

ANNUAL REPORT

2003 – 04



HIRA FERRO ALLOYS LIMITED
RAIPUR , CHHATTISGARH

BOARD OF DIRECTORS

N.P. AGRAWAL
MANAGING DIRECTOR

B.L. AGRAWAL
DIRECTOR

SURESH AGRAWAL
DIRECTOR

DINESH AGRAWAL
DIRECTOR

Y. C. RAO
DIRECTOR

BANKERS

STATE BANK OF INDIA
BANK OF BARODA

STATUTORY AUDITORS

M/S. O.P.SINGHANIA & CO.
CHARTERED ACCOUNTANTS
199A, SAMTA COLONY,
RAIPUR - 492 001, C.G.

REGISTERED OFFICE AND WORKS

567B, URLA INDUSTRIAL AREA
RAIPUR, CHHATTISGARH

DIRECTORS' REPORT

Dear Shareholders,

HIRA FERRO ALLOYS LIMITED

Your Directors have pleasure in presenting the Annual Report of the Company with the Audited Statement of Accounts and the Auditors' Report of your Company for the Financial year ended 31st March, 2004.

The summarized financial result for the year ended 31st March 2004 are as under:

FINANCIAL RESULTS:

	Year ended 31.03.2004 (Rs. in lacs)	Year ended 31.03.2003 (Rs. in lacs)
Sales	2590.87	1140.74
Other Income	2.77	3.45
Total Income from Operations	2593.64	1144.19
Profit before Interest and Depreciation	257.7	42.40
Finance Charges	13.39	5.92
Profit subject to Depreciation	244.31	36.48
Depreciation for the year	36.49	30.23
Net Profit	207.82	6.25

OPERATIONS:

As you are aware your company's operations have been restarted and the production resumed during the current financial year with effect from 01.07.2002. Your company has produced 8145.190 MTs of Silico Manganese, 1097.285 MTs of Ferro Manganese during the second year of its restart of the plant.

DIVIDEND :

Your directors could not recommend any dividend for the year ended 31st March 2004 in view of inadequate profit.

FUTURE PLANS OF THE COMPANY

Your company is setting up Captive Power Plant of 20 MWs capacity from Fluidised Bed Combustion (FBC) route with an estimated cost of Rs.52.36 crores. The existing Ferro Alloys Plants of the company shall be able to consume 15 MWs of power and the balance 5 MWs power shall be wheeled to our Group Companies' units through CSEB Grid. The project is expected to be operational by end of December, 2005.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

Foreign exchange earnings /outgo during the period under review are as under:

Foreign exchange earnings: Rs.648000/-

Foreign exchange outgo : Nil

PARTICULARS OF EMPLOYEES :

None of the employee of the Company was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, particulars as required under the Companies (Particulars of Employees) Rules, 1975 are not given.

DIRECTORS:

Shri Mahendra Gupta, Director of the Company has resigned from Directorship w.e.f. 30.12.2003.

In accordance with the provisions of the Companies Act, 1956 Shri Y. C. Rao retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Shri Suresh Agrawal was appointed as Additional Directors w.e.f. 30.12.2003 in respect of whom a notice under Section 257 of the Companies Act, 1956 for appointment as Director has been received from one of the member of the Company.

Shri Dinesh Agrawal was appointed as Additional Directors w.e.f. 30.12.2003 in respect of whom a notice under Section 257 of the Companies Act, 1956 for appointment as Director has been received from one of the member of the Company.

Shri Bajrang Lal Agrawal was appointed as Additional Directors w.e.f. 30.12.2003 in respect of whom a notice under Section 257 of the Companies Act, 1956 for appointment as Director has been received from one of the member of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards

have been followed:

- (ii) That your Directors have selected such accounting policies and applied them consistently and made judgement 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 the company for that period;
- (iii) That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your company and for preventing and detecting fraud and other irregularities; and
- (iv) That your Directors have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION :

Information on Conservation of Energy, required to be disclosed 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 provided as Annexure to this report.

COMPLIANCE CERTIFICATE:

The Compliance Certificate obtained from a Practicing Company Secretary pursuant to Section 383A of the Companies Act, 1956, is attached to this Directors' Report.

AUDITORS:

M/s O.P. Singhanian and Co., Chartered Accountants , Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment . The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956 .

AUDITORS' REPORT:

The Auditors in their report have referred to the note No. 3 is Schedule S "Notes to Financial Statements" forming part of the Accounts regarding non provision of Rs.100.35 lacs in respect of agreed additional liability towards arrears of power charges. The said note is self explanatory and do not require any further elucidation under section 217(3) of the Companies Act, 1956.

CORPORATE GOVERNANCE:

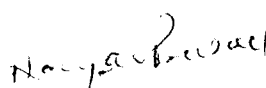
A Management Discussion and Analysis, Corporate Governance Report and a Certificate from the Auditors' regarding compliance with the code of Corporate Governance as required as per Clause 49 of the Listing Agreement with the Stock exchanges are made part of the Annual Report.

ACKNOWLEDGEMENTS :

The Board expresses its sincere gratitude to the shareholders, bankers especially State Bank of India and Bank of Baroda, State and Central Government Officials and clients for their continued support. The Board also wholeheartedly acknowledges with thanks the dedicated efforts of all the staff and employees of the Company.

For and on behalf of the Board of Directors

Date : 15th July, 2004
Place : Raipur


Managing Director


Director

ANNEXURE-"A" TO THE DIRECTOR'S REPORT.

STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTOR'S REPORT.

A. CONSERVATION OF ENERGY

(A) Energy Conservation Measures Taken:

Your company has not undertaken any energy conservation measures.

(B) Additional Investments and proposals, if any being implemented for the reduction of energy consumption:

None at present

(C) The impact of measures at (A) and (B) above, for reduction of energy consumption and consequent impact on the cost of production of goods: Not applicable

(D) The required data in form A of the Annexure to the aforesaid Rules as applicable are furnished below:

I. POWER AND FUEL CONSUMPTION

Particulars	Units in KWA in lacs		Total Amount. Rs. In lacs		Average Amount per Unit/ Ltr/ MT	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Electricity Purchased (No. of units in lacs)	42570671	22331640	1062.63	557.73	2.50	2.50

II CONSUMPTION PER UNIT OF PRODUCTION (PER MT)

Particulars	PRODUCTION (Units in MTs)	CONSUMPTION	AVERAGE CONSUMPTION/MT
Electricity	Current Year (Previous Year)	Current Year (Previous Year)	Current Year (Previous Year)
Silico Manganese	8145.190 (3570.350)	Item wise consumption is not available	
Ferro Manganese	1097.285 (1551.951)		
Ferro Silicon	Nil (43.050)		

B. TECHNOLOGY ABSORPTION :

RESEARCH AND DEVELOPMENT (R & D)

(a) Research and Development :

- Specific Area in R& D : The Company has not taken up
carried out by the Company any R & D activities.

- | | | |
|----|---|-----------------|
| 2. | Benefits derived as a result of the Above R & D | Not Applicable |
| 3. | Future plan of action: | Not yet decided |
| 4. | Expenditure on R & D. | Nil |

For and on behalf of the Board of Directors

Narayan Prasad

Managing Director

[Signature]

Director

Place: Raipur

Date: 15th JULY, 2004



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

In the recent past we have seen the rapid changes in the Ferro Alloys Industry and manganese alloys are no exception. However riding on strong growth for steel demand, Manganese Alloys sector posted good growth in 2002-03 and 2003-04 and the trend is expected to continue in 2004-05 also.

OPPORTUNITIES

The demand for ferro alloys is growing gradually world wide with the increasing variable uses of it. The infrastructure development in India and in the State will add further momentum to the Industry. Indian Ore is of low grade variety and is suitable for Silico Manganese production. The Government of India should encourage and develop Manganese Ore Mines which are in forest lands and are not being utilized due to environmental reasons. The advantage of adverse prevailing scenario of Manganese Alloys of China should be taken to capture their share of exports. At current prices, Manganese Alloys production is above the break even, even at high power tariffs in India.

THREATS

Any changes in the Government Policies will effect operations of the company. Logistics and raw materials will pose significant challenges in the near future. Export Oriented growth will survive.

OUTLOOK

The company is going for backward integration for meeting its raw material requirements. The company is going to set up Power Plant and also proposing to acquire Manganese Ore Mines so that the company's power and manganese ore requirements can be met.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

Monthly information system is backbone of our internal control system. Roles and responsibilities for all managerial positions have been clearly defined. All operating parameters are closely monitored and controlled. The management also regularly reviews the operational efficiencies, utilization of fiscal resources, compliance with laws so as to ensure optimum utilization of resources and achieve better efficiencies.

DISCUSSION OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

As you are aware your company's operations have been restarted and the production resumed during the current financial year with effect from 01.07.2002. Your company has produced 8145.190 MTs of Silico Manganese, 1097.285 MTs of Ferro Manganese during the second year of its restart of the plant. The company has achieved a sales turnover of Rs.25.91 crores as compared to Rs.11.38 crores during the previous year.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT

Employee relations continue to be cordial. Training and development activities are identified, organized and progress monitored as part of human resource development activities.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include economic conditions affecting demands/supply and price conditions in the domestic markets in which the company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

CORPORATE GOVERNANCE REPORT:

1. Company's philosophy on Corporate Governance:

Code of Corporate Governance is the means of achieving Corporate Objectives. The Company believes that maintenance of Code of Corporate Governance is essential for economic growth of the Company and prosperity of its Shareholders. Therefore, the Company is trying its best to follow the Code of Corporate Governance.

2. Board of Directors:

2.1 Composition:

The Board of Directors of the Company is comprised of five Directors. Three Directors are Non-Executive Directors which is more than sixty percent of the total strength as against minimum requirement of fifty percent as per the Listing Agreement. The Chairman and Managing Director is Executive and Non-independent Director belonging to promoter group and one Director is Executive and independent Director and one director is Non-Executive Non-independent Director. The remaining Directors are Non-Executive and Independent Directors.