



HIRA FERRO ALLOYS LIMITED
Annual Report 2008-2009

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. G. B. Desai	Chairman, Independent Director
Mr. N. P. Agrawal	Managing Director
Mr. H. P. Agrawal	Executive Director
Mr. B.L. Agrawal	Non Executive Director
Mr. Y. C. Rao	Non Executive Director
Mr. Umesh Agrawal	Independent Director

COMPANY SECRETARY

Mr. Mohit Chande
Compliance Officer

AUDITORS

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

BANKERS

State Bank of India
Allahabad Bank
Axis Bank Limited

REGISTERED OFFICE

567B, Urla Industrial Area,
Raipur, Chhattisgarh, India
Tel: +91 - 771 - 4082350/ 4082360
Fax: +91 - 771 - 4082440

CORPORATE OFFICE

First Floor, Hira Arcade,
Near New Bus Stand,
Pandri, Raipur – 492 001,
Chhattisgarh, India.
Tel.: +91 – 771 – 4082000
Fax: 4082732 / 4057601

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HIRA FERRO ALLOYS LIMITED

NOTICE

TO ALL THE MEMBERS OF

HIRA FERRO ALLOYS LIMITED

NOTICE is hereby given that the Annual General Meeting of the Members of HIRA FERRO ALLOYS LIMITED will be held on 22nd September, 2009 at 4:00 p.m. at Registered Office of the Company at 567B, Urla Industrial Area, Urla, Raipur-493221 Chhattisgarh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account of the company for the year ended 31st March 2009 and the Balance Sheet as at that date along with the reports of the Directors and Auditors thereon;
2. To declare dividend on Equity Shares for the year ended 31st March, 2009;
3. To appoint a Director in place of Shri H.P. Agrawal, who retires by rotation and being eligible for reappointment offers himself for reappointment;
4. To appoint a Director in place of Shri G.B. Desai, who retires by rotation and being eligible for reappointment offers himself for reappointment;
5. To consider and, if thought fit, to pass the following resolution, with or without modification as an ordinary resolution:

“RESOLVED THAT M/s O.P. Singhania and Co., Chartered Accountants, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on a remuneration to be decided mutually by the Board of Directors and the Auditors.”

Report Junction.com

By Order of the Board

sd/-

Place: Raipur

Mohit Chande

Date: 28th July, 2009

Company Secretary

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NOTES:

1. Proxy.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself on a poll only and the proxy need not be a member of the company. Proxy forms should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting

2. Book Closure

The Register of Members and share transfer books of the Company shall remain closed from 15th September, 2009 to 22nd September, 2009 (both days inclusive).

3. Payment of Dividend

The dividend on equity Shares for the year ended 31st March 2009, will be paid after declaration by the members, to those members whose names appear on the Register of Members of the Company on 22nd September, 2009 after giving effect to all valid share transfers lodged with the Company on or before 21st September, 2009.

The members are hereby informed that the company would transfer the dividends, which remain unclaimed over a period of 7 years, to the Investor Education and Protection Fund (IEP Fund) constituted by the Central Government under section 205C of the Companies Act 1956.

The following are the details of dividends paid by the Company and respective due dates for transfer of unclaimed dividend to such IEP Fund of the Central Government:

Year of Dividend	Date of Declaration	Due date for transfer to IEP Fund
2004-05	30.09.2005	30.09.2012
2005-06	26.09.2006	26.09.2013
2006-07	25.09.2007	25.09.2014
2007-08	23.09.2008	23.09.2015

Further, the company shall not be in a position to entertain the claims of the shareholders for the unclaimed dividends which have been transferred to the credit of the Investor Education and Protection Fund of the Central Government under the provisions of section 205A of the Companies Act 1956.

4. Investors holding physical shares are advised to forward the particulars of their Bank Account, name, branch and address of the bank immediately, if not sent already, so as to enable us to incorporate the same on dividend warrants.

By Order of the Board

sd/-

Place: Raipur

Mohit Chande

Date: 28th July, 2009

Company Secretary

HIRA FERRO ALLOYS LIMITED

DIRECTORS' REPORT

To The Shareholders,

Your Directors have pleasure in presenting the Annual Report together with Audited Statement of Accounts for the financial year ending March 31st, 2009.

FINANCIAL RESULTS:

(Rs. In Lacs)

	Current Year March 31st, 2009	Previous Year March 31st, 2008
Sales	29918.46	32049.23
Other Income	120.83	81.55
Total Income from Operations	30039.29	32130.78
Profit before Interest, Depreciation and Tax	3094.92	4783.41
Finance Charges	806.07	482.44
Depreciation for the year	501.62	424.06
Profit before Tax	1787.23	3876.91
Add: Prior Period Adjustments	0.00	0.00
Add: Excess provision for Income tax written back	0.00	0.00
Less: Provision for Income Tax, Fringe Benefit Tax & Income Tax related to earlier years	628.23	-269.66
Less: Wealth Tax		
Net Profit after Tax	0.50	0.47
Add: Balance brought forward from previous year	1158.50	4146.10
Profit available for appropriations	4848.67	940.07
Appropriations:	6007.17	5086.17
Proposed Dividend	117.53	117.53
Tax on proposed dividend	19.97	19.97
Transfer to General Reserve	150.00	100.00
Balance carried to Balance Sheet	5719.66	4848.67

DIVIDEND

Considering the satisfactory performance of your Company and keeping in view the ongoing capital works and growth trajectory, your directors are pleased to recommend dividend at Rs. 3.00/- per equity share of Rs. 10/- each, subject to necessary approvals absorbing a sum of Rs.117.53 Lacs. The aggregate dividend payout for the year 2008-09 amounts to Rs. 137.50 lacs, including corporate dividend tax.

OPERATIONAL REVIEW

Your company has produced 23699.935 MTs of Ferro Alloys in comparison to 25016.340 MTs during the previous year, registering a reduction of 5.26%. The Company's Gross Turnover for the Financial Year 2008-09 was Rs. 299.18 crores as compared to Rs. 320.49 crores during the previous year registering a reduction of 6.65%. The sale of silico manganese increased from 22035.70 MTs to 22094.00 MTs during the current year registering a tiny growth of 0.27%. The sale of silico manganese increased from Rs. 119.98 crores to Rs.135.16 crores during the current year registering a growth of 12.65 % due to better realisation.

Your Company has sold 37499871 KWH of power as compared to 39519188 KWH during the previous year. The production of Fly Ash based Bricks increased from 63700 units in the previous year to 7074800 units during the current year.

Your Company has also undertaken sale of trading goods, such as HB Wires, MS Bar, MS Round etc., the turnover of which was Rs. 153.40 crores as compared to Rs. 179.35 crores during the previous year registering a reduction of 17.03%.

With firm commitment and persistent quality & efforts, your Company continues to maintain cordial relation with its customers and added a number of new customers during the year. Our quality product and timely delivery have found wide acceptance in the highly competitive market. During the year under review the Company generated a Net Profit of Rs. 11.58 crores, a reduction of 72.07 % as compared to Rs. 41.46 crores in the previous year due to unfavorable market condition in the Steel and Ferro Industries.

CAPITAL STRUCTURE

The shareholders of the company at the Annual General Meeting for the year 2007-08 held on 23rd September, 2008, increased the authorized share capital from Rs. 4,00,00,000 to Rs.12,00,00,000 divided into 1,20,00,000 equity shares in order to accommodate the proposed issue of 78,35,400 Equity Shares of Rs. 10/- each as Bonus Shares. The new equity shares shall rank pari- passu with other equity shares in all respects including dividend.

BONUS ISSUE:

Your directors have recommended issue of 78,35,400 equity shares of Rs. 10/- each, as bonus shares as fully paid up to the shareholders of the company in the ratio of 2:1 (Two equity shares for every One equity shares held) taking into account the excellent financial performance of the Company for the financial year ended 2007-08 and healthy reserves of the Company. The shareholders of the company in their Annual General Meeting held on 23rd September, 2008, approved the proposal for issue of Bonus Shares. However since the In-principle approval from the Stock Exchanges i.e. Madhya Pradesh Stock Exchange Limited (MPSE) & Delhi Stock Exchange Limited (DSE) have not yet been received, your company could not implement the decision of the Board in relation to the Bonus issue.

Your Company made an application to Securities Exchange Board of India (SEBI) for exemption under clause 17.2A of SEBI (Disclosure & Investors Protection) Guidelines, 2000 in respect of non- implementation/non -completion of the bonus issue within stipulated time period as mentioned in the SEBI (Disclosure & Investors Protection) Guidelines, 2000. Once the Company gets the exemption from SEBI and in-principle approval from the stock exchanges, it will proceed towards the issue of said bonus shares as per the directions of SEBI and Stock Exchanges in respect of Issue and allotment of Bonus Shares.

RATIFICATION OF PREFERENTIAL ALLOTMENTS

The shareholders of the Company in their Extra Ordinary General Meeting held on 17th March, 2009, has ratified the preferential allotment of 7,55,000 Equity Shares of Rs.10/- each at a premium of Rs. 50/- per share made in the year 1994-95 and Preferential Allotment of 20,00,000 Equity Shares of Rs.10/- each at a premium of Rs. 60/- per share made in the year 2004-05 to promoters, promoter group and strategic alliance of the company.

LISTING OF SHARES

Your directors are pleased to inform you that the entire share capital of Rs.3,91,77,000 divided in to 39,17,700 equity shares of Rs. 10/- each has been listed on Madhya Pradesh Stock Exchange Limited (MPSE) with effect from 13th June, 2009 which was earlier pending with MPSE & DSE. The listing and trading permission of Delhi Stock Exchange Limited in respect of preferential allotment of 7,55,000 Equity Shares of Rs.10/- each at a premium of Rs. 50/- per share made in the year 1994-95 and Preferential Allotment of 20,00,000 Equity Shares of Rs.10/- each at a premium of Rs. 60/- per share made in the year 2004-05 to promoters, promoter group and strategic alliance is still awaited.

DIRECTORS

Shri Hanuman Prasad Agrawal and Shri G.B. Desai shall retire by rotation at the ensuing annual general Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby confirms that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
2. the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period;
3. 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

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and other irregularities; and

4. the directors have prepared the accounts for the financial year on a 'Going Concern' basis.

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.

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits from the Public and as such, no amount of principal and interest was outstanding on the date of the Balance Sheet.

CORPORATE GOVERNANCE

A Management Discussion and Analysis Report, and a Report on Corporate Governance along with Certificate from the Auditors' regarding compliance with the code of Corporate Governance compliance as stipulated under Clause 49 of the listing agreement with stock exchanges, form part of the annual report.

PARTICULARS OF EMPLOYEES

The Company had no employee during the year ended 31st March, 2009 who was in receipt of remuneration in excess of the limit specified under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

DISCLOSURE OF PARTICULARS

A statement giving details of Conservation of Energy, Technology Absorption, and Foreign Exchange Earning and Outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, is annexed to this report.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation and gratitude for the assistance and generous support extended by all Government authorities, Financial Institutions, Banks, Customers, Vendors and Members during the year under review.

Your Directors wish to place on record their appreciation of the contribution by all employees at all levels and for their hard work, dedication and commitment. The enthusiasm, contribution shown by the employees of the company while discharging their duties and unstinting efforts of the employees have enabled your Company to grow steadily.

For and on behalf of the Board

Raipur
28th July, 2009

Sd/-
G.B. Desai
Chairman

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ANNEXURE TO THE DIRECTORS' REPORT

Particulars as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998 :

A. CONSERVATION OF ENERGY

Measures taken for Conservation of Energy:

- a) Close monitoring of high energy consuming equipments in plant.
- b) Using power factor controller/capacitors to maintain power factor.
- c) Keeping maximum demand under control by scheduling other loads during equipments' testing etc.
- d) Continuation and increasing scale of measures taken.

FORM - A

(Form for Disclosure of particulars with respect to conservation of energy)

I. POWER & FUEL CONSUMPTION

Particulars	2008-09	2007-08
Electricity		
1. Purchased		
Total units Consumed (No. of units (KWA) in Lacs)	10.93	3.34
Amount (Rs. In lacs)	218.99	111.40
Average Rate Per Unit (Rs.)	20.03	33.35
2. Own Generation of Electricity (*Excluding 14287603 (13418132) units of auxilliary consumption and transmission losses)	1533.65	1507.31
Coal and Coke		
Quantity (M.T.)	2.73	2.50
Total Cost (Rs.)	4052.50	3234.58
Average Rate Per M.T. (Rs.)	1484.43	1293.83

II. CONSUMPTION PER UNIT OF PRODUCTION

Particulars	2008-09	2007-08
Electricity		
1. Ferro Alloys		
Production (MT)	23699.935	25064.290
Consumption	120856341	111598019
Average Consumption Per MT	5099.43	4452.47
2. Power		
Production (MT)	170653000	164149000
Consumption	14287603	12752277
Average Consumption Per Unit	0.083	0.078
3. Bricks		
Production (Nos)	6554746	876704
Consumption	195195	58999
Average Consumption Per Unit	0.030	0.067

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Particulars	2008-09	2007-08
Coal and Coke		
1. Ferro Alloys		
Production (MT)	23699.935	25064.290
Consumption	19316.71	20208.78
Average Consumption Per MT	0.815	0.806
2. Power		
Production (MT)	170653000	164149000
Consumption	253481.010	229602.00
Average Consumption Per Unit	1.48 Kgs	1.40 Kgs

B. TECHNOLOGY, ABSORPTION, ADAPTATION & INNOVATION
FORM - B

Disclosure of particulars with respect to Technology Absorption

Research & Development (R & D)

Specific areas in which R& D proposed to be carried out by the Company

None

Benefits derived

Not Applicable

Expenditure on R & D

a) Capital

Nil

b) Recurring

Nil

c) Total

Nil

d) Total R & D expenditure as a percentage of total turnover

Nil

Technology absorption and innovation Efforts made

Continuous efforts are being made towards improvements in existing production process.

Benefits

The Company is successful in improving the quality of its products and reducing specific consumption of inputs through efficient furnace operating practices.

Particulars of imported Technology during last 5 years

Nil

C. FOREIGN EXCHANGE EARNING AND OUTGO

During the year under review, the Total Foreign Exchange used:

3500 EURO & 3205 USD

For and on behalf of the Board

Sd/-

Raipur
28th July, 2009

G.B. Desai
Chairman

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.

INDUSTRY STRUCTURE AND DEVELOPMENT

Industry Scenario:

Ferro alloys:

The Company manufactures Ferro Manganese and Silico Manganese which are primarily used as alloying elements in the production of steel and modifying its strength, ductility, hardness and corrosion resistance. Ferro Alloys are also used to remove unwanted impurities from steel such as phosphorous or sulphur. The growth of Ferro Alloys industry is directly linked with the growth of Iron and Steel Industry which in turn depend upon its user industry i.e. infrastructures and construction, automobiles, consumer durables etc. About 90% of world Ferro Alloy production is consumed by the Iron and Steel Industry with balance 10% being consumed by engineering sector. Prices of ferro alloys have dropped more than 50 percent while those of ferro manganese have fallen from over Rs. 1,00,000 a ton to between Rs 40,000 and Rs 45,000 per ton. Silico manganese is down from Rs 80,000 to around Rs 30,000 per ton. There is not much chance of a rise in the near future either. Prices are low on the exports front too. Silico manganese is estimated to grow at a 4% CAGR through 2010, with the bulk of the increase coming from the Asia- Pacific. The usage of the product is increasing in direct proportion to infrastructure spending. Silico manganese is also a big product for the Company. The global demand for silico manganese was lower in 2008-09, given the production cutbacks in steel companies across the world. The Company sees a gradual revival in demand owing to a revival seen across Asia. Ferro manganese accounts for a smaller market and in 2008-09, there was a moderation in demand owing to the economic slowdown. The Indian and global demand for the product was subdued owing to a decline in stainless steel demand. China remains a big consumer and market driver.

Power

India remains a power deficit nation despite the fiscal and non fiscal impetus given by the State. Ranked sixth globally in power generation with an established capacity of 6,89,021 MU, the peak power deficit stood at 12% in 2008-09. The need for smooth and reliable power supply, coupled with a major push, coming from the Centre, drives investments in the sector and facilitates the development of new generation capacity. India has a mix of thermal and hydro-based facilities. Given an easy availability of coal, the thermal route is preferred. Most units are supported by linkage or captive coal blocks. Wherever there are gaps, the developers are free to import requisite coal quantities.

Reforms in the power sector are proceeding, albeit slower. The planned national grid, combined with the development of the power exchanges, will open up the power trading market. The current mechanism for merchant sales involves direct sales to utilities and routing power sales through power traders.

While a deficit persists, the primary response from utility companies and the government seems to be in the areas of demand management. This means the off-peak usage of power will be encouraged, power cuts will become predictable and staggered across customer categories with differential rate cards for industrial, agricultural and domestic customers.

Corporate India is adopting the captive route to tide over the power situation. Given the prevalent economic slowdown and related manufacturing cutbacks, captive producers decided to export power to the state grids. This phenomenon is causing a temporary surge in power availability causing realisations to trend downward the merchant power sales/segment.

FUTURE INDUSTRY OUTLOOK

Ferro alloys

With a perceived recovery in the steel industry, the ferro alloys outlook looks set to improve. Trends in Asia, particularly in India and China, suggest a recovery in the production of steel based on fiscal stimuli and infrastructure creation. The industry has seen fair amount of de-stocking and helped steel production to return to normal levels. Given the time-lag required for this to translate into a demand pick-up for ferro alloys, the situation is expected to improve towards the end of the current year.

In terms of operating preparedness, the Company remains in a comfortable condition to ramp-up production. Its facilities were revamped recently. Moreover, the Company's efforts to venture into mining of manganese ore might bear fruit in the current year. This is expected to support ferro alloy operations.

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