



HIRA FERRO ALLOYS LIMITED
Annual Report 2007-2008



CONTENTS

Directors' Report.....	2
Management Discussion and Analysis.....	6
Corporate Governance Report.....	8
Auditors' Report.....	16
Audited Accounts.....	20

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. G. B. Desai	<i>Chairman, Independent Director (w.e.f. 14-06-2008)</i>
Mr. N. P. Agrawal	<i>Managing Director</i>
Mr. H. P. Agrawal	<i>Executive Director</i>
Mr. B.L. Agrawal	<i>Non Executive Director</i>
Mr. Y. C. Rao	<i>Non Executive Director</i>
Mr. Umesh Agrawal	<i>Independent Director</i>

COMPANY SECRETARY

Mr. Mohit Chande
Compliance Officer

AUDITORS

M/s. O.P. Singhania & Co.
Chartered Accountants, Raipur

BANKERS

State Bank of India
Allahabad Bank

REGISTERED OFFICE

567B, Urla Industrial Area,
Raipur, Chhattisgarh, India
Tel: +91 – 771 - 2323800 / 2323037
Fax: +91 – 771 - 4082440

CORPORATE OFFICE

First Floor, Hira Arcade, Near New Bus Stand,
Pandri, Raipur – 492 001, Chhattisgarh, India
Tel.: +91 – 771 – 4082000 / 4082001
Fax: +91 – 771 – 4057601

HIRA FERRO ALLOYS LIMITED

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 thereon for the Financial year ended 31st March, 2008.

The summarized financial result for the year ended 31st March 2008 are as under:

FINANCIAL RESULTS:

	Year ended 31.03.2008 (Rs. in lacs)	Year ended 31.03.2007 (Rs. in lacs)
Sales	32049.23	6874.01
Other Income	81.55	783.73
Total Income from Operations	32130.78	7657.74
Profit before Interest, Depreciation and Tax	4783.41	1892.25
Finance Charges	482.44	286.21
Depreciation for the year	424.06	255.77
Profit before Tax	3876.91	1350.27
Add: Prior Period Adjustments	0.00	1.59
Add: Excess provision for Income tax written back	0.00	2.94
Less: Provision for Income Tax, Fringe Benefit Tax & Income Tax related to earlier years	(269.66)	460.87
Less: Wealth Tax	0.47	0.50
Net Profit after Tax	4146.10	893.43
Add: Balance brought forward from previous year	940.07	163.65
Profit available for appropriations	5086.17	1057.08
Appropriations:		
Proposed Dividend	117.53	58.77
Tax on proposed dividend	19.97	8.24
Transfer to General Reserve	100.00	50.00
Balance carried to Balance Sheet	4848.67	940.07

DIVIDEND AND TRANSFER TO RESERVES:

In view of satisfactory performance and keeping in mind the funds requirements for future growth plans of the Company, your Directors are pleased to recommend 30% dividend on the equity share capital of the Company for the year ended 31st March, 2008. The total cash outflow on account of dividend payment (including dividend tax) shall be Rs.137.51 Lakhs.

OPERATIONS:

Your company has produced 25016.34 MTs of Ferro Alloys in comparison to 13824.32 MTs during the previous year registering a growth of 81%.

The Company's Gross Turnover for the Financial Year 2007-08 was Rs. 320.49 crores in comparison to Rs.68.74 crores during the previous year registering a growth of 366%. The sale of silico manganese increased from 13744.94 MTs to 22035.70 MTs during the current year registering a growth of 60%. The earnings from sale of silico manganese increased from Rs.44.67 crores

to Rs.119.98 crores during the current year registering a growth of 169%. Your Company sold 39519188 KWH of power in comparison to 29808761 KWH during the previous year. Your Company also earned Income by sale of trading goods, such as HB Wires, MS Bar, MS Round etc., amounting to Rs.179.35 crores as compared to Rs. 16.81 crores during the previous year registering a growth of 967%.

Your Company has started production from Fly Ash based Bricks Plant during the year under review.

OPEN OFFER :

On 5th March, 2008, M/s Hira Industries Limited made an open offer for cash to acquire 783,540 equity shares of the company constituting 20% of the paid-up capital at a price of Rs.120/- per share. The offer was made with an objective of consolidation of holdings. M/s. Hira Industries Limited currently holds 788000 equity shares of the Company representing 20.11% of the paid-up capital and on acceptance of the offer, the holdings of M/s. Hira Industries Limited shall increase to 40.11% of the paid-up capital of the Company. The open offer was, therefore, a mandatory offer under Regulations 10 and 12 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

There were no foreign exchange earnings / outgo during the year under review.

PARTICULARS OF EMPLOYEES :

None of the employees 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:

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association Shri B. L. Agrawal and Shri Y. C. Rao retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Shri Kapil Agrawal, Independent Director on the Board of the Company resigned from the Board with effect from 14th June 2008. Your Company places on record its deep sense of appreciation for the services rendered and guidance given by the outgoing Director from time to time during the tenure of his office.

Shri Govindbhai Baldeobhai Desai has been appointed as Additional Director on the Board of the company with effect from 14th June 2008. The company has received notice under section 257 of the Companies Act, 1956 from a shareholder for appointment of Shri Govindbhai Baldeobhai Desai as Director on the Board. The Board proposes to appoint him as Director on the Board of the company in the ensuing Annual General Meeting in order to inculcate good corporate governance. Shri B. L. Agrawal has vacated the position of Chairman of Company and in his place Shri Govindbhai Baldeobhai Desai has been appointed as Independent Chairman. Shri B. L. Agrawal, however, continues to be on the Board 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.

HIRA FERRO ALLOYS LIMITED

AUDITORS:

M/s O.P. Singhania 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:

There are no qualifying remarks in the Auditors Report except for the interest free loans granted by the company to the companies listed in the register maintained under section 301 of the Companies Act, 1956, referred to Annexure (iii) (b) of the Report. The company has granted interest free short term loan as a reciprocal business arrangement with other companies to meet the short term fund requirement.

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, Allahabad Bank, 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 : 14th June, 2008
Place : Raipur



G. B. Desai
Chairman

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)	3.34	662.68	111.40	2168.18	33.35	3.27
Own Generation of Electricity*	1240.75	—	—	—	—	—
Coal and Char (MTS)	2.50	1.23	3234.58	1437.59	1293.83	1168.77

*does not includes 999815 units of transmission loss

II. CONSUMPTION PER UNIT OF PRODUCTION

Particulars	Production (Units in MTs/units)		Consumption (Units)		Average Consumption per MT / Unit	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Electricity						
Ferro Alloys	25064.290	13824.32	111598019	56879340	4452.47	4114.44
Power	164149000 units	97179741 units	12752277	9388660*	0.078	0.097
Bricks	876704 units	0.00	58999	0.00	0.067	0.00
Coke & Coal						
Ferro Alloys	25064.290	13824.32	20208.78	10744.23	0.806	0.777
Power	164149000 units	97179741 units	229602.00	112167	1.40 Kgs.	1.15 Kgs

*(66268000-56879340) i.e Balancing figure

B. TECHNOLOGY ABSORPTION :

RESEARCH AND DEVELOPMENT (R & D)

(a) Research and Development :

- Specific Area in R& D carried out by the Company : The Company has not taken up any R & D activities.
- Benefits derived as a result of the Above R & D : Not Applicable
- Future plan of action : Not yet decided
- Expenditure on R & D. : Nil

For and on behalf of the Board of Directors

Date : 14th June, 2008
Place : Raipur

G. B. Desai
Chairman

HIRA FERRO ALLOYS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

The management of your Company is pleased to present the discussions and analysis on the industry structure, developments, future outlook and operating and financial performance.

I INDUSTRY STRUCTURE AND DEVELOPMENT**a) Industry Scenario:****Ferro Alloys:**

Ferro alloys refer to a range of compounds - that find application in producing steel. Although their contribution to the cost of finished steel is minimal, ferro alloys impart certain important characteristics to steel. Manganese alloys for example act as oxidizing agents and lend hardness and strength to steel. Over 80% of Manganese is used in the making of ferro alloys with countries such as Gabon, South Africa, Australia, Brazil and Ukraine being the primary producers of the ore. Silico Manganese is the most widely used Manganese alloy and is expected to grow at a CAGR of 4% during year 2001-2010. Majority of the growth continues to come from Asia-Pacific region. It is believed that this geography will account for 2.2 million metric tonnes of the alloy by the year 2010. The primary usage of Silico Manganese is the production of steel - a product whose consumption is soaring as emerging economies rush to invest in infrastructure development. The general firmness in prices of Manganese alloys is expected to continue for at least 3-5 years. Domestically, the industry could witness addition of 70,000 TPA of new capacities to meet growing demand for steel and steel products. Demand for Ferro Manganese continued to trail that for Silico Manganese though disruptions to supplies in South Africa kept prices of the product firm.

Power:

Total generation capacity in India stands at 141,500 MW - 64% accounted for by the thermal sector. Early estimates of the 11th plan target for generation stand at 78,578 MW. Although most of this capacity will be thermal the government has realized the potential of hydro-power and plans are underway to add 16,627 MW using this route in the 11th plan. Sector reforms pertaining mainly to State Electricity Boards and T&D losses continued to progress steadily. Under the 'Electricity for all' endeavour work on the 'National Grid' is already underway. The idea is to develop a pan India grid that would facilitate exploitation of presently uneven distribution of generation resources in the country to their optimum potential. Along with open access in transmission this measure alone is expected to form the backbone for real time trading in electricity. It is believed that roughly 37,000 MW in power transfer capacity shall be available by the year 2012. Targeted schemes have been launched to increase availability and usage of power in rural areas - the central allocation for the Rajiv Gandhi Grameen Vidyutikaran Yojana stands at Rs. 55 billion for FY 2009 (against capital subsidy of Rs. 280 billion through the 11th plan). The Rural Electrification Corporation was set up to oversee attainment of these goals. Meanwhile deficits of power in urban centres continue to rise unabated. Till the Country reaches surplus capacity, the accent would likely be on active demand management. This includes differential tariffs, staggered power cuts and promotion of energy conservation measures. In order to meet the growing shortfall of power, a larger role for India's private sector is imperative. The 11th plan envisages net addition of 16,363 MW capacities through the private route. In the recent past, 3 UMPPs have been entrusted to private players - each entailing an investment of at least US\$ 4 billion. There are at least 4 more such projects at the planning stage with interest coming from domestic as well as foreign companies. Given the concurrent strengthening of the transmission grids, captive generation is also being encouraged. The total captive capacity in CY2007 was estimated at about a tenth of India's installed generating capacity. Participation from the private sector is sought under the merchant power route - whereby the promoter has to compete for customers and absorb full market risk. Raw material feedstock is however guaranteed to such projects in the form of coal linkages and captive coal blocks exemplifying the opportunity.

b) Future Industry Outlook:**Ferro Alloys:**

The outlook for ferro alloys appears robust. As demand for steel surges globally - particularly in the emerging Asian economies - the ferro alloy sector too can be expected to benefit. There are broad expectations that this business will see some incremental volumes in the coming year. The Company's facilities for ferro alloys are fully geared to take up this higher demand.

Power:

For the next five years at least there are broad indications that the acute shortage of power will continue to bear on the economy. Although the Govt. is targeting higher generation under the public sector, there are ample investment opportunities in the private sector. The thrust thus far has been on thermal power generation in the resource rich regions of Chhattisgarh, Madhya Pradesh and Orissa. Similarly states like Himachal Pradesh and Arunachal Pradesh are showing keenness to develop their hydro-potential -and have attracted a lot of private interest. Hira Ferro remains committed to the merchant route to develop its power business. Currently Hira Ferro is using the entire Power captively and is looking at power available for merchant sales in the new fiscal year.

c) Opportunities:**Ferro Alloys:**

The demand for Ferro alloys is growing continuously world wide with its increasing variable uses. The infrastructure development in India and in the State added further momentum to the Industry. The manganese alloys prices has shown resurgence especially in the last quarter contributing significantly to the bottom-line of the company for the year 2007-08. As discussed earlier, Silico manganese will continue to contribute towards the growth of the company in the current year.

Power:

Your Company would continue to optimize the power resources either for production of ferro alloys via captive consumption or for merchant sale of power through short term open access while complying with the captive power guidelines during the current year.

d) Threats:**Ferro Alloys:**

Given the buoyant demand for steel products, the outlook for ferro alloys appears positive. Realisations are expected to remain firm in the coming months the caveat here has been a matching increment in prices of ores. New ferro alloy capacities are expected to come on stream in the next few years - thereby causing pressure on prices.

Power:

In light of the continued year-on-year increase in peak power deficit, the government is aggressively targeting capacity commissioning with accent on large-scale thermal plants. There yet remain regulatory complexities (resource sharing, environmental clearances and land holdings) at the State level that are delaying generation of this additional power. Progress in terms of sector reforms remains slow.

II ANALYSIS & DISCUSSION OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Your company has produced 25016.34 MTs of Ferro Alloys in comparison to 13824.32 MTs during the previous year registering a growth of 81%.

The Company's Gross Turnover for the Financial Year 2007-08 was Rs. 320.49 crores in comparison to Rs.68.74 crores during the previous year registering a growth of 366%. The sale of Silico manganese increased from 13744.94 MTs to 22035.70 MTs during the current year registering a growth of 60%. The earnings from sale of Silico manganese increased from Rs.44.67 crores to Rs.119.98 crores during the current year registering a growth of 169%. Your Company sold 39519188 KWH of power in comparison to 29808761 KWH during the previous year. Your Company also earned Income by sale of trading goods, such as Silico Manganese, HB Wires, MS Bar, MS Round etc., of Rs.179.35 crores in comparison to 16.81 crores during the previous year registering a growth of 967%.

Your Company has started production from Fly Ash based Bricks Plant during the year under review.

III 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, and compliance with laws so as to ensure optimum utilization of resources and achieve better efficiencies.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT

The employees are basically its human resource assets. They have played significant role in growth of the Company and enabled Company to deliver superior performance during the year. The Company has initiated several steps for overall development, training and welfare of its human resource asset and progress is monitored on regular basis. Employee relations have continued to remain cordial during the year under review.

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.

For and on behalf of the Board of Directors

Place: Raipur
Date : 14th June, 2008

G. B. Desai
Chairman

HIRA FERRO ALLOYS LIMITED

CORPORATE GOVERNANCE REPORT

Company's philosophy on Corporate Governance:

Your Company's philosophy on Corporate Governance envisages attainment of highest level of transparency, disclosure of timely and accurate information, effective monitoring of the Company's performance by the Board of Directors and exercise by the Board of directors of its fiduciary responsibility towards the shareholders of the company.

Board of Directors:**Composition:**

The Board of Directors has a combination of Executive and Non-executive Directors. The Board comprises of two whole time directors (one of them being the Managing Director) and four Non-executive Directors. Two of the Non-executive Directors are Independent Directors one of whom being the Chairman.

The Constitution of the Board is exactly as per the requirements of Clause 49 of the Listing Requirement.

Except the Managing Director, all other Directors are liable to retire by rotation.

The names and categories of the Directors on the Board and also the number of Directorships and Committee Memberships held by them in other Companies as on 31st March, 2008 are given in Table 1 as under:

Table 1:

Name of the Directors	Category of Directors	No. of other Directorships held*	No. of Board Meetings attended	Last AGM attended	No. of other Board committees member/ chairman
Shri G. B. Desai	Chairman - Independent	02	–	–	02
Shri N. P. Agrawal	Managing Director / Executive	03	09	YES	01
Shri H. P. Agrawal	Executive	02	09	YES	NIL
Shri B. L. Agrawal	Non-Executive	13	09	YES	01
Shri Y. C. Rao	Non Executive	01	09	YES	02
Shri Kapil Agrawal	Independent	02	05	NO	NIL
Shri Umesh Agrawal	Independent	NIL	08	YES	03

*Other Directorship excludes Directorship in Private Companies.

Changes in the composition of Directors during the year:

1. Shri G. B. Desai has been appointed as Director of the Company with effect from 14th June, 2008.
2. Shri Kapil Agrawal has resigned from the Directorship of the Company with effect from 14th June, 2008.

Non-Executive Directors' compensation and disclosure:

The Non- Executive directors are not paid any remuneration or sitting fee for attending Board or Committee Meetings

Remuneration of Directors:

Remuneration paid to the Executive Directors of the Company during the financial year 2007-08 is shown below:

Name of Director	Basic Salary	Bonus	Individual's Performane linked Incentive	Total
Shri Narayan Prasad Agrawal	1320000	NIL	NIL	1320000
Shri Hanuman Prasad Agrawal	1680000	NIL	NIL	1680000

Board Procedures:

During the year 2007-08, the Board met 9 times and agenda papers were circulated well in advance of each meeting of the Board of Directors. In order to ensure fruitful deliberations at the highest level, the Board of Directors of your company is provided with all relevant information on various matters related to the working of the company well in advance of each meeting. The dates on which the Board Meetings were held and the No. of Directors present in each meeting are given in Table 2 below: