



HIRA FERRO ALLOYS LIMITED

Annual Report 2009-2010

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
IDBI Bank Limited

REGISTERED OFFICE

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

CORPORATE OFFICE

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

CONTENTS

| | |
|---|-------|
| Company Information | 1 |
| Notice | 2-4 |
| Report of the Director | 5-9 |
| Management Discussion and Analysis | 10-11 |
| Corporate Governance Report | 12-19 |
| Auditor's Certificate on Corporate Governance | 20 |
| Auditor's Report to the Shareholders | 21-24 |
| Balance Sheet | 25 |
| Profit and Loss Account | 26 |
| Cash Flow Statement | 27 |
| Schedules to the Accounts | 28-44 |
| Balance Sheet Abstract | 45 |

NOTICE OF ANNUAL GENERAL MEETING

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 Saturday the 25th day of September, 2010 at 10.00 A.M. at First Floor, Hira Arcade, Near New Bus Stand, Pandri, Raipur, Chhattisgarh – 492001 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 2010 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, 2010;
3. To appoint a Director in place of Shri B.L. Agrawal, who retires by rotation and being eligible for reappointment offers himself for reappointment;
4. To appoint a Director in place of Shri Umesh Agrawal, 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.”

By Order of the Board

Place : Raipur
Date : 30-05-2010

Mohit Chande
Company Secretary

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 16th September, 2010 to 25th September, 2010 (both days inclusive).

3. Payment of Dividend

The dividend on equity Shares for the year ended 31st March 2010, will be paid after declaration by the members, to those members whose names appear on the Register of Members of the Company on 16th September, 2010 after giving effect to all valid share transfers lodged with the Company on or before 25th September, 2010.

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 |
| 2008-09 | 22.09.2009 | 22.09.2016 |

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.

5. Details of Directors seeking re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement) as required under the Listing Agreement, the particulars of Directors, Shri B.L. Agrawal and Shri Umesh Agrawal, who are proposed to be re-appointed are given below:

| | | | |
|---|--|---|--|
| A | Name | Shri B.L. Agrawal | Shri Umesh Agrawal |
| B | Brief resume | | |
| | i) Age | 56 years | 29 Years |
| | ii) Qualification | B.E. (Electrical) | Chartered Accountant |
| | iii) Experience in Specific Functional area | 25 years | 5 years |
| | iv) date of Appointment on the Board of the Company | 30.12.2003 | 23.03.2005 |
| C | Nature of expertise in specific functional areas | He has over three decades of experience in the Steel and Ferro alloys industry | He has experience in the field of Corporate Audit, Accounts and Finance, Project Appraisal, etc. |
| D | Name(s) of other Companies in which Directorships held | 1. Godawari Power and Ispat Ltd. 2. Alok Ferro Alloys Limited 3. Chhattisgarh Power and Coal Beneficiation Ltd. 4. Hira Cement Ltd. 5. Hira Industries Ltd. 6. Hira Steels Ltd. 7. Maruti Clean Coal and Power Ltd. 8. Shourya Diamonds Ltd. 9. Godawari Energy Limited 10. Chhattisgarh Captive Coal Mining Ltd. 11. Krishna Global Minerals Ltd. 12. SAG International Ltd. 13. Ardent Steels Ltd. 14. Shourya Power Private Limited | 1. Raghav Grains And Metals Private Limited. 2. Raghav Sheet Grih Private Limited. 3. Jai Raghav Mines and Minerals Private Limited 4. Pragati Ingots & Power Private Limited |
| E | Chairman/Member of the Committee of the Board of Directors of the Company | Member - Investors' Grievance Committee | Member - Audit committee Member- Investors' Grievance Committee Member-Remuneration committee |
| F | Name(s) of companies in which committee members chairmanship held | Godawari Power & Ispat Ltd. Member-Remuneration committee | NIL |
| G | No. of Shares of Rs 10/- each held by the Directors | 20800 | NIL |
| H | Retaliatio nship with Directors inter-se (As per Section 6 and Schedule 1A of the Companies Act, 1956) | Related to Shri N.P. Agrawal, Managing Director & Shri H.P. Agrawal, executive Director (Brother) | NIL |

6. 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

Place : Raipur
Date : 30-05-2010

Mohit Chande
Company Secretary

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, 2010.

FINANCIAL RESULTS:

| | (Rs. in Lacs) | |
|--|---|--|
| | Current Year March 31 st , 2010 | Previous Year March 31 st , 2009 |
| Sales | 11123.13 | 29918.46 |
| Other Income | 93.53 | 120.83 |
| Total Income from Operations | 11216.66 | 30039.29 |
| Profit before Interest, Depreciation and Tax | 3097.10 | 3094.92 |
| Finance Charges | 696.29 | 806.07 |
| Depreciation for the year | 551.21 | 501.62 |
| Profit before Tax | 1849.60 | 1787.23 |
| 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 | 988.45 | 628.23 |
| Less: Wealth Tax | 0.50 | 0.50 |
| Net Profit after Tax | 1750.76 | 1158.50 |
| Add: Balance brought forward from previous year | 5719.67 | 4848.67 |
| Profit available for appropriations | 7470.42 | 6007.17 |
| Appropriations: | | |
| Proposed Dividend | 117.53 | 117.53 |
| Tax on proposed dividend | 19.97 | 19.97 |
| Transfer to General Reserve | 150.00 | 150.00 |
| Balance carried to Balance Sheet | 7182.92 | 5719.66 |

DIVIDEND

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 Rs. 3.00/- (i.e. 30%) per equity share of Rs. 10/- each, subject to necessary approvals absorbing a sum of Rs.117.53 Lakhs as dividend on the equity share capital of the Company for the year ended 31st March, 2010. The total cash outflow on account of dividend payment (including dividend tax) shall be Rs. 137.50 Lakhs

OPERATIONAL REVIEW

Your company has produced 16538.810 MTs of Ferro Alloys in comparison to 23699.935 MTs during the previous year, registering a reduction of 30.22%. The Company's Gross Turnover for the Financial Year 2008-09 was Rs. 111.23 crores as compared to Rs. 299.18 crores during the previous year registering a reduction of 62.82%.

The sale of silico manganese decreased from 22094.00 MTs to 15761.870 MTs during the current year registering a reduction of 28.66 %. Your Company has sold 75365302 KWH of power as compared to 37499781 KWH during the previous year registering a growth of 100.98%. The sale of Bricks decreased from 7074800 Units to 6125200 Units during the current year registering a reduction of 13.42 %.

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. 17.50 crores, a growth of 51.12 % as compared to Rs. 11.58 Crores in the previous year due to sale of power in short term market through merchant sale and favorable market condition in the Steel and Ferro Industries.

WIND POWER

The Company had been looking for various opportunities in order to diversify its business, after exploring various options, it was felt that, sector pertaining to renewable energy specially wind and solar energy is the sun rise sector in India at present and investment in this sector would be beneficial for the company. In order to improve the existing business activities of your Company and facilitate competitive edge by way of supply of uninterrupted power, it is proposed to foray into the business of generation of wind/solar power / any other source of power by way of setting up power projects, and to supply, distribute transmit electric or other sources of power. The proposed new business is expected to be conveniently and advantageously combined with the existing business and shall enable the company to carry on such business more economically / efficiently. Besides this, foray into new business of wind and solar power, generally, is expected to be profitable considering the power shortage in the Country and the tax incentives offered by the Government. Your company intends to set-up of a Wind Power Project in the State of Karnataka or any other place as may be Board of directors deemed fit.

The existing clause 45 of "Other Object" of Memorandum of Association (MOA) of the Company of the company enabled the company to generate power through various sources like Solar, Bio etc. except Wind. It is therefore, required to alter the object clause of MOA of the Company in order to enable the company set up wind energy projects. Therefore your directors proposed a Special Resolution through Postal Ballot under the provisions of Section 192A of the Companies Act, 1956 for alteration of Main Object of the Company.

LISTING OF SHARES AND TRADING APPROVAL

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) & Delhi Stock Exchange Limited (DSE). The shares of the Company have been admitted to dealing on DSE with effect from 8th October, 2009. However the official trading is expected to commence at DSE shortly.

DIRECTORS

Shri Bajrang Lal Agrawal and Shri Umesh Agrawal 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 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

DEPOSITS:

Your company has not accepted any deposits from Public within the meaning of section 58A of the Companies Act, 1956.

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

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 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

The Board expresses its sincere gratitude to the Shareholders, Bankers, State and Central Government authorities and the valued customers for their continued support. The Board also wholeheartedly acknowledges and appreciates the dedicated efforts and commitment of all employees of the Company.

For, and on behalf of the Board

Place : Raipur
Date : 30-05-2010

G. B. Desai
Chairman

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 | 2009-10 | 2008-09 |
|--|---------|---------|
| Electricity | | |
| 1. Purchased | | |
| Total units Consumed (No. of units (KWA) in Lacs) | 182.24 | 10.93 |
| Amount (Rs. In lacs) | 603.33 | 218.99 |
| Average Rate Per Unit (Rs.) | 3.31 | 20.04 |
| 2. Own Generation of Electricity (*Excluding 13889428 (14287603) units of auxiliary consumption and transmission losses) | 1413.98 | 1533.65 |
| Coal and Coke | | |
| Quantity (M.T.) | 2.19 | 2.73 |
| Total Cost (Rs.) | 3048.07 | 4052.50 |
| Average Rate Per M.T. (Rs.) | 1389.97 | 1484.43 |

II. CONSUMPTION PER UNIT OF PRODUCTION

| Particulars | 2009-10 | 2008-09 |
|------------------------------|-----------|------------|
| Electricity | | |
| 1. Ferro Alloys | | |
| Production (MT) | 16538.810 | 23699.935 |
| Consumption | 84075583 | 120856341 |
| Average Consumption Per MT | 5083.53 | 5099.43 |
| 2. Power | | |
| Production (MT) | 155287000 | 170653000 |
| Consumption | 13889428 | 14287603 |
| Average Consumption Per Unit | 0.089 | 0.084 |
| 3. Bricks | | |
| Production (Nos) | 6226850 | 6554746 |
| Consumption | 180537 | 195195 |
| Average Consumption Per Unit | 0.029 | 0.030 |
| Coal and Coke | | |
| 1. Ferro Alloys | | |
| Production (MT) | 16538.810 | 23699.935 |
| Consumption | 11988.01 | 19316.71 |
| Average Consumption Per MT | 0.725 | 0.815 |
| 2. Power | | |
| Production (MT) | 155287000 | 170653000 |
| Consumption | 207302.28 | 253481.010 |
| Average Consumption Per Unit | 1.33Kgs | 1.48 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: 41456 USD

For, and on behalf of the Board

Place : Raipur
Date : 30-05-2010

G. B. Desai
Chairman