

**SIXTEENTH  
ANNUAL REPORT  
2005-2006**

**HISAR METAL INDUSTRIES LTD.**

## BOARD OF DIRECTORS

Shri M. P. Jindal (Chairman)  
 Shri Abhiram Tayal (Managing Director)  
 Smt. Anubha Tayal (Director)  
 Shri Sajjan Singh (Director)

## COMPANY SECRETARY

Shri V. K. Jain

## AUDITORS

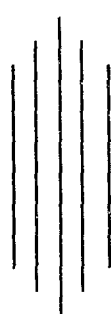
J.P. Tulsian & Co.,  
 Chartered Accountants  
 95-97, Green Square Market  
 Hisar-125 001 (Haryana)

## BANKERS

Punjab National Bank

## REGISTERED OFFICE & WORKS

Near Industrial Development Colony  
 Delhi Road, Hisar-125 005  
 (Haryana), INDIA



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**HISAR METAL INDUSTRIES LTD.**

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**NOTICE**

Notice is hereby given that the 16th Annual General Meeting of the Members of HISAR METAL INDUSTRIES LIMITED will be held on Monday, the 25th day of September, 2006 at 11.00 A.M. at the Registered Office of the Company at Near Industrial Development Colony, Delhi Road, Hisar (Haryana) to conduct the following business :

**ORDINARY BUSINESS :**

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and the reports of Auditors and Directors thereon.
2. To declare a dividend.
3. To elect a Director in place of Sh. Sajjan Singh who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

**SPECIAL BUSINESS :**

5. To Consider and if thought fit to pass, with or without modification(s), the following Resolutions :
  - a) "RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors pursuant to section 293(1)(a) and (d) of the Companies Act, 1956 to borrow moneys together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeding the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, from directors, shareholders, firms, financial institutions, Companies financial, public or private sectors concerns, banks etc. with or without security on companies' assets by way of mortgage, charge or pledge or otherwise of all or any of immovable and/ or moveable properties of the company where-so-ever situated present or future and/or substantially the whole of all or any of the undertaking(s) of the company, as the Directors deem fit, provided that the total amount of moneys borrowed from all the parties at a time shall not exceed Rs.35,00,00,000/-(Rupees thirty five crores only)."

**Registered Office :**

Near Industrial Development Colony  
Delhi Road, Hisar – 125 005 (Haryana)  
Dated : 30th day of June, 2006

**By Order of the Board of Directors**

(V. K. Jain)  
Company Secretary

**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 and a proxy so appointed need not be a member of the Company. The proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the meeting.
2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the company will remain closed from 21st day of September, 2006 to 25th day of September, 2006 (both days inclusive) in connection with the Annual General Meeting.
4. The dividend of 10% for the year ended March 31, 2006 as recommended by the Board, if sanctioned at the ensuing Annual General Meeting will be payable to those members whose names appear on the Company's Register of Members and List of Beneficiaries as on September 25, 2006.
5. While members holding shares in physical form may write to the Company for any change in their address and bank mandates, members having shares in electronic form may inform the same to their depository participants immediately so to enable the company to dispatch the dividend warrants at their correct address.
6. Members who have not en-cashed their dividend warrants for the financial years ending 1999, 2000, 2001, 2002, 2003, 2004 and the year 2005 are requested to approach the Company for renewing their dividend warrants. Please note that the dividend which remains unpaid or unclaimed for a period of seven years shall be transferred by the Company to the Investor Education and Protection Fund Account.
7. Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
8. In deference to the Govt. Policy, no gift shall be distributed at the Annual General Meeting.

**HISAR METAL INDUSTRIES LTD.****2****EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 :****Item No. 5 :**

The power to borrow money to meet the needs of the company vests in Board of Directors. However Section 293(1)(d) says that the aggregate borrowings ( apart from temporary loans obtained from the company's bankers in the ordinary course of business) made by the company will not exceed the aggregate of the paid up capital and its free reserves and if the company needs to borrow in excess of the paid up capital and free reserves, the consent of the shareholders by way of ordinary resolution which specify the total amount up to which moneys may be borrowed by the Board of Directors, is required. On 25th day of September, 2004, the consent of the shareholders was obtained by way of ordinary resolution which specified the limit of such amount as Rs.20 crores. Due to enhanced capacity and further due to rising costs, more funds are required and therefore the company needs to borrow more. The Board of Directors is therefore proposing the aforesaid resolution to increase the limit of borrowings mentioned in section 293(1)(d) from Rs.20 crores to Rs.35 crores for due approval of the members.

None of the directors is interested in the resolution.

**Registered. Office :**

Near Industrial Development Colony  
Delhi Road, Hisar – 125 005 (Haryana)  
Dated: 30th day of June, 2006.

**By order of the Board of Directors**

(V. K. Jain)  
(COMPANY SECRETARY)

**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT**

As required under the Listing Agreement, the particulars of Director who is proposed to be reappointed are as given below :

1. Name	: Mr. Sajjan Singh	
Age	: 36 years	
Qualification	: B.Sc.	
No. of Shares held In the company	: Nil	
Expertise	: Experience of working in a cold rolling mill	
Outside Directorship	: Nil	
Chairmanship/Membership of the Board		
Committees Hisar Metal Industries Limited	: Audit Committee	– Member
	Investors' Grievance Redressal Committee	– Chairman
	Remuneration Committee	– Member

## HISAR METAL INDUSTRIES LTD.

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## DIRECTORS' REPORT

To  
The Members,  
Hisar Metal Industries Limited

The Directors have pleasure in presenting before you 16th Annual Report together with Audited Statement of Account of the Company for the year ended 31st March, 2006.

(Rs. In Lacs)

## 1. FINANCIAL RESULTS

	<u>2005-2006</u>	<u>2004-2005</u>
Sales/Other receipts	12714.06	11138.85
Profit before Depreciation and Taxation	182.66	286.17
Less : Depreciation	93.31	85.09
Profit after Depreciation	89.35	201.08
Less : Provision for Taxation		
Current Year :	7.68	19.60
Deferred Tax :	7.46	52.74
Wealth Tax :	1.32	0.58
Less : Previous Year Income Tax	—	2.33
Profit after Taxation	72.89	125.83
Add profit brought forward	226.71	162.45
Profit available for appropriation	299.60	288.28
Dividend & Tax on dividend	41.05	61.57
Surplus carried to Balance Sheet	258.55	226.71

## 2. DIVIDEND

The Directors recommend a dividend of 10% per annum for the year ended 31st March, 2006.

## 3. OPERATION

During the year under review, the performance of the company was good. The production has increased by 9% to 10516 M.T. The turnover has increased by 12% to Rs. 12334 lacs, out of which Export Turnover is Rs.1356 lacs. However, due to rising input costs, the PBT and PAT have decreased. Since, demand is good, we see the decrease in profit as a temporary downfall to be recouped in the year to come.

## 4. FIXED DEPOSITS

There was no such fixed deposits with the Company as matured and remained unpaid at the end of the year.

## 5. PARTICULARS OF THE EMPLOYEES

None of the employees of the Company is covered under the provision of Section 217 (2A) of the Companies Act, 1956.

## 6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars prescribed by the Companies (Disclosures of Particulars in the Report of the Board of the Directors) Rules, 1988 are given in Annexure which forms part of Directors Report.

## 7. COMPLIANCE OF GUIDELINES OF SEBI/STOCK EXCHANGE

We have duly complied with all the guidelines issued by SEBI/Stock Exchange.

## 8. DIRECTORS' RESPONSIBILITY

As required pursuant to the Companies (Amendment) Act, 2000, the Board of Directors confirm as under :

- That in the preparation of the annual accounts, the applicable accounting standards has been followed alongwith proper explanation relating to material departures.
- The directors had 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 of the Company for that period.

**HISAR METAL INDUSTRIES LTD.**

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- c) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- d) That the Directors had prepared the annual accounts on going concern basis.

**9. DIRECTOR**

Sh. Sajjan Singh retires by rotation and being eligible, offers himself for re-appointment.

**10. CORPORATE GOVERNANCE**

Your Company has in all material aspects complied with the conditions of Corporate Governance as contained in Clause 49 of the Listing Agreement. A separate report each on corporate governance and management discussion and analysis alongwith Auditors' Certificate are given elsewhere in this report as Annexure and forming part of this report.

**11. AUDITORS**

The Auditors of the Company J.P.Tulsian & Co., Chartered Accountants, Hisar retires at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Necessary Certificate pursuant to section 224(1B) of the Companies Act, 1956 has been obtained from the Auditors.

**12. INSURANCE**

The properties and assets of the company to the extent required are adequately insured.

**13. ACKNOWLEDGEMENT**

The Board of Directors thank and deeply acknowledge the co-operation, assistance and support provided by all the stakeholders viz workers, shareholders, bankers, customers, dealers, vendors, Government and the regulators.

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**For and on behalf of the Board of Directors**

**Registered Office:**

Near Industrial Development Colony,  
Delhi Road, Hisar – 125 005 (Haryana)  
Dated : 30th June, 2006

**(M.P. JINDAL)**  
**CHAIRMAN**

**HISAR METAL INDUSTRIES LTD.**

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**ANNEXURE TO DIRECTORS' REPORT**

Pursuant to Companies (Disclosure of Particulars in the Report of Directors) Rules 1988.

**A. CONSERVATION OF ENERGY**

The following measures are employed by the Company for conservation of energy :-

- i) Improving power factor by the Company for conservation of energy.
- ii) Utilising the proper load of plant and equipment, Electric Motor etc.
- iii) Reducing the maximum demand by properly distributing the loads.

Total energy consumption and energy consumption per unit of production as per FORM A is as under :-

**FORM A****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

<b>A. POWER AND FUEL CONSUMPTION</b>		<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
		<b>2005-2006</b>	<b>2004-2005</b>
<b>1. ELECTRICITY</b>			
a) Purchased Units	Nos.	<b>5251571</b>	<b>3889878</b>
Total amount	Rs.	<b>2,24,76,576</b>	<b>1,63,89,291</b>
Rate/Unit	Rs.	<b>4.28</b>	<b>4.21</b>
b) Own Generation			
i) Through Generator	Ltr.	<b>2,20,487</b>	<b>4,68,248</b>
Cost per unit	Rs.	<b>7.45</b>	<b>5.56</b>
ii) Through Steam Turbine Generator		<b>Not Applicable</b>	<b>Not Applicable</b>
<b>2. COAL</b>		<b>1,61,335</b>	<b>Not Applicable</b>
<b>3. FURNACE OIL (LIGHT DIESEL OIL)</b>	Rs.	<b>2,48,33,204</b>	<b>2,05,30,938</b>
<b>4. LPG</b>		<b>87,25,834</b>	<b>89,78,310</b>
<b>5. OTHER/INTERNAL GENERATION</b>		<b>Not Applicable</b>	<b>Not Applicable</b>
<b>B) CONSUMPTION PER UNIT OF PRODUCTION</b>			
<b>PRODUCT</b>		<b>C.R.STRIPS</b>	<b>C.R.STRIPS</b>
Electricity (Units)		<b>580</b>	<b>601</b>
Furnace Oil (Ltr.)		<b>142</b>	<b>158</b>
Coal		—	—
Others		—	—

**FORM B****(FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION)****RESEARCH AND DEVELOPMENT (R & D)**

1. Specified Area in which R & D carried out by the company :
2. Benefits derived as a result of the above R & D :
3. Future plan of action :
4. Expenditure on R & D :
  - a) Capital : NIL
  - b) Recurring :
  - c) Total :
  - d) Total R & D expenditure as a percentage of total Turnover :

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1. Efforts in brief, made towards technology absorption and innovation : NIL
2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc. : NIL
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished :
  - a) Technology imported : Not Applicable
  - b) Year of import : NIL
  - c) Has technology fully absorbed : NIL
  - d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action : Not Applicable

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars of Foreign exchange earnings and outgo are given in Item No. 7 (D), (E) & (F) of Schedule 'T' Notes to the accounts.

For and on behalf of the Board of Directors

Place : Hisar  
Date : 30th June, 2006

(M.P. JINDAL)  
CHAIRMAN

## HISAR METAL INDUSTRIES LTD.

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## ANNEXURE

**CORPORATE GOVERNANCE**

Corporate governance Report for the year 2005-06 following the guidelines given as per clause 49 of the Listing Agreement of the Stock Exchanges is being published as under :

1. **COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE** : Your Company is committed to set up best corporate practices. The company strives to achieve efficient conduct of its business in a true and fair manner providing transparency and accountability in business and endeavours to enhance shareholders' value and interests of all other stake-holders.
2. **BOARD OF DIRECTORS** :
  - i) **Composition** : The Company's Board consists of 5 members of which 4 are the Non-executive Directors. The particulars of directors viz. names, designation and the status are given hereunder :

S.No.	NAME	DESIGNATION	STATUS
1.	Shri M.P. Jindal	Chairman	Promoter being Non-Excutive
2.	Shri Abhiram Tayal	Managing Director	Promoter being Executive
3.	Smt. Anubha Tayal	Director	Promoter being Non-Exucutive
4.	Shri Dharam Paul*	Director	Independent being Non-Executive
5.	Shri Sajjan Singh	Director	Independent being Non-Executive

The Chairman of the Board is the Non-Executive and the number of independent Directors on the Board meets the requirement of corporate governance.

**\*Note** : Due to sudden demise of Shri Dharam Paul on 12.06.2006, the company had now four directors. The Company is in search of a suitable independent director who could also chair the meeting of the Audit Committee. Suitable candidate for independent director will be appointed before the next due meeting of the audit committee.

- ii) **BOARD MEETINGS** : In all, 43 meetings of directors were held during the financial year 2005-06 which consists of 6 meetings of Board of Directors, 29 meetings of Share Transfer Committee, 4 meetings of committee to redress the grievances of shareholders and Investor Complaints and 4 meetings of the Audit Committee.

Detailed agenda were circulated to all the directors and the members of the respective committees sufficiently in advance of their meetings.

The Board meeting held on the following dates viz., 29.04.2005, 30.06.2005, 30.07.2005, 14.09.2005, 31.10.2005, 31.01.2006. The maximum interval between any two Board meetings was 91 days.

- iii) **ATTENDANCE OF DIRECTORS** : The attendance of the directors during the year 2005-2006 is shown as under :

Name of Director	Meeting held During the Tenure of the Director	Meetings attended during the tenure	Attendance at the last AGM held on 24.09.2005
Shri M. P. Jindal	6	6	Yes
Shri Abhiram Tayal	6	6	Yes
Smt. Anubha Tayal	6	6	No
Shri Dharam Paul	6	6	Yes
Shri Sajjan Singh	6	6	Yes

- iv) **OTHER DIRECTORSHIP** : The number of directorships held in other bodies corporate by the Directors is as follows :

Name	No. of directorship in other companies		No. of membership of committees	
	Pvt.	Public	Chairman	Member
Shri M.P. Jindal	2	2	—	1
Shri Abhiram Tayal	—	—	—	—
Smt. Anubha Tayal	—	—	—	1
Shri Dharam Paul	—	1	1	—
Shri Sajjan Singh	—	—	2	1

## HISAR METAL INDUSTRIES LTD.

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- v) **DETAILS OF DIRECTORS TO BE APPOINTED/RE-APPOINTED AT THE ANNUAL GENERAL MEETING :**  
 Shri Sajjan Singh who is liable to retire by rotation on the date the ensuing Annual General Meeting, is to be re-appointed. Shri Sajjan Singh, aged about 36 years is the Independent Director of the Company. He holds the membership of the Audit Committee and he is the Chairman of the Investors' Grievance Redressal Committee. He does not hold directorship in any other company. Further Shri Sajjan Singh does not own any shares on his own as well as on a beneficial basis for any other person.

Further the brief resume of Shri Sajjan Singh, his expertise, names of companies in which he is director and holds the membership of the Committees of the Board and his shareholding is being published as part of the Notice to the Annual General Meeting.

### 3. AUDIT COMMITTEE :

- i) **Terms of Reference :** In Compliance with the requirement of clause 49 of the Listing Agreement of the Stock Exchanges, an Audit Committee has been constituted on 28.09.2002. The Committee deals with accounting, financial matters and internal control. The power, role, delegation, responsibilities and terms of reference of the Audit Committee are as provided in Clause 49 of the Listing Agreement.
- ii) **Composition :** The Audit Committee consists of three directors, out of which two are the independent directors. The company secretary acts as the secretary of the audit committee. All the members of the audit committee have sound knowledge of finance and accounts. The Chairman of the committee has attended the last Annual General Meeting. The head of Finance, Internal Auditors and Statutory Auditors attend the meeting of the committee on the invitation of the Chairman.

### Corporate Governance Report for the year ended 31st March, 2006

The composition of the Audit Committee and their attendance at the Committee meetings held during the year ended 31st March, 2006 are as under :

Member Director	Executive/Non Executive	Independent/ Non-Independent	No. of Meetings Attended (Total meetings held 4)
● Sh. Dharam Paul	Non-Executive	Independent	4
● Sh. Sajjan Singh	Non-Executive	Independent	4
● Smt. Anubha Tayal	Non-Executive	Non-Independent	4

During the financial year ended 31st March, 2006, the Audit Committee Meetings held on 29.06.2005, 29.07.2005, 31.10.2005 and 28.01.2006.

### 4. REMUNERATION COMMITTEE :

- i) **Terms of Reference :** The committee reviews and approves the salaries, perquisites, service agreements and other employment conditions of the Executive Directors.
- ii) **Composition :** All the members of the Remuneration Committee are Non-Executive Directors. The members of the Remuneration Committee are :

Shri Dharam Paul, Chairman	Independent and Non-executive Director (Upto 12-06-2006 since expired)
Shri Sajjan Singh, Member	Independent and Non-executive Director
Shri M.P. Jindal, Member	Promoter and Non-Executive Director

### Corporate Governance Report for the Year ended March 31, 2006

- iii) **Remuneration Committee Meeting (Attendance) :** During the year ended 31st March, 2006, no meeting of this committee was held.
- iv) **Remuneration Policy :** The Managing Director is paid remuneration approved by the Board of Directors on the recommendation of Remuneration Committee. The remuneration so approved is subject to the approval by the shareholders at the General Meeting and such other authorities as the case may be. The Non Executive Directors do not draw any remuneration from the Company.
- v) **Details of Managing Director's Remuneration :** The details of the remuneration paid to the Managing Director during the financial year 2005-06 is as under :

S. No.	Name	Salary & Allowances (Rs.)	Perquisites (Rs.)	Contribution to P.F. (Rs.)	Total (Rs.)
1.	Shri Abhiram Tayal	1,80,000.00	NIL	9,360.00	1,89,360.00