 or any other amendments made thereto from time to time in future and to take all necessary action on behalf of the Company in this respect"

By Order of the Board of Directors

Regd. Office:
3A Shakespeare Sarani, Kolkata - 700071
the 25th July, 2006.

U.S. Bhartia
Director

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/herself and proxy need not be a member of the Company. Proxies must be received by the Company not less than 48 hours before the meeting.
2. The Register of members and the transfer books of the company will remain closed from 6th Sept. 2006 to 8th Sept. 2006 (both days inclusive).
3. Explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of the Special Business to be transacted at the meeting is annexed hereto.

HINDUSTAN WIRES LIMITED**Annexure to the Notice****Details of Director seeking re-appointment at the forthcoming Annual General Meeting**

Name of the Director	Shri U S Bhartia
Date of Birth	13 th December 1953
Date of Appointment	28 th September 1981
Expertise in specific functional area	He is one of the Promoter and has diverse and extensive experience of over 25 years in Management of different Industries.
Qualification	B.Com
Directorship in other Public Limited Companies	a) India Glycols Ltd., b) Kashipur Holdings Ltd., c) IGL Finance Limited, d) Polylink Polymers (India) Ltd. e) Laurel Finance Ltd., f) Punam Commercial Co Ltd.
Chairman/Member of the Committees of the Board of the Public Limited Companies on which he is a Director	Audit Committee of Hindustan Wires Ltd. Remuneration Committee of Hindustan Wires Ltd. Audit Committee of Polylink Polymers (I) Ltd, Investor Grievance Committee of India Glycols Ltd

Explanatory statement Under Section 173 (2) of the Companies Act, 1956.

Shri R K Gupta is a Chartered Accountant having more than 27 years of experience in financial, commercial and operational areas of the industry. He is having more than 24 years of long association with the company and was appointed as whole time director (designated as Executive Director) by the Company in its Annual General Meeting held on 24th Sept. 2003 for a period of five years w.e.f. 1st November 2002 to 31st October 2007 at a remuneration i.e. Basic salary Rs. 35,500/-, HRA 50% of Basic salary, Medical reimbursement 10% of Basic salary, Leave Travel Assistance 12.5% of Basic salary, Car with driver, telephone facility at residence, personal accident insurance, contribution to Provident fund, terminal gratuity and leave encashment.

Considering his performance during last 4 years, and the increased responsibilities, it is necessary to revise his basic salary from Rs. 35,500/- per month to Rs. 67,500/- per month w.e.f. 1st April 2006 to 31st October 2007 (remaining period of his tenure of appointment). However, the terms and conditions including other allowances and perquisites as mentioned in the Resolution of the members of the company in their meeting held on 24th September 2003 will remain same. The total managerial remuneration of Mr. R K Gupta – Executive Director of the Company after the revision of his salary as mentioned above will be within the limit of schedule XIII of the Companies Act 1956. The said revised remuneration of Mr. R K Gupta has been approved by the remuneration committee and Board of Directors in their meetings held on 25th July 2006, subject to the necessary approval of the members, Central Government and any other authorities as may be applicable

Pursuant to section 309, 310 and 311 read with schedule XIII of the Companies Act, 1956, your approval is also required for the proposed business. Your directors, therefore, recommend the resolution for your approval.

Save and except Shri R K Gupta, none of the directors of the company, in any way, concerned or interested in this resolution.

This explanatory statement alongwith the relevant resolution may be treated as an abstract of the variation of the terms of contract of appointment of Executive Director to be disclosed to the members in compliance of the provisions of section 302 of the Companies Act, 1956.

By order of the Board of Directors

Regd. Office:
3A, Shakespeare Sarani,
Kolkata.

U.S.Bhartia

the 25th July 2006

Director

HINDUSTAN WIRES LIMITED**DIRECTORS' REPORT****TO THE SHAREHOLDERS**

Your Directors present their Annual Report together with Audited Accounts of the Company for the year ended on 31st March, 2006

FINANCIAL RESULTS

The Results are summarised below:

	Year ended On <u>31.03.2006</u>	(Rs. in Lacs) Year ended On <u>31.03.2005</u>
Gross Sales (excluding excise duty)	0.75	0.12
Other income & Liabilities no longer required written back	731.03	429.34
Expenses	103.58	157.89
Interest	65.70	116.43
Profit/(Loss) before Depreciation & Tax	562.50	155.14
Depreciation	28.16	33.67
Provision for fringe benefit Tax	0.87	--
Net Profit/(Loss)	533.47	121.47
Add : Transfer from Debenture Redemption Reserve	--	12.50
Net Profit/(Loss) Carried to Balance Sheet	533.47	133.97

OPERATIONS & GENERAL REVIEW

During the year the Company could not carry out any manufacturing operations at its manufacturing unit at Faridabad as the Company could not receive any viable orders from Public Sector Oil Companies for its products i.e. LPG Cylinders, Valves and Regulators. The demand from the public sector oil companies for the Company's products has been reduced substantially and further these products are procured by them on net delivered price i.e. inclusive of all taxes. As such whatever the small quantities of these products required by them are supplied by units which are operating from tax free zones as they are having competitive advantage in getting the orders. However, if the demand improves, the Company can get orders and is in a position to restart its operations.

REHABILITATION SCHEME

The Board for Industrial and Financial Reconstruction (BIFR) had sanctioned a Rehabilitation Scheme of the Company and in terms of the said scheme, the Company has repaid the full dues of SBI which were settled under OTS. However, interest liability of Rs. 2.07 crores has accrued in respect of delay in payment of instalments of OTS for which the Company has represented to the Bank for its waiver/concession. During the year, in terms of the Rehabilitation Scheme, the Asset Sale Committee has completed the sale of major Assets of Wire Units including Land and Building of Sodepur unit and the proceeds of the sales were mainly utilised in repayment of the dues of State Bank of India.

HINDUSTAN WIRES LIMITED**DIVIDEND**

In view of accumulated losses, your Directors are not in a position to recommend any dividend for the year ended 31st March, 2006.

PUBLIC DEPOSITS

At the end of the year, there is no outstanding Public Fixed Deposit except unclaimed deposits amounting to Rs. 42,000/-

DIRECTORS

Shri U S Bhartia a Director of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

That in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are 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 that year.

That the Directors have 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 and detecting fraud and other irregularities.

That the Directors have got prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSIONS AND ANALYSIS**Financial Performance**

During the year the operations of the Company remained closed at its only manufacturing unit at Faridabad as the Company could not receive any orders for its products from the public sector oil companies. In terms of Sanctioned Rehabilitation Scheme the Company and the Asset Sale Committee has completed the sale of major Assets of its Wire Units and the sale proceeds of the same were utilised for repayment of the dues of secured lenders. During the year the Company has made a net profit of Rs 533.47 lacs which is mainly on account of profit on sale of Assets and write back of liabilities no longer required.

Business/ Industry Outlook

The main customers of the Company's products i.e. LPG Cylinder, Valves & Regulators are Public Sector Oil Companies. The demand of these products has been reduced substantially and further these products are procured by them on Net Delivered Price and as such the units operating in tax free zones are having competitive advantage in getting the orders. However, if the demand improves, the Company will be in a position to get orders and also in a position to restart its operations. Meanwhile the Company is trying to diversify its manufacturing activities in other General Engineering Sector.

HINDUSTAN WIRES LIMITED**Internal Control System**

The internal audit of the Company is periodically conducted by a firm of Chartered Accountants and the Audit Committee reviews the reports and internal control systems.

Human Resource

The Company considers the quality of its human resources to be an important asset.

CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed. Auditors' certificate on compliance of conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges is also annexed.

PARTICULARS OF EMPLOYEES

None of the Company's employees has drawn salary more than Rs. 24 Lacs per annum, if employed throughout the year and more than Rs. two Lacs per month if employed for part of the year. Hence, information required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees)(Amendment) Rules, 2000 is not applicable to your Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

The information required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

AUDITORS' REPORT

The Notes referred to in the Auditors' Report are self-explanatory and it is also clarified in Para 5 (Part-B) Schedule I of Notes to Accounts. In respect of undisputed Statutory dues and Bank dues, efforts are being made to make payment and regularise the accounts on priority basis.

AUDITORS

The term of Office of Messrs. K.N. Gutgutia & Co., Chartered Accountants as Auditors of the Company expires at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the assistance and co-operation received from State Bank of India, Share holders and Suppliers and look forward to their continued support.

Your Directors also wish to place on record their appreciation for the devoted services of the employees of the Company.

For and on behalf of the Board of Directors

New Delhi
the 29th May, 2006

R. K. Gupta
Executive Director

U. S. Bhartia
Director

HINDUSTAN WIRES LIMITED**ANNEXURE TO THE DIRECTORS' REPORT**

Information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended on 31st March, 2006

ENERGY CONSERVATION

- (a) During the year manufacturing operations remained closed. The following energy conservation measures which were taken in earlier years were practised during the year wherever required.
- (i) Shutting down all electrical machineries and appliances when not in use to avoid unnecessary waste of energy.
 - (ii) The Company's Engineers are continuously trying to find out ways and means to conserve energy by combination of operations, elimination of unnecessary process and various wasteful practices.
 - (iii) Providing automatic shut off twilight switch for lighting in and around factory premises and use of more transparent sheets for daytime lighting.
 - (iv) Providing automatic load and unload device on compressors.
 - (v) Providing soft starters at electrical control panels which give a saving in power consumption.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
No investment is proposed since the manufacturing operations are lying closed.
- (c) Impact of (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
It has resulted in awareness at all levels to use the energy with best possible manner and reduce the wastage during the period when the load is not required.
- (d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the schedule thereto: This is not applicable in case of your Company.

TECHNOLOGY ABSORPTION

Efforts made in technology absorption:-

- (i) Research and Development
No specific research and development work was taken up since the manufacturing operations are lying closed.
- (ii) Technology absorption, Adaptation and Innovation
Particulars of technologies imported during the last 5 years: NIL

FOREIGN EXCHANGE EARNINGS & OUTGO

During the year, the Company's export earnings are NIL. The total foreign exchange earned/utilised – Nil.

For and on behalf of the Board of Directors

Place : New Delhi
The 29th May, 2006.

R. K. Gupta
Executive Director

U. S. Bhartia
Director

HINDUSTAN WIRES LIMITED**REPORT ON CORPORATE GOVERNANCE****COMPANY'S PHILOSOPHY**

Your company believes in good corporate practices. Most of the provisions of the Corporate Governance code prescribed by the Companies Act and Listing Agreement have been complied with.

BOARD OF DIRECTORS**COMPOSITION OF THE BOARD**

The Board of Directors consists of five directors. The present composition and category of the Directors is as follows:

Name	Category
Shri U.S. Bhartia	Promoter - Non Executive Director
Shri G.R. Goenka	Independent - Non Executive Director
Shri B. Rai	Independent - SBI Nominee
Shri K.M. Lal	Independent - Non Executive Director
Shri R.K. Gupta	Executive Director

NO. OF BOARD MEETINGS

During the year ended 31st March, 2006, five Board Meetings were held. These were on 20th May 2005, 29th June, 26th July, 29th October and 23rd January 2006.

The attendance of each Director on Board Meetings & Last Annual General Meeting (AGM) and number of other Directorship and Membership/Chairmanship of Committee are as follows :

Name of the Director	Attendance Particulars		No of Directorship and Committee Membership/Chairmanship in other Companies		
	Board Meetings	Last AGM	Other Directorship	Committee Memberships	Committee Chairmanships
Shri U.S. Bhartia	5	No	6	4	NIL
Shri G.R. Goenka	3	Yes	2	NIL	NIL
Shri B. Rai	5	No	13	8	4
Shri K.M. Lal	3	No	5	3	-
Shri R.K. Gupta	5	Yes	NIL	NIL	NIL

AUDIT COMMITTEE

Audit Committee consists of three non – executive directors viz. Shri U.S. Bhartia, Shri B. Rai, and Shri K M Lal. Out of these three directors, Shri K M Lal and Shri B Rai who is also the Chairman of the Audit Committee are independent Directors

The broad terms of reference of the Audit Committee is to review half yearly results and annual results of the Company and to review the internal control system and scope of audit, observations of the auditors and other related matters as mentioned in clause 49 of the Listing Agreement and in Section 292 A of the Companies Act, 1956.

The attendance record of the members at the meetings were as follows:

Name of Director	Status	No. of meeting attended
Shri B. Rai	Chairman	3
Shri U.S. Bhartia	Member	3
Shri G.R. Goenka up to 23 rd Jan.06	Member	2
Shri K M Lal from 23 rd Jan.06	Member	1

During the year the Audit Committee met three times on 29th June 2005, 29th October 2005 and 23rd January 2006. These meetings were also attended by the Statutory Auditors of the Company.

HINDUSTAN WIRES LIMITED**DIRECTORS REMUNERATION**

During the year the Executive Director, Shri R.K. Gupta was paid remuneration including salary, HRA, Contribution to Provident Fund and perquisites amounting to Rs.7,85,970.00

NON EXECUTIVE DIRECTORS

The remuneration paid to non-executive directors for the financial year ended 31.3.2006 consist only of sitting fees for attending the Board and Committee meetings. The details of such payments are as under :

Shri U.S. Bhartia	24,000/-
Shri B. Rai	24,000/-
Shri G.R. Goenka	15,000/-
Shri K M Lal	12,000/-

The Number of shares held by non executive Directors are (a) Mr. U S Bhartia 84,631 (b) Mr. G R Goenka 849 (c) Mr. K M Lal 60, (d) B.Rai 100.

DISCLOSURES

The particulars of transactions between the Company and its related parties as per accounting standard 18 "Related Parties Disclosures" issued by the Institute of Chartered Accountants of India (ICAI) are set out in schedule 'I' of Notes on Accounts of the Annual Report. However, these transactions are not likely to have any potential conflict with the interest of the Company at large.

The Company has complied except to the extent mentioned in this report elsewhere with all the requirements of Listing Agreements with the Stock Exchanges as well as Regulations and guidelines prescribed by SEBI. There were no penalties or strictures imposed on the Company by any statutory authority for non-compliance or in any matter related to Capital market during the last three years.

The Company has complied with all the mandatory requirements of clause 49 of the listing agreement except to the extent mentioned in this report elsewhere relating to corporate governance. Further Company is already having a Remuneration Committee as per non - mandatory requirements of the clause.

CODE OF CONDUCT

The Board of Directors has adopted the code of Business Conduct and Ethics for Directors and Senior Management. The said code has been communicated to the Directors and the members of the Senior Management.

CEO/CFO CERTIFICATION

CEO & CFO has given necessary certificate as required under clause 49 of the listing agreement which was placed before the Board.

SHAREHOLDERS**SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE**

The committee comprises of two directors i.e. Shri G.R. Goenka as chairman and Shri R.K. Gupta to look after the redressal of share holders and investors complaints. The committee met twice during the year. To expedite the process of share transfer the Board has delegated the power of share transfer to a Share Transfer Committee consisting of Shri G.R. Goenka and Shri S.K.Sharma (Manager Accounts). During the year Company has received five complaints and five complaints were resolved and no complaint was pending as on 31st March 2006.

MEANS OF COMMUNICATION

The quarterly, half yearly and the Annual audited financial results of the Company are sent to Stock Exchanges immediately they are approved by the Board. The results are published in one National daily and one local language news papers in accordance with the guidelines of Stock Exchanges.

SHARE TRANSFERS

The shares of the Company are kept in physical form and all share transfers are handled by our Registered Office located at 3A, 5th floor Shakespeare Sarani, Kolkata – 700071.

Dematerialization of shares

The Company had applied for dematerialization of shares of the Company to both the Depositories i.e. CDSL and NSDL and they have refused to admit the Company's security i.e. Equity Shares for dematerialization as the Company is not able to fulfil their admission criteria i.e. net worth of the Company should not be less than one crore or net worth erosion, if any, should not be more than 50%. In case of our Company the erosion in net worth is more than 100% and as such they have refused to admit our security for dematerialization. However, the Company has made a representation to SEBI in this matter.