

**BOARD OF DIRECTORS**

**B.L. AGRAWAL**  
CHAIRMAN - NON EXECUTIVE

**N.P. AGRAWAL**  
MANAGING DIRECTOR

**H.P. AGRAWAL**  
EXECUTIVE DIRECTOR

**Y. C. RAO**  
NON EXECUTIVE DIRECTOR

**C.M. TRIPATHY**  
INDEPENDENT DIRECTOR  
(Up to 26.06.2007)

**KAPIL AGRAWAL**  
INDEPENDENT DIRECTOR

**UMESH AGRAWAL**  
INDEPENDENT DIRECTOR

**BANKERS**  
**STATE BANK OF INDIA**

**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 thereon for the Financial year ended 31st March, 2007.

The summarized financial result for the year ended 31st March 2007 are as under :

#### FINANCIAL RESULTS :

	Year ended 31.03.2007 (Rs. in lacs)	Year ended 31.03.2006 (Rs. in lacs)
Sales	6874.01	2208.34
Other Income	783.73	210.44
Total Income from Operations	7657.74	2418.78
Profit before Interest, Depreciation and Tax	1892.25	134.31
Finance Charges	286.21	30.57
Depreciation for the year	255.77	62.22
Profit before Tax	1350.27	41.52
Add: Prior Period Adjustments	1.59	N/A
Add: Excess provision for Income tax written back	2.94	N/A
Less: Provision for Income Tax, Fringe Benefit Tax & Income Tax related to earlier years	460.87	6.12
Less: Wealth Tax	0.50	N/A
Net Profit after Tax	893.43	35.40
Add: Balance brought forward from previous year	163.65	200.58
Profit available for appropriations	1057.08	235.98
Appropriations:		
Proposed Dividend	58.77	19.59
Tax on proposed dividend	8.24	2.74
Transfer to General Reserve	50.00	50.00
Balance carried to Balance Sheet	940.07	163.65

#### 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 15% dividend on the equity share capital of the Company for the year ended 31st March, 2007. The total cash outflow on account of dividend payment (including dividend tax) shall be Rs.67.01 Lakhs.

#### OPERATIONS :

Your company has produced 13727.04 MTs of Silico Manganese in comparison to 4466.235 MTs during the previous year registering a growth of 207%. Your Company also produced 97.28 MTs of Ferro Manganese in comparison to 39.50 MTs during the previous year registering a growth of 146%. Your Company also earned Income by sale of trading goods, such as Silico Managanese, HB Wires, MS Bar, MS Round etc., of Rs.16.81 crores

The Company's Gross Turnover for the Financial Year 2006-07 was Rs.68.74 crores in comparison to 22.08 crores during the previous year registering a growth of 211%.

Your Company has commenced the production of its 20 MWs capacity Power Plant and during the year produced 93957000 units of Power. Further the company has completed set up of 9 MVA Ferro Alloys Plant also.

The Company's Fly Ash based Bricks Plant is also at the verge of completion and is expected to commence production by the end of July, 2007.

The Company has also completed modernization cum renovation programme of one of its existing Ferro Alloys Units the operation in which was suspended since 1998.

#### **FOREIGN EXCHANGE EARNINGS AND OUTGO :**

The Company has imported Brick Plant during the year; the aggregate CIF value of imports was Rs.2,35,37,112/-. There was no earnings in foreign currency 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 Kapil Agrawal and Shri Umesh Agrawal retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Shri C. M. Tripathy has resigned from the Directorship of the Company with effect from 26.06.2007. 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.

During the year under review, Shri Narayan Prasad Agrawal was re-appointed as Managing Director of the Company for a period of 5 years with effect from 1st October, 2006, which was approved by the shareholders of the Company at an Extra Ordinary General Meeting held on 5th December, 2006.

Shri Hanuman Prasad Agrawal has been appointed as Additional Director on the Board of the company with effect from 01.03.2007. The company has received notices under section 257 of the Companies Act, 1956 from a shareholder for appointment of Shri Hanuman Prasad Agrawal as Whole time Director on the Board. The Board desires to utilize full time services of Shri Hanuman Prasad Agrawal and proposes to appoint him as Whole time Director on the Board of the Company, and pay remuneration to him, in the ensuing Annual General Meeting in order to inculcate good corporate governance. Shri N.P. Agrawal has vacated the position of Chairman of Company and in his place Shri B.L. Agrawal has been appointed as Non Executive Chairman. Shri N.P. Agrawal however continues to be the Managing Director 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.

## **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 made a qualifying remark in Point No. 4 regarding Income from Speculative Transactions. The explanation of the same is provided in note No.5 in Schedule S - "Notes to Financial Statements" forming part of the Accounts which is self explanatory and do not require any further elucidation under section 217(3) of the Companies Act, 1956.

The Auditors in their Report have also referred to Annexure (iii) (b) for interest free loans granted by the company to the companies listed in the register maintained under section 301 of the Companies Act, 1956. 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, 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.

Place : Raipur

Date : 26th June, 2007

For and on behalf of the Board of Directors

**B. L. Agrawal**, Chairman

**ANNEXURE-“A” TO THE DIRECTORS' 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)	<b>662.68</b>	346.43	<b>2168.18</b>	1106.29	<b>3.27</b>	3.19

**II. CONSUMPTION PER UNIT OF PRODUCTION (PER MT)**

Particulars	PRODUCTION (Units in MTs)	CONSUMPTION	AVERAGE CONSUMPTION / MT
<b>Electricity</b>	Current Year (Previous Year)	Item wise consumption is not ascertainable	
Silico Manganese	13727.040 (4466.235)		
Ferro Manganese	97.280 (39.350)		
Power	9395700 units (0.00) units		
Pig Iron	0.00 (5838.790)		

**B. TECHNOLOGY ABSORPTION :**

RESEARCH AND DEVELOPMENT (R & D)

(a) Research and Development :

1. 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**

Place : Raipur

Date : 26<sup>th</sup> June, 2007

**B. L. Agrawal**, 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.

### I - INDUSTRY STRUCTURE AND DEVELOPMENT

a) Industry Scenario:

#### **Ferro Alloys :**

There is currently a boom in the ferro alloys market, especially in silico manganese. Manganese alloy has approximately 40% share of world production of ferro alloys and is the largest produced ferro alloy in the world. Silico manganese production has increased considerably during the last few years. The boom in ferro alloys market is largely related to the rapid development taking place in the infrastructure sector as a result of increased investments in that sector. The set up of your Company's 9MVA Ferro Alloys plant near its existing unit has been completed and production has commenced.

India is one of the key consumers of silico manganese along with China. Therefore, the demand for ferro alloys will continue to increase in the future.

#### **Power :**

Generation of power is critical to the infrastructure of the country. Generation capacity has consistently increased in India over the last few decades but the supply has lagged behind and India's electricity consumption levels is one of the lowest in the world. India is currently facing a peak power deficit of about 11000 MW due to high levels of transmission and distribution losses. To counter the above hazards and other shortcomings, the Government of India has announced the National Electricity Policy with an aim to accelerate the power sector and to provide electricity to all areas of the country. Further, the Electricity Act, 2003 has provided a boost to the Captive Power generation plants by exempting them from the license requirements. This has resulted in increase in captive capacity additions by industrial units. The other factor that has encouraged captive generation is the reliability of power supply.

b) Future Industry Outlook :

#### **Ferro Alloys :**

Due to increase in orders and firm prices the global scenario for manganese alloys appears bright till the end of the year. The one flipside to the growing market is the increase in input cost of core which has moved up by approximately 10% in the current year in comparison to the previous year. But still the ferro alloys segment will be able to contribute significantly to the increase in profitability of the company in the current year.

#### **Power :**

Presently, the country is facing a huge power deficit and the demand for power is huge. Therefore, the power industry has a bright future.

Your Company has commenced the production of its 20 MW power plant. The product will be sold in the market and the company will also utilise the power for captive consumption.

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 2006-07. As discussed earlier, silico manganese will continue to contribute towards the growth of the company in the current year.

#### **Power :**

Your Company has commenced the production of its 20 MW power plant. 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:**

Your Company is aware of the cyclical nature of ferro alloys as a commodity. Any changes in the Government Policies will effect operations of the company. Logistics and raw materials will pose significant challenges in the near future. High consolidation in the industry, high operating rates, shortage of key materials may lead to a reduced growth in meeting with increased demand. Ferro Alloys making cost have been increasing due to Increase in the prices of inputs. The threat of imports from other developing countries such as China may put pressure on the prices.

**Power :**

The administration of power sector by both Central and State Governments results in lack of uniform approach. State Governments need to usher competition in the power sector which will make merchant sale of power smoother. A uniform policy is needed to give strength to the power sector.

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

Your company has produced 13727.040 MTs of Silico Manganese, 97.280 MTs of Ferro Manganese during the current Financial Year under report. The company's Gross Turnover increased to Rs.68.74 crores (including sales of trading goods, such as Silico Managanese, HB Wires, MS Bar, MS Round etc., of Rs.16.81 crores) during the current year as compared to Rs.22.08 crores during the previous year due to increase in demand of the products manufactured by the Company.

Your Company also commenced the production of its 20 MWs capacity Power Plant and during the year produced 93957000 units of Power. Further the company has completed set up of 9 MVA Ferro Alloys Plant near its existing unit.

The Company's Fly Ash based Bricks Plant is also at the verge of completion and is expected to commence production by the end of July, 2007.

The Company has also completed modernization cum renovation programme of one of its existing Ferro Alloys Units the operation in which was suspended since 1998.

**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 defer 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

### 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 .

### Composition:

As on date of this Report, the Board of Directors of the Company is comprised of six Directors. Four Directors are Non-Executive Directors which is more than fifty percent of the total strength as against minimum requirement of fifty percent as per the Listing Agreement. The Chairman is Non-Executive and Non-independent Director belonging to the Promoter Group. The Managing Director is Executive and Non-independent, one Director is an Executive Director, one Director is Non-Executive and Non-independent Director and remaining two Directors are Independent Directors. The Constitution of the Board is exactly as per the requirements of Clause 49 of the Listing Requirement.

### Board of Directors :

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 31<sup>st</sup> March, 2007 are given in Table 1 as under:

Table 1:

Name of the Directors	Category of Directors	No. of other Directorship held*	Name of Board Meetings attended	Last AGM attended	No. of other Board committees member / chairman
Shri B.L. Agrawal	Chairman - Non-Executive	12	14	YES	01
Shri N.P. Agrawal	Managing Director / Executive	02	14	YES	01
Shri H.P. Agrawal	Executive	01	1	N.A.	NIL
Shri Y.C. Rao	Non Executive	01	14	YES	03
Shri C.M. Tripathy#	Independent	NIL	12	YES	NIL
Shri Kapil Agrawal	Independent	02	13	NO	03
Shri Umesh Agrawal	Independent	NIL	13	YES	02

\*Other Directorship excludes Directorship in Private Companies.

#Shri C. M. Tripathy has resigned from the Directorship of the Company with effect from 26.06.2007.

### 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 2006-07 is shown below:

Name of Director	Basic Salary	Bonus	Individual's Performane linked Incentive	Total
Shri Narayan Prasad Agrawal	750000	150000	300000	1200000
Shri Hanuman Prasad Agrawal*	395000	NIL	NIL	395000

\* Shri Hanuman Prasad Agrawal was paid remuneration @ Rs.25000/- p.m. as CEO of the Company from April 2006 to February 2007 and Rs.120000/- as Whole time Director of the Company for the month of March 2007.

**Board Procedures :**

During the year 2006-07, the Board met 14 times during the last year 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:

Table 2:

Date of Meeting	No. of Directors Present
19.04.2006	06
12.05.2006	06
27.06.2006	06
31.07.2006	06
11.08.2006	05
26.09.2006	06
20.10.2006	06
31.10.2006	06
19.12.2006	05
19.01.2007	06
03.02.2007	05
24.02.2007	06
05.03.2007	06
30.03.2007	06

Your Company's Board of Directors plays the primary role in ensuring good governance and functioning of the Company. In addition to the items which are required to be placed before the Board for its noting and/or approval under the statutes or regulations, the Board also reviews from time to time compliance reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliance and all other significant items.

**AUDIT COMMITTEE :**

The detailed composition of the members of the Audit Committee is given below:

**Constitution and Composition**

The Audit Sub-Committee is constituted of three Directors out of which two are independent Directors.

The committee met four times during the year 2006-07 and the attendance of the members at these meetings was as follows:

Name of the Chairman/ Member	Status	Meetings attended
1. Mr. Umesh Agrawal	Chairman (Independent Director)	04
2. Mr. Kapil Agrawal	Member (Independent Director)	04
3. Mr. Y. C. Rao	Member (Non-Executive Director)	04

All the members of the Audit Committee are financial literates as required by the revised Clause 49 of the Listing Agreement. Mr. Umesh Agrawal is a qualified Chartered Accountant and Mr. Y.C. Rao is a qualified Cost and Works Accountant and Company Secretary.

The functioning and terms of reference of the Audit Committee, the role, powers and duties, quorum for meeting and frequency of meetings, have been devised keeping in view the requirements of Section 292A of the Companies Act, 1956 and Listing Agreement with the Stock Exchanges as are in force/ applicable from time to time.

#### **DISCLOSURES:**

##### **Basis of related party transactions**

A statement, in summary form, of all the transactions entered into with the related parties in the ordinary course of business, details of material individual transactions with related parties that are not in the normal course of business and details of material individual transactions with related parties that are not on an arm's length basis are placed before the audit committee. There are no material transactions with related parties, which require separate disclosure. A comprehensive list of transactions entered into with the related parties as required by the Accounting Standards (AS) 18 issued by the Institute of Chartered Accountants of India is given as a separate Schedule to the accounts in the Annual Report.

##### **Disclosure of accounting treatment**

The Company has followed all relevant accounting standards while preparing the financial statements.

##### **Risk Management**

The risk management issues are discussed in detail in the report of Management Discussion and Analysis. Since the risk control framework is new to Indian corporate culture, it is being strengthened on a continuous basis.

The Board has yet to lay down procedures to inform the company's risk assessment and minimization procedures. The company is in process of devising the risk assessment and minimization procedures which shall be laid before the Board of Directors of the company for approval.

##### **Proceeds from public issues, right issues, preferential issues etc**

There were no public issues, right issues, preferential issues etc. during the Financial Year 2006-07 under review.

#### **REMUNERATION COMMITTEE:**

The Remuneration Committee is constituted of three Directors out of which two are independent Directors. The detailed composition of the members of the Remuneration Committee is given below:

1. Mr. Umesh Agrawal : Chairman  
(Independent Director)
2. Mr. Kapil Agrawal : Member  
(Independent Director)
3. Mr. Y.C. Rao : Member  
(Non-Executive Director)

Only one meeting of the committee was held during the year to discuss the increase in remuneration payable to the Managing Director.

##### **Management**

Management Discussion and Analysis report has been given as a separate chapter in the Annual Report.

##### **Disclosure of material transactions**

No material transaction has been entered into by the Company with the Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have a potential conflict with interests of the Company.

**Insider trading Disclosure :**

Comprehensive insider trading disclosure guidelines in line with the SEBI Regulations have been adopted by the Board in which the procedure to be followed by all the key managerial persons, staff and other relevant business associates for disclosure of all security transactions of the shares of the company on the basis of any unpublished price sensitive information relating to the company.

**Shareholders**

Particulars of Directors seeking appointment / re-appointment:

Particulars of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting to be held on 25<sup>th</sup> September, 2007 are given as under:

1. Shri Hanuman Prasad Agrawal, 50, is a Commerce Graduate. He has vast Industrial experience of setting up of Ferro Alloys and Power plants. He serves on the Board of Hira Power and Alloys

Limited. He is holding 51000 equity shares in the Company.

**Communication to Shareholders:**

Quarterly results are sent to the stock exchanges on which the Company is listed and are also published in leading dailies namely Hitavada and Amrit Sandesh.

**Shareholders/ Investors Grievance Committee:**

The Investors Grievance Committee is constituted of three Directors out of which two are independent Directors. The detailed composition of the members of the Investors Grievance Committee is given below:

1. Mr. Umesh Agrawal : Chairman  
(Independent Director)
2. Mr. Kapil Agrawal : Member  
(Independent Director)
3. Mr. Y.C. Rao : Member  
(Non-Executive Director)

The company has not received any complaints from any of the shareholders of the company during the year.

**Other Information to Shareholders :**

The location, date and time of the last three Annual General Meetings were as under:

YEAR	DATE	TIME	VENUE
2003-2004	30.09.2004	11.00 a.m.	567-B, Urla Industrial area, Raipur
2004-2005	30.09.2005	11.00 a.m.	567-B, Urla Industrial area, Raipur
2005-2006	26.09.2006	12.30 p.m.	Lav Kush Vatika, VIP Road, Raipur

The Company passed a Special Resolution in the Annual General Meeting held on 30.09.2004 in respect of Inter Corporate Investments, Loans and Guarantees and for Alteration of Articles of Association of the Company and for Dematerialization of the Shares of the Company.

One Resolution passed by Postal Ballot was adopted at the Annual General Meeting of the

Company held on 30.09.2005. Pursuant to Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001, a special resolution under Section 372 A of the Companies Act, 1956 regarding increasing the Investments of the Company was voted by shareholders through postal ballot and 87.66% of the voting power holders approved the resolution and only 0.01% opposed it.

General Information :

**1. ANNUAL GENERAL MEETING : Tentative Schedule**

Date	25 <sup>th</sup> September, 2007
Time	3.00 p.m.
Venue	1 <sup>st</sup> Floor, Hira Arcade, Near New Bus Stand, Pandri, Raipur (C.G.)

2. FINANCIAL CALENDER (2007-2008)  
Board Meeting (for Financial Result)-  
Quarter ending on 30th June 2007 : Last week of July, 2007  
Half-year ending on 30th September 2007 : Last week of October, 2007  
Quarter ending on 31st December 2007 : Last week of January, 2008  
Year ending on 31st March 2008 : Last week of April, 2008
3. DATE OF BOOK CLOSURE : 18th September, 2007 to 25th September, 2007  
(Both days inclusive)
4. DIVIDEND PAYMENT DATE : Within 20 days of its declaration
5. LISTING ON STOCK EXCHANGE : The shares of the Company are listed in Delhi Stock Exchange and M.P. Stock Exchange.
6. STOCK CODE : Stock code is not available since Listing and Trading permission is pending.
7. MARKET PRICE DATA : Not Available since there is no official trading in any of the Stock Exchanges.
8. Share Price movement in comparison to broad based indices : N.A.
9. Registrar and Transfer Agent : Not appointed
10. Share transfer system :

Share transfers in physical form can be lodged with the company at its Registered Office. Transfers normally are processed within the stipulated time, if the documents are complete in all respects. All share transfers are approved by the Investors Grievance Committee.

11. DISTRIBUTION OF SHAREHOLDING AS ON 31<sup>ST</sup> MARCH 2007 :

Shareholding of Nominal Value (Rs.)	Shareholders		Shares Held	
	Number	% to Total	Number	% to Total
Up to 5000	147	71.02	44800	01.14
5001 – 10000	Nil	Nil	Nil	Nil
10001- 20000	11	05.31	152600	03.89
20001 – 30000	10	04.83	247800	06.33
30001 – 40000	08	03.86	296100	07.56
40001 – 50000	06	02.90	277300	07.08
50001 and above	25	12.08	2899100	74.00
<b>TOTAL</b>	<b>207</b>	<b>100.00</b>	<b>3917700</b>	<b>100.00</b>

12. SHAREHOLDING PATTERN AS ON 31<sup>ST</sup> MARCH 2007:

Serial No.	Category	No. of Shares held	Percentage
1	Promoters (including person acting in concert)	18,80,500	48.00
2	Institutional Investors	Nil	Nil
3	Corporate Bodies	20,07,000	51.23
4	NRIs/ OCBs	Nil	Nil
5	General Public	30,200	0.77
	<b>TOTAL</b>	<b>39,17,700</b>	<b>100</b>

13. DEMATERIALIZATION OF SHARES : Dematerialization process is in progress.

14. LOCATION of Plant, Registered and Corporate Offices:

**Plant and Registered Office**

567B, Urla Industrial Area, Raipur, (C.G.) India  
Tel: +91-771-2323800, 2323037.

**Corporate Office**

First Floor, Hira Arcade, Near New Bus Stand, Pandri Raipur -492001,Chattisgarh, India.  
Tel:+91-771-4282700; Fax: +91-771-4282732.

**CEO/CFO Certification**

Shri N. P. Agrawal, Managing Director and Shri Y. C. Rao, Director of the Company have certified to the Board with regard to the financial statements and other matters as required in clause 49 of the listing agreement and the said certificate is contained in this annual report.

**Report on Corporate Governance**

This chapter, read together with the information given in the chapter titled Management Discussion and Analysis constitute compliance report on Corporate Governance during 2006-07.

For and on behalf of the Board of Directors

**B. L. Agrawal**, Chairman

Place: Raipur  
Date : 26th June, 2007

## CERTIFICATE OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

To

**The Board of Directors**

**Hira Ferro Alloys Limited**

Date: 26th June, 2007

We have reviewed the financial statements and the cash flow statement for the financial year 2005-06 and hereby certify that to the best of our knowledge and belief:-

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
2. These statements together present a true and fair view of the Company's affair and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2006-07 which are fraudulent, illegal or violate the Company's code of conduct.
4. We accept responsibility for establishing and maintaining internal controls. For financial reporting and that we have evaluated the effectiveness of the internal control system for the purpose of financial reporting of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems for the purpose of financial reporting and that we have taken the required steps to rectify these deficiencies.
5. We further certify that :-
  - a) There have been no significant changes in internal control during this year.
  - b) There have been no significant changes in accounting policies during this year, except change in method of depreciation from WDV to SLM as per Companies Act, 1956.
  - c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

**N. P. AGRAWAL**  
Managing Director  
(26th June, 2007)

**Y. C. RAO**  
Director  
(26th June, 2007)

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF  
HIRA FERRO ALLOYS LIMITED

We have examined the compliance of conditions of Corporate Governance by HIRA FERRO ALLOYS LIMITED, for the year ended on 31st March,2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Directors and the Management, we certify that the Company has complied with in all material respect, the conditions of Corporate Governance as stipulated in the Clause 49 of the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March,2007, no investors grievances are unattended/pending for a period exceeding one month against the Company as certified by the management of the Company and details presented to the Investors Grievance Committee of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **O.P. SINGHANIA & CO.**  
Chartered Accountants

(SANJAY SINGHANIA)  
PARTNER  
(MEMBERSHIP NO. 076961)

Place : RAIPUR  
Date : 26<sup>th</sup> June, 2007

# OP Singhania & Co.

CHARTERED ACCOUNTANTS

199-A, SAMTA COLONY, RAIPUR –492001(C.G.) INDIA

PHONE: 0771-2253844, 2253845

Web : www.opsinghania.com

## AUDITORS' REPORT

To

The Members of

HIRA FERRO ALLOYS LTD.

1. We have audited the attached Balance Sheet of HIRA FERRO ALLOYS LTD. as at 31st March 2007, the Profit and Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (As Amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *The company has shown 'Other Income' of Rs.751.89 Lakhs from speculative transactions of various commodities and shares during the course of search operation conducted by Income Tax Department during the year. No supporting and documents have been produced before us except the statement of aforesaid income submitted before the Department. Therefore, we are unable to comment on the nature and completeness of said income as disclosed. (Refer Note No.5 of Schedule S: Notes to Financial Statements)*
5. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit *subject to para 4 above;*



- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books *subject to para 4 above.*;
- (iii) The balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 *subject to para 4 above*;
- (v) On the basis of written representations received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and *subject to extent indicated in Para 4 above* give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2007;
- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For OP Singhanian & Co.  
Chartered Accountants

(SANJAY SINGHANIA)  
PARTNER

Membership No.076961

(26th June, 2007)

Place : Raipur

Date : 26<sup>th</sup> June, 2007

Re: HIRA FERRO ALLOYS LIMITED

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was not any disposal of fixed assets during the year, therefore the question of affecting the going concern status of the company does not arise.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The variations noticed between the physical stocks and the book records as referred to in Note No. 5 of Schedule S have been accounted for in the books of account.
- (iii) (a) The company has granted loan to one company covered in the register maintained under section 301 of the companies Act, 1956. Maximum amount involved was Rs. 1 lakh and the year end balance of the loan granted to above company was Rs. 1 lakh.
- (b) In our opinion, the terms & conditions on which loans have been granted to the company listed in the register maintained under section 301 of the Companies Act, 1956 are not *prima facie* prejudicial to the interest of the company *except the above loan is interest free*.
- (c) The receipt of the principal amount and interest wherever applicable was regular.
- (d) There was no overdue amount of loans granted to companies listed in the register maintained under section 301 of the companies Act, 1956.
- (e) The company has taken loan from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.500 lakhs and the year-end balance of loans taken from the said company was Rs. 500 lakhs.

- (f) In our opinion, the terms & conditions on which loans have been taken from companies listed in the register maintained under section 301 of the Companies Act 1956, are not *prima facie* prejudicial to the interest of the company.
- (g) The company was regular in repaying the amount as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements with the aforesaid parties as stated in v (a) of clause 4 with whom transactions exceeding the value of Rupees five lakhs during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us , Company has not accepted deposits from the public during the year. Therefore, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order,2003 are not applicable to the Company.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the accounts and cost records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained, however, we have not made a detailed examination of the same with a view to determine whether they are accurate and complete.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education & protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it and according to the information and explanations given to us, no undisputed amounts payable in respect of above statutory dues were in arrears as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues outstanding of sale tax, income tax, customs duty, wealth tax, service tax, excise duty and cess on account of any dispute other than the following:-

Name of the Statute	Nature of Dues	Amount Rs. in Lacs	Forum where dispute is pending
C.G. Commercial Tax Act, 1994	Entry Tax demand for the F.Y.1995-96	0.09	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Entry Tax demand for the F.Y.1995-96	2.71	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
Central Sales Tax Act, 1956	Demand of Central Sales Tax for the F.Y.1997-98	9.08	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Demand of Sales Tax for the F.Y.1997-98	3.28	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Demand of Entry Tax for the F.Y.2002-03	0.78	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
Income Tax Act, 1961	Income Tax demand for the A.Y.1996-97	1.03	Astt. Commissioner of Income Tax, Raipur
Central Excise Rule, 1944	Demand raised by Excise Authorities on accounts of CENVAT Credit availed on lancing pipes for the F.Y.1994-95.	0.22	High Court of Chhattisgarh State

\* Net of amount deposited under protest or otherwise.

- (x) The company has no accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institution or bank.
- (xii) We are of the opinion that the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- (xv) In our opinion and according to the information and explanations given to us, the terms & conditions on which the company has given corporate guarantees to the Banks to secure the loans granted by such banks for other companies are not prejudicial to the interest of the company.
- (xvi) In our opinion, and according to the information and explanations given to us, on and overall basis, the term loan has been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that, prima facie short-term funds have not been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to any company, firms or other parties covered in the register maintained under section 301 of the Act. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xix) According to the information and explanations given to us, during the year covered by our audit report, the company has not issued any debentures, therefore, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xx) The company has not raised any money by public issue during the year, therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order,2003 are not applicable to the company.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For OP Singhania & Co.  
Chartered Accountants

(SANJAY SINGHANIA)  
PARTNER  
Membership No. 076961  
(26th June, 2007)

Place : Raipur  
Date : 26<sup>th</sup> June,2007

**HIRA FERRO ALLOYS LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH, 2007**



	SCHEDULE	AS AT 31 ST MARCH,2007 Rs.	AS AT 31ST MARCH, 2006 Rs.
<b>SOURCES OF FUNDS</b>			
<b>A. SHAREHOLDERS' FUNDS</b>			
a) Share Capital	<b>A</b>	39177000.00	39177000.00
b) Reserves & Surplus	<b>B</b>	263757493.83	181115158.95
		<u><b>302934493.83</b></u>	<u><b>220292158.95</b></u>
<b>B. LOAN FUNDS</b>			
a) Secured Loans	<b>C</b>	458893817.49	300445726.91
b) Unsecured Loans	<b>D</b>	141761710.00	153674881.86
		<u><b>600655527.49</b></u>	<u><b>454120608.77</b></u>
<b>C. DEFERRED TAX LIABILITIES</b>		43383217.47	12691538.00
<b>TOTAL</b>		<u><b>946973238.79</b></u>	<u><b>687104305.72</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>A. FIXED ASSETS</b>	<b>E</b>		
a) Gross Block		809792092.28	144633423.37
b) Less : Depreciation		69986606.53	44409321.98
c) Net Block		739805485.75	100224101.39
d) Capital work in progress including capital advances		39706511.86	486416266.39
		<u><b>779511997.61</b></u>	<u><b>586640367.78</b></u>
<b>B. INVESTMENTS</b>	<b>F</b>	1872823.00	5001000.00
<b>C. CURRENT ASSETS, LOANS &amp; ADVANCES</b>	<b>G</b>	128004183.64	57499622.77
a) Inventories	<b>H</b>	66264575.20	17376798.95
b) Sundry Debtors	<b>I</b>	10439785.92	3600092.92
c) Cash & Bank Balances	<b>J</b>	110422354.06	66643244.28
d) Loans & Advances		<u><b>315130898.82</b></u>	<u><b>145119758.92</b></u>
Less : CURRENT LIABILITIES & PROVISIONS	<b>K</b>	149542480.64	49656820.98
Net Current Assets		<u><b>165588418.18</b></u>	<u><b>95462937.94</b></u>
<b>D. MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		0.00	0.00
<b>TOTAL</b>		<u><b>946973238.79</b></u>	<u><b>687104305.72</b></u>
NOTES TO FINANCIAL STATEMENTS	<b>S</b>		

As per our attached report of even date

**For OPSinghania & Co.**  
Chartered Accountants,

**SANJAY SINGHANIA**  
PARTNER  
M.No.076961

For and on behalf of the Board

**(N. P. AGRAWAL)** Managing Director

**(B.L.AGRAWAL)** Director

Raipur, 26th June, 2007

**HIRA FERRO ALLOYS LIMITED**
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007**


	SCHEDULE	FOR THE YEAR ENDED 31ST MARCH, 2007 Rs.	FOR THE YEAR ENDED 31ST MARCH, 2006 Rs.
<b>I N C O M E</b>			
Sale of Products	L	519321745.00	220340043.00
Trading Sales		168079557.00	494360.00
		<u>687401302.00</u>	<u>220834403.00</u>
Less : Excise Duty		59918072.00	30680428.00
Sales Tax and VAT		13900626.00	2011987.00
Net Sales		<u>613582604.00</u>	<u>188141988.00</u>
Other Income	M	78372666.29	21043555.00
Increase/(Decrease) in the Stocks	N	2449855.00	(5583509.00)
		<u><b>694405125.29</b></u>	<u><b>203602034.00</b></u>
<b>E X P E N D I T U R E</b>			
Trading Purchase		164052977.00	1180000.00
Raw Materials consumed	O	234777738.02	67823660.24
Manufacturing Expenses	P	85870954.21	116044758.00
Increase/(Decrease) in Excise duty on stock		473892.00	(893101.00)
Payment to & Provisions for Employees	Q	10006757.00	2182466.52
Other Expenses	R	9997160.49	3833617.75
Interest		28621577.67	3056695.41
Depreciation	E	25577284.55	6221517.00
		<u><b>559378340.94</b></u>	<u><b>199449613.92</b></u>
<b>PROFIT FOR THE YEAR BEFORE TAX</b>		<b>135026784.35</b>	<b>4152420.08</b>
Prior Period Adjustments		159391.00	0.00
Less : Provision for Tax :			
Current Income Tax		15200000.00	831000.00
Fringe Benefit Tax		195562.00	227389.00
Deferred Tax		30691679.47	(481790.00)
Wealth Tax		50000.00	0.00
Income Tax related to earlier year		0.00	35343.00
		<u>89048933.88</u>	<u>3540478.08</u>
Excess provision of income-tax written back		294138.00	0.00
		<u><b>89343071.88</b></u>	<u><b>3540478.08</b></u>
Profit brought forward from previous year		16365158.95	20058259.87
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>105708230.83</b>	<b>23598737.95</b>
Transferred to General Reserve		5000000.00	5000000.00
Proposed Dividend		5876550.00	1958850.00
Tax on proposed dividend		824187.00	274729.00
Balance carried to Balance Sheet		94007493.83	16365158.95
		<u><b>105708230.83</b></u>	<u><b>23598737.95</b></u>
<b>Basic &amp; Diluted Earning Per Share</b>		<b>22.80</b>	<b>0.90</b>
NOTES TO FINANCIAL STATEMENTS	S		

As per our attached report of even date

**For OPSinghania & Co.**  
 Chartered Accountants,

**SANJAY SINGHANIA**  
 PARTNER  
 M.No.076961

Raipur, 26th June, 2007

For and on behalf of the Board

**(N. P. AGRAWAL)** Managing Director

**(B.L.AGRAWAL)** Director

# HIRA FERRO ALLOYS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007



	FOR THE YEAR ENDED 31ST MARCH, 2007	FOR THE YEAR ENDED 31ST MARCH, 2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary items	135026784.35	4152420.08
ADJUSTMENTS FOR:		
Depreciation	25577284.55	6221517.00
Interest paid	28621577.67	3056695.41
Interest Received	(641092.67)	(634155.00)
Prior Period Adjustment	159391.00	0.00
(Profit)/Loss on sale of Fixed Assets	0.00	103276.54
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>188743944.90</b>	<b>12899754.03</b>
ADJUSTMENTS FOR :		
(Increase)/Decrease in Sundry Debtors	(48887776.25)	11546040.00
(Increase)/Decrease in Inventories	(70504560.87)	21742757.80
Increase/(Decrease) in Trade payables	80847911.45	4705034.27
(Increase)/Decrease in Loans & Advances	(17040065.90)	(809756.72)
<b>CASH GENERATED FROM OPERATION</b>	<b>133159453.33</b>	<b>50083829.38</b>
Direct Taxes Paid/Deducted at Source	(27712417.88)	(2242038.00)
Excess Provision of Tax written back	294138.00	0.00
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>105741173.45</b>	<b>47841791.38</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(218448914.38)	(407050164.89)
Sale of Fixed Assets	0.00	200000.00
Interest received	641092.67	634155.00
(Increase)/Decrease in Investment	3128177.00	0.00
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(214679644.71)</b>	<b>(406216009.89)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans Received from banks (Net of Repayment)	158448090.58	275798664.53
Loans Received / (Repaid) from others (Net )	(2721719.00)	89066835.00
Payment of Deferred Sales Tax	(9191452.86)	(12593869.00)
Dividend Paid	(1860447.79)	(2060166.39)
Tax on dividend paid	(274729.00)	(272102.00)
Interest paid	(28621577.67)	(3056695.41)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>115778164.26</b>	<b>346882666.73</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	<b>6839693.00</b>	<b>(11491551.78)</b>
Cash and Cash Equivalents at the beginning of the year	3600092.92	15091644.70
<b>Cash and Cash Equivalents at the end of the year</b>	<b>10439785.92</b>	<b>3600092.92</b>
<b>Components of cash and cash equivalents</b>		
Cash in hand	3027318.86	529366.86
With banks- on current account	2882549.86	324184.07
- on deposit account	4409597.38	2724624.38
- on unpaid dividend account*	120319.82	21917.61
	<b>10439785.92</b>	<b>3600092.92</b>
*Balance held by the company which are not available for use by it.		

As per our attached report of even date

For OPSinghania & Co.

Chartered Accountants,

Sd/-

**SANJAY SINGHANIA**

PARTNER

M.No.076961

Raipur, 26th June, 2007

For and on behalf of the Board

**(N. P. AGRAWAL)** Managing Director

**(B.L.AGRAWAL)** Director



**HIRA FERRO ALLOYS LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**



	AS AT 31 ST MARCH, 2007 Rs.	AS AT 31ST MARCH, 2006 Rs.
<b>SCHEDULE - A : SHARE CAPITAL</b>		
<b>Authorised</b>		
4000000 Equity Shares of Rs. 10/- each	40000000.00	40000000.00
	40000000.00	40000000.00
<b>Issued</b>		
3980000 Equity Shares of Rs. 10/- each	39800000.00	39800000.00
	<u>39800000.00</u>	<u>39800000.00</u>
<b>Subscribed &amp; Paid up</b>		
3917700 Equity Shares of Rs. 10/- each fully paid-up (of the above 20,00,000 equity shares were issued on Preferential Allotment basis during the year 2004-05)	39177000.00	39177000.00
	<u>39177000.00</u>	<u>39177000.00</u>
<b>SCHEDULE - B : RESERVES &amp; SURPLUS</b>		
<u>Capital Reserve</u>		
State Investment Subsidy	2000000.00	2000000.00
General Reserve		
As per last balance Sheet	5000000.00	
Addition during the year	<u>5000000.00</u>	5000000.00
Securities Premium Account	157750000.00	157750000.00
Profit & Loss Account	94007493.83	16365158.95
	<u>263757493.83</u>	<u>181115158.95</u>
<b>SCHEDULE - C : SECURED LOANS</b>		
<u>From Bank</u>		
- Rupee Term Loans	386458108.95	267254593.95
- Working Capital Facilities	57435027.54	27147106.96
<u>From Financial Institution</u>		
- Rupee Term Loan	2555262.00	2555262.00
Other Loans	12445419.00	3488764.00
	<u>458893817.49</u>	<u>300445726.91</u>
<b>Notes :</b>		
1. The Rupee Term Loan aggregating to Rs.3864. 58 lacs (previous year Rs.2672.55 Lakhs) and Working Capital Facilities aggregating to Rs.555.03 lacs (previous year Rs.255.15 lacs) from bank are secured by equitable charge on fixed assets of the company present and future and hypothecation of all stock of raw materials, stock in process, finished goods, stores & spares and of receivables of the company.		
2. The above credit facility is also secured by personal guarantee of promoter directors of the company and associate companies and also secured by the mortgage of certain fixed assets belonging to promoters directors of the company.		
3. The Working Capital Facilities aggregating to Rs.19.32 lacs (previous year Rs.16.32 Lakhs) is secured against pledge of fixed deposit receipts.		
4. The Rupee Term Loan aggregating to Rs.25.55 lacs (previous year Rs.25.55 lacs) from Public Financial Institution are secured against the Keymen Insurance Policy.		
5. Other loans are secured by hypothecation of vehicles and other assets		
<b>SCHEDULE - D : UNSECURED LOANS</b>		
Loan from Bodies Corporate	92212101.00	69533820.00
Loan from Director	7900000.00	33300000.00
Sales Tax Payable (under Sales Tax Deferment Scheme)	41649609.00	50841061.86
	<u>141761710.00</u>	<u>153674881.86</u>

**HIRA FERRO ALLOYS LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**

**SCHEDULE 'E': FIXED ASSETS**



PARTICULARS	GROSS BLOCK			D E P R E C I A T I O N			NET BLOCK			
	AS AT 01.04.2006	ADDITIONS DURING THE YEAR	DEDUCTIONS DURING THE YEAR	AS AT 31.03.2007	UPTO 31.03.2006	FOR THE YEAR	ADJUSTMENT DURING THE YEAR	UPTO 31.03.2007	AS AT 31.03.2007	AS AT 31.03.2006
Freehold Land	5098832.00	336220.00	0.00	5433052.00	0.00	0.00	0.00	0.00	5433052.00	5098832.00
Leasehold Land	429073.00	0.00	0.00	429073.00	0.00	0.00	0.00	0.00	429073.00	429073.00
Land Development	4972434.00	2708187.00	0.00	7680621.00	0.00	0.00	0.00	0.00	7680621.00	4972434.00
Factory Shed & Building	15181120.48	45460865.82	0.00	60641986.30	5826977.17	1312977.40	0.00	7139954.57	53502031.73	9954143.31
Borewell & Water System	733003.65	1072457.00	0.00	1805460.65	272649.66	34627.71	0.00	307277.37	1498183.28	460353.99
Plant & Machinery	74479140.63	496725729.53	0.00	571204870.16	18755826.03	18499594.83	0.00	37255420.86	533949449.30	55723314.60
Electrical Installation	30683348.70	99514363.56	0.00	130197712.26	15034389.01	4051933.18	0.00	19086322.19	11111390.07	15648959.69
Workshop Equipment	412865.15	3000.00	0.00	415865.15	279467.32	22611.00	0.00	302078.32	113786.83	13397.83
Lab Equipments	58531.65	0.00	0.00	58531.65	40439.08	2780.25	0.00	43219.33	15312.32	18092.57
Air Conditioner	383584.00	240272.00	0.00	623856.00	192046.93	25818.19	0.00	217865.12	405990.88	191537.07
Office Equipment	754622.05	632934.00	0.00	1387556.05	407439.02	57586.18	0.00	465025.20	922530.85	347183.03
Computer	610965.80	1451693.00	0.00	2062658.80	484313.44	206904.21	0.00	691217.65	1371441.15	126652.36
Furniture & Fixtures	422642.14	1612734.00	0.00	2035376.14	279425.72	70607.42	0.00	350033.14	1685343.00	143216.42
Vehicles	6459034.12	4722600.00	0.00	11181634.12	2374686.47	89209.13	0.00	3263895.60	7917738.52	4084347.65
Pay Loader	3745871.00	10677613.00	0.00	14423484.00	336750.05	392643.05	0.00	729393.10	13694090.90	3409120.95
Weight Bridge	210355.00	0.00	0.00	210355.00	124912.08	9992.00	0.00	134904.08	75450.92	85442.92
<b>Total</b>	<b>144633423.37</b>	<b>665158668.91</b>	<b>0.00</b>	<b>809792092.28</b>	<b>44409321.98</b>	<b>25577284.55</b>	<b>0.00</b>	<b>69986606.53</b>	<b>739805485.75</b>	<b>100224101.39</b>
<b>Previous Year</b>	<b>123128802.37</b>	<b>21876171.00</b>	<b>371550.00</b>	<b>144633423.37</b>	<b>38256078.44</b>	<b>6221517.00</b>	<b>68273.46</b>	<b>44408321.98</b>	<b>100224101.39</b>	<b>84872723.93</b>

**HIRA FERRO ALLOYS LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**



	AS AT 31 ST MARCH, 2007 Rs.	AS AT 31ST MARCH, 2006 Rs.
<b>SCHEDULE - F : INVESTMENTS</b>		
<b>LONG TERM</b>		
Unquoted (at cost) (fully paid up)		
80100 (80100) Equity Shares of Rs. 10/- each in Shree Hira Exim Ltd.	1601000.00	1601000.00
2004 (0) Equity Shares of Rs. 10/- each in Active Chemical Pvt. Ltd.	271823.00	0.00
0 (340000) Equity Shares of Rs.10/- each in Maruti Clean Coal & Power Ltd.	0.00	3400000.00
	<b>1872823.00</b>	<b>5001000.00</b>
<b>SCHEDULE - G : INVENTORIES (At lower of cost and net realisable value)</b>		
Raw Materials	112749561.89	47502743.02
Finished Goods	7283373.75	4928660.75
By-Products	188999.00	93857.00
Stores & Spares	6222751.00	4298846.00
Packing Materials	1559498.00	675516.00
	<b>128004183.64</b>	<b>57499622.77</b>
<b>SCHEDULE - H : SUNDRY DEBTORS (Unsecured Considered Good)</b>		
Debts outstanding for a period exceeding six months	13696253.20	11700078.95
Other Debts	52568322.00	5676720.00
	<b>66264575.20</b>	<b>17376798.95</b>
Note: Debtors include Rs. 40.80 lacs (Previous Year Rs.6.48 lacs) due from companies in which directors are interested. Of the above Rs. 0.98 lacs pertain to the period exceeding six months)		
<b>SCHEDULE - I : CASH &amp; BANK BALANCES</b>		
Cash-in-hand (as certified by the management)	3027318.86	529366.86
Balance with Scheduled Banks		
On Current Account	2882549.86	324184.07
On Deposit Account *	4409597.38	2724624.38
On Unpaid Dividend Account	120319.82	21917.61
	<b>10439785.92</b>	<b>3600092.92</b>
Fixed deposit aggregating to Rs. 44.10 lacs (previous year Rs.27.25 lacs) are pledged with various banks for availing LC, OD facilities and pledged with other Govt. departments.		
<b>SCHEDULE - J : LOANS &amp; ADVANCES (Unsecured Considered Good)</b>		
Advance recoverable in cash or in kind or for value to be received	60639152.18	30946518.85
Deposit with Govt. & Others	12347251.00	14636579.43
Advance against Excise Duty	9036569.00	19656440.00
Advance Tax & TDS	28058440.88	1319397.00
Other current assets	340941.00	84309.00
	<b>110422354.06</b>	<b>66643244.28</b>
<b>SCHEDULE - K : CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A) Current Liabilities</b>		
Sundry Creditors for goods, services & expenses	104633387.87	17933134.74
Sundry Creditors for Capital Goods	1572740.00	12388724.00
Advances, Excess Payments & Credit Balance of parties	6006501.50	7769701.50
Other Liabilities	15063232.45	8336390.13
Unpaid Dividend Account	120319.82	21917.61
(Investor Education and Protection Fund shall be credited by above amount)		
	<b>127396181.64</b>	<b>46449867.98</b>
<b>B) Provisions</b>		
For Income Tax	15200000.00	831000.00
For Fringe Benefit Tax	195562.00	142374.00
For Wealth Tax	50000.00	0.00
For Proposed Dividend	5876550.00	1958850.00
For Tax on proposed dividend	824187.00	274729.00
	<b>22146299.00</b>	<b>3206953.00</b>
TOTAL ( A + B)	<b>149542480.64</b>	<b>49656820.98</b>

**HIRA FERRO ALLOYS LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**



	AS AT 31 ST MARCH, 2007 Rs.	AS AT 31ST MARCH, 2006 Rs.
<b>SCHEDULE - L : SALES</b>		
Finished Goods	447015734.00	220338695.00
Electricity Sales	72137324.00	0.00
By Products	168687.00	1348.00
	<b>519321745.00</b>	<b>220340043.00</b>
* Includes Rs.31,01,256/- capitalised in 9 MVA Ferro Alloys Plant		
<b>SCHEDULE - M : OTHER INCOME</b>		
Interest Received	641092.67	634155.00
Project Management Fees (TDS Rs. NIL Pre. Yr. Rs. 11,22,000 )	0.00	20000000.00
Miscellaneous income	3444.38	0.00
Account written off	128941.24	0.00
Melting Scrap Sale	2381797.00	0.00
Sale of used Carbon Paste	28391.00	409400.00
Other Income	75189000.00	0.00
	<b>78372666.29</b>	<b>21043555.00</b>
<b>SCHEDULE - N : INCREASE/(DECREASE) IN STOCKS</b>		
<u>CLOSING STOCKS</u>		
Finished Goods	7283373.75	4928660.75
By Products	188999.00	93857.00
	<b>7472372.75</b>	<b>5022517.75</b>
<u>OPENING STOCKS</u>		
Finished Goods	4928660.75	10397610.75
By Products	93857.00	208416.00
	<b>5022517.75</b>	<b>10606026.75</b>
Increase/(Decrease) in the stocks	<b>2449855.00</b>	<b>(5583509.00)</b>
<b>SCHEDULE - O : RAW MATERIALS CONSUMED</b>		
Opening Stocks	47502743.02	64971724.82
Add: Purchases including procurement expenses	300024556.89	50354678.44
	<b>347527299.91</b>	<b>115326403.26</b>
Less : Closing stocks	112749561.89	47502743.02
Net Raw Materials Consumed	<b>234777738.02</b>	<b>67823660.24</b>
<b>SCHEDULE - P : MANUFACTURING EXPENSES</b>		
Power Charges	54094116.32	110629386.00
Other manufacturing expenses	10308628.00	1665347.00
Stores & Spares Consumed	14203501.39	2215187.00
Packing Materials Consumed	1413948.00	419018.00
Repairs & Maintenance to Plant & Machinery	5850760.50	1115820.00
	<b>85870954.21</b>	<b>116044758.00</b>

**HIRA FERRO ALLOYS LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**



	AS AT 31 ST MARCH, 2007 Rs.	AS AT 31ST MARCH, 2006 Rs.
<b>SCHEDULE - Q : PAYMENT TO &amp; PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages & Other Benefits to Employees	9292895.00	1957744.52
Contribution to Provident & ESIC Funds	713862.00	224722.00
	<b>10006757.00</b>	<b>2182466.52</b>
<b>SCHEDULE - R : OTHER EXPENSES</b>		
Repairs & Maintenance to Building	46765.00	26950.00
Repairs & Maintenance to Others	250732.00	48456.00
Directors' Remuneration	1595000.00	600000.00
Insurance Expenses	420803.00	165924.00
Rebate, Shortage & Claims	180538.00	80833.00
Miscellaneous Expenses	583982.00	971333.35
Legal, Professional & Consultancy Charges	716887.00	169145.00
Rent, Rates & Taxes	81983.00	22860.00
Communication Expenses	515033.00	492347.19
Printing & Stationery Expenses	353658.00	74166.00
Security Service Charges	1917165.00	0.00
Bank Charges & Commission	1052181.49	288048.67
Travelling & Conveyance	557242.00	409815.00
Vehicle Maintenance	128732.00	7700.00
Keyman Insurance Premium	186301.00	186301.00
Sales Commission	1184718.00	55203.00
Loss on Sale of Fixed Assets	0.00	103276.54
Auditors' Remuneration		
-- Audit Fees	160000.00	
-- Tax Audit Fees	25000.00	84180.00
Advertisement & Publicity	40440.00	47079.00
	<b>9997160.49</b>	<b>3833617.75</b>

## SCHEDULE 'S'

### NOTES TO FINANCIAL STATEMENTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### a) System of Accounting

The financial statements are prepared under the historical cost convention, on going concern concept and in compliance with the accounting standards issued by The Institute of Chartered Accountants of India.

The Company follows mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.

##### b) Fixed Assets

i) Fixed Assets are stated at acquisition cost less depreciation. Cost includes taxes, duties, freight, installation and other direct or allocated expenses and interest on borrowings upto the date of commercial production and are net of CENVAT credit.

ii) The various expenditure incurred during the construction stage and upto the date of commercial production for setting-up the relevant project are grouped under the head "Pre-operative Expenditure" and allocated to related assets on pro-rata basis.

##### c) Depreciation

i) Depreciation is charged on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

ii) Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.

iii) Fixed Assets costing below Rs.5,000/- are fully depreciated in the year of acquisition itself.

iv) Free-hold land, leasehold land and site & land development cost are not depreciated/amortized.

##### d) Investments :

i) Long Term Investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments.

ii) Current Investments are stated at lower of cost and fair value.

##### e) Inventories :

i) Raw Materials, Stores, Spares, Consumables & Finished Goods.... At Cost or net realisable value whichever is lower.

ii) By-Products..... At net realisable value.

iii) Cost of Raw Material is computed on FIFO basis.

iv) Cost of finished goods is computed on weighted average basis.

v) Finished goods include cost of conversion and other cost including Excise Duty incurred in bringing the inventories to their present location and condition.

vi) Proceeds in respect of sale of raw materials / processed raw materials is credited to the raw material purchase account.

##### f) Excise Duty

i) The company has considered excise duty liability on closing stock of finished goods as a part of cost and accordingly made the provision in respect of the same. However, there is no impact of this treatment in the operating results of the company.

ii) CENVAT Credit relating to raw materials/components are debited under current assets for availing credit against CENVAT and credited to respective materials/component account.

**g) Foreign Currency Transactions**

- i) Year end balance of foreign currency transactions is translated at the year end rates and the corresponding effects is given in the respective accounts. Transactions completed during the year are adjusted on actual basis.
- ii) In respect of transactions covered by Forward Foreign Exchange Contracts, the difference between the forward rate and exchange rate at the inception of contract is recognized as income or expenses over the life of the contract except for contracts relating to liabilities incurred for purchase of Fixed Assets, the difference thereof is adjusted in the carrying amount of respective Fixed Assets.

**h) Borrowing Cost**

Interest and other cost in connection with the borrowing of the funds to the extent related/attributed to the acquisition/construction of fixed assets are capitalized upto the date when such assets are ready for its intended use. All other borrowing costs are charged to revenue.

**l) Sales**

Sales are accounted for inclusive of Excise Duty and Sales Tax but net of sales return.

**j) Contingent Liabilities**

Contingent Liabilities are not provided for and are disclosed in Notes on Accounts.

**k) Taxes on Income**

- i) Current Tax is determined as the amount of Tax/MAT payable in respect of taxable income/book profit for the year.
- ii) Deferred Tax is recognized, subject to the consideration of prudence, in timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**l) Retirement Benefits**

Company's contribution to Provident Fund is charged to Profit and Loss Account. Provision for gratuity liability are valued and accounted for on the basis of Payment of Gratuity Act,1972 and value of encashable leave are encashed during the year and charged to Profit & Loss Account.

**m) Provisions**

Provisions are recognised, where the company has any legal or constructive obligation or where reliable estimate can be made for the amount of the obligation and as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**n) Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to profit & loss account. If at the balance sheet date there is an indication that previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

**2. Contingent Liabilities not provided for, are in respect of :-**

- i) Disputed Commercial Tax, Central Sales Tax and Entry Tax Demand for the F.Y. 1995-96 amounting to Rs.3.14 Lakhs, for the F.Y.1997-98 amounting to Rs.17.24 Lakhs and for the F.Y.2002-03 amounting to Rs.8.68 Lakhs, against which company has preferred appeals before higher authorities.

- ii) Disputed income tax demand for the A.Y. 1996-97 of Rs.1,02,567/- against which the company has filed an application u/s 154 of Income-tax Act before the ACIT, Raipur.
  - iii) Disputed excise duty demand for the F.Y.1994-95 on account of CENVAT credit availed on lancing pipes amounting to Rs.0.22 lakhs against which the company has preferred an appeal before the Hon'ble High Court of Chhattisgarh.
  - iv) Corporate Guarantees issued in favour of the bank aggregating to Rs.35630 lacs (previous year Rs.25270 lacs in respect of financing facilities granted to other body corporate.
  - v) The Company has disputed income tax demand for the A.Y.1995-96 of Rs.31,25,640/- against which the company has preferred an appeal before the Hon'ble High Court of Chhattisgarh, however the company has deposited full amount i.e. Rs.31,25,640/-. The Company expects to succeed in these proceedings and hence no additional provision is considered necessary.
3. a) Pursuant to the revival package extended to the closed Ferro Alloy Units of Chhattisgarh State by the Chhattisgarh State Electricity Board, the Company availed the reconnection of power line in its UNIT-2 in the F.Y.2002-03. Accordingly a sum of Rs.218.06 Lakhs was agreed to be paid by the company against Rs.117.71 Lakhs liability already existed in the books of account of the company, after all adjustments towards settlement of the agreed outstanding payments pertaining to earlier years. 5% was paid before reconnection and the balance was to be paid in 60 monthly installments. Since the benefit of the reconnection was extended for a longer period, as a matter of prudence ,the company had decided not to provide the additional liability of Rs.100..35 Lakhs on this account in that year. The same is being accounted for on payment basis, as agreed.
- During the year company has paid the balance amount of arrears Rs. 51.91 Lakhs as lumpsum payment ( Rs. 48.44 Lakhs has already been paid in earlier years) and debited to power charges account in the profit and loss account as per the practice followed as stated above.
- b) The C.S.E.B. had also raised a demand of Rs.200.01 lakhs for earlier periods vide its letter dt.22.03.2006 on the application made by the company for reduction of existing power load whereas the total liability provided in the books of account was Rs.52.14 lacs. During the year above demand has been settled at Rs. 191.52 Lakhs and the entire amount has been paid. The additional liability of Rs. 139.38 Lakhs has been charged to Power Charges Account in the Profit & Loss Account.
4. a) During the year, the Company has commenced commercial production in its 20 MW Captive Power Plant and 9 MVA Ferro Alloys Plant. Further, the company has also commenced commercial production in its existing Ferro Alloys unit which was under modernisation cum renovation stage.
- b) The Company is in process of setting up a Fly Ash based Bricks Plant. The amount invested has been shown under the head Capital Work-in-progress.
5. During the year, the Income Tax department has conducted a search operation under section 132 of the Income Tax Act, 1961. During the course of search :-
- a) the company has shown other income of Rs. 751.89 lacs from speculative transactions of various commodities and shares. The company has accounted for the aforesaid income in the books of account and deposited the proceeds into the bank subaequent to search.
  - b) the department has also conducted physical verification of inventories and found the excess estimated to Rs.42.50 Lacs. The variations found in the quantities have been incorporated in the books of account.
6. In the opinion of the Board, the value of realisation of loans, advances and current assets in the ordinary course of business will not be less than the amount at which they are stated in the balance sheet.



7. Dues from the Companies under the same management as are follows :

	As on 31.03.2007	As on 31.03.2006
<b>Sundry Debtors :</b>		
Alok Ferro Alloys Limited	557497	0
RR Ispat Limited	2983601	0
Jagdamba Power & Ispat Limited	0	648128
Shree Hira Exim Limited	440736	0
	<b>3981834</b>	<b>648128</b>
<b>Loans &amp; Advances</b>		
Alok Ferro Alloys Limited	0	30597
Chhattisgarh Power & Coal Benefication Ltd.	3400000	0
RR Ispat Limited	9722	8619716
Godawari power & ispat limited	0	1194857
Hira Power & Alloys Limited	100000	100000
Jagdamba Power & Ispat Limited	0	100000
	<b>3509722</b>	<b>10045170</b>

8. The Company has not received any information from any of the suppliers of their being a Small Scale Industrial Unit. Hence, the amount due to Small Scale Industrial Unit as on 31st March 2007 are not ascertainable.

**9. Segment-wise Revenue Results :**

Basis of preparation :

- Business segments of the company have been identified as distinguishable components that are engaged in a group of related product and that are subject to risks and returns different from other business segments. Accordingly Ferro Alloys and Power have been identified as the business segments.
- The geographic segments identified as secondary segments are "Domestic Market" and "Export Market". Since there is no Export Market Revenue, the same has not been disclosed. The entire capital employed is within India.

Particulars	Ferro Alloys	Power	Total
<b>A) REVENUE</b>			
External Sales	4471.84	721.37	5193.22
Inter Segment Sales	0.00	1677.77	1677.77
Segment Revenue	4471.84	2399.14	6870.99

Particulars	Ferro Alloys	Power	Total
<b>B) RESULTS</b>			
Segment Operational Profit	(23.27)	925.64	902.37
Un-allocable Income			751.92
Interest Expenses			(286.22)
Un-allocable Expenses			(17.81)
Prior Period Adjustments			1.59
Income-tax and Wealth Tax Paid/Provided			(151.51)
Deferred Tax Adjustment (Net)			(306.92)
Net Profit			<b>893.42</b>
<b>C) OTHER INFORMATION</b>			
Segment Assets	4617.19	5966.98	10584.17
Un-allocable Assets			379.84
Total Assets			<b>10964.00</b>
Segment Liabilities and Provisions	3957.78	3321.59	7279.36
Un-allocable Liabilities and Provisions			655.30
Total Liabilities and Provisions			<b>7934.66</b>
Capital Expenditure	1160.15	1110.48	2270.63
Depreciation	83.97	171.80	255.77

**Information about business Segments-Primary**
**Rs. Lacs**

10. Disclosure of transactions with related parties, as required by Accounting Standard-18 "Related Party Disclosures" has been set-out in a separate statement annexed to this schedule. Related parties as defined under Clause 3 of the Accounting Standard have been identified on the basis of representations made by Key Managerial Personnel and information available with the Company.

11. <b>EARNING PER SHARE</b>	Current Year	Previous Year
Net Profit after Tax	89343071.88	3540478
Weighted Average Number of Equity Shares	3917700	3917700
Basic and diluted earning per share (Rs.)	22.80	0.90

**12. ACCOUNTING FOR TAXES ON INCOME**

As required by Accounting Standard-22 "Accounting for Taxes on Income", issued by ICAI, the Company has

Particulars	As at 1st April, 2006 Rs.	Arising during the year Rs.	As at 31st March, 2007 Rs.
Deferred Tax Liabilities			
- Timing difference between book and tax depreciation	(12726478)	(116832236)	(129558714)
	(12726478)	(116832236)	(129558714)
<b>Deferred Tax Assets</b>			
- Provision for Bonus, Gratuity & Others	34940	115052	149992
- Carry Forward of MAT Credit	0	15150005	15150005
- On account of Carry-forward losses as per income-tax	0	70875499	70875499
	34940	86140556	86175496
Net Deferred Tax Assets/(Liabilities)	<b>(12691538)</b>	(30691679)	<b>(43383217)</b>

recognised the deferred tax. The details of major components are as under :-

13. Additional information pursuant to provision of paragraph 3, 4C & 4D of Part II of Schedule VI to the Companies Act, 1956 (As certified by the management)

A) SALES		CURRENT YEAR		PREVIOUS YEAR	
		Qty. (MT)	Amt. (Rs.)	Qty. (MT)	Amt. (Rs.)
<b>a) Manufactured good</b>					
Silico Manganese	13744.940	446696185	4696.650	124232520	
Ferro Manganese	11.100	319549	20.000	587062	
Pig Iron	0.000	0	5838.790	95519113	
Scrap & By-products	--	168687	--	1348	
Power (KWH)*	29808761	72137324	--	--	
<b>Total</b>		<b>447184421</b>		<b>220340043</b>	
* includes 1033752 KWH used in 9MVA Ferro Alloys Project					
<b>b) Trading Goods</b>					
Silico Manganese	33.400	971272	17.000	494360	
HB Wire	68.160	1937064	0.000	0	
MS Bar	16.010	432282	0.000	0	
MS Round	6397.370	162057964	0.000	0	
Waste & Scrap	152.120	2673053	0.000	0	
Others		7922	0.000	0	
<b>Total</b>		<b>168079557</b>		<b>494360</b>	

B)	TRADING GOODS PURCHASE	CURRENT YEAR		PREVIOUS YEAR	
		Qty. (MT)	Amt. (Rs.)	Qty. (MT)	Amt. (Rs.)
	Silico Manganese	0.000	0	50.400	1180000
	HB Wire	68.160	1862561	0.000	0
	MS Bar	16.010	415656	0.000	0
	MS Round	6397.370	159116919	0.000	0
	Waste & Scrap	152.120	2657841	0.000	0
	<b>Total</b>		<b>164052977</b>		<b>1180000</b>
C)	<b>RAW MATERIAL CONSUMED (Indigenous)</b>				
	Manganese Ore	40578.750	63918502	11250.270	29381451
	Coal & Coke	122786.483	143759037	6440.320	16785023
	Carbon Paste	567.755	12406213	298.180	4958549
	Iron Ore	0.000	0	9485.230	6751034
	Others	-	14693986	-	9947603
	<b>Total</b>		<b>234777738</b>		<b>67823660</b>
D)	<b>STORES CONSUMED</b>				
	Indigenous	100%	14203501	100 %	2215187
	Imported	----	----	----	----
E)	<b>OPENING STOCK OF GOODS</b>				
	a) Manufactured goods				
	Silico Manganese	124.285	3431710	354.700	10249392
	Ferro Manganese	23.600	639203	4.250	79471
	Ferro Chrome	2.380	68748	2.380	68748
	<b>Total</b>		<b>4139661</b>		<b>10397611</b>
	b) Trading Goods				
	Silico Manganese	33.400	789000	0.000	0
	<b>Total</b>	<b>33.400</b>	<b>789000</b>	<b>0.000</b>	<b>0</b>
F)	<b>CLOSING STOCK OF GOODS</b>				
	a) Manufactured goods				
	Silico Manganese	108.100	3292493	124.285	3431710
	Ferro Manganese	109.780	3922133	23.600	639203
	Ferro Chrome	2.500	68748	2.380	68748
	<b>Total</b>		<b>7283374</b>		<b>4139661</b>
	b) Trading Goods				
	Silico Manganese	----	----	33.400	789000
	<b>Total</b>	<b>----</b>	<b>----</b>	<b>33.400</b>	<b>789000</b>
G)	Value of import on CIF basis Purchase of Bricks Plant		Rs. 2,35,37,112/-		Nil
H)	Expenditure in Foreign Currency		USD 518612		Nil
I)	Earnings in Foreign Exchange for export of goods on FOB basis		Nil		Nil

<b>J) Quantitative Information in respect of goods manufactured in M.T.</b>				
	<b>Installed Capacity</b>		<b>Actual Production</b>	
	<b>Current Year (MT)</b>	<b>Previous Year (MT)</b>	<b>Current Year (MT)</b>	<b>Previous Year (MT)</b>
Ferro Alloys or	75000	60000	13824.320	4505.585
Pig Iron	70000	70000	0.000	5838.790
Power (MW / KWH )	20 MW	---	97179741	---

\* includes 11525392 units of auxilliary consumption and transmission losses.

**Note :**

1. The installed capacity as certified by the management and not certified by the Auditors being a technical matter.
2. The installed capacity of Ferro Alloys plant depends upon the product manufactured by the Company. The installed capacity mentioned above is based on manufacture of single product.
3. Actual production of ferro alloys does not include 1.715 MT of Silico Manganese and 0.120 MT of Ferro Chrome found excess during the course of physical verification by the Income Tax Department.

As per our attached report of even date

**For OPSinghania & Co.**  
Chartered Accountants,

**SANJAY SINGHANIA**  
PARTNER  
M.No.076961

Raipur, 26th June, 2007

For and on behalf of the Board

**(N. P. AGRAWAL)** Managing Director

**(B.L.AGRAWAL)** Director

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.  
Balance Sheet Abstract and Company's General Business Profile.

**1. Registration Details**

Registration No.	10-5837
State Code	10
Balance Sheet Date	31.03.2007

**2. Capital raised during the year (Rs. in thousands)**

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

**3. Position of mobilisation and deployment of funds (Rs. in thousands)**

Total Liabilities	1096516
Total Assets	1096516

**..... Sources of Funds (Rs. in thousands)**

Paid-up Capital	39177
Reserves & Surplus	263757
Secured Loans	458894
Unsecured Loans	141762
Deferred Tax Liability	43383

**..... Application of Funds (Rs. in thousands)**

Net Fixed Assets	779512
Investments	1873
Net Current Assets	165588
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

**4. Performance of the Company (Rs. in thousands)**

Turnover (Gross Receipts)	768224
Total Expenditure	633197
Profit/(Loss) before tax	135027
Profit/(Loss) after tax	89343
Earning per Share	Rs. 22.80
Dividend Rate Including Special Dividend, if any	
— on Preference Shares	NIL
— on Equity Shares	15%

**5. Generic Name of Principal Products, services of the Company :**

Item Code No. (ITC Code)	72022100
Product Description	Ferro Manganese
Item Code No. (ITC Code)	72023000
Product Description	Silico Manganese
Item Code No. (ITC Code)	72012000
Product Description	Pig Iron

For and on behalf of the Board

**(N. P. AGRAWAL)** Mananging Director

**(B.L.AGRAWAL)** Director

Raipur, 26th June, 2007

# HIRA FERRO ALLOYS LIMITED

## SCHEDULE OF RELATED PARTY DISCLOSURE AS PER AS-18



### a) Related parties and their relationship :

#### Associate

- Godawari Power & Ispat Ltd.
- Alok Ferro Alloys Ltd.
- Hira Steels Ltd.
- Hira Industries Ltd.
- Hira Power & Alloys Ltd.
- Shree Hira Exim Ltd.
- R.R.Ispat Ltd.
- Maturi Clean Coal & Power Ltd.
- Hira Power & Steels Ltd.
- Chhattisgarh Power & Coal Benefication Ltd.
- Ekta Vihaar Finance & Investment Pvt. Ltd.
- Active Chemical Pvt. Ltd.
- Tanusha Real Estate Pvt.Ltd.

### Key Management Personnel

- Mr. N. P. Agrawal
- Mr. H. P. Agrawal

Note : Related Party relationship is as identified by the company and relied upon by the Auditors.

### b) Transaction with related parties

Nature of Transactions	Associate		Key Managerial Person		Total	
	2007	2006	2007	2006	2007	2006
1. Purchase of raw Material and Others	573.24	169.42		--	573.24	169.42
2. Purchase of Trading Goods	1806.40	0.00			1806.40	0.00
3. Security Service Charges paid	0.00	1.22		--	0.00	1.22
4. Sales of Goods	754.13	1284.90		--	754.13	1284.90
5. Sale of Electricity	262.23	0.00		--	262.23	0.00
6. Sales of Trading Goods	985.13	0.00		--	985.13	0.00
7. Sale of shares held as investment	34.00	0.00			34.00	0.00
8. Directors Remuneration	--	--	15.95	6.00	15.95	6.00
9. Advances given & repaid during the year	215.00	442.00	--	--	215.00	442.00
10. Advances received and paid during the year	275.35	42.00	703.86	183.15	979.21	225.15
11. Balance Outstanding						0.00
Accounts Payable	641.07	10.80		--		10.80
Accounts Receivable	74.58	107.55				107.55
Loan Receivable	1.00	8.10	--	--	1.00	8.10
Loan Payable	662.15	0.00	79.00	333.00	741.15	333.00
12. Investments	18.72	50.01		--	18.72	50.01
13. Guarantees & Collaterals given	35630.00	25270.00		--	35630.00	25270.00

### c) Details of Material Transaction with related parties

	2007	2006
<u>Purchase of raw Material and Others</u>		
Godawari Power & Ispat Limited	386.03	102.59
Hira Industries Limited	127.50	58.41
Jain Carbides & Chemicals Limited	59.71	0.00
<u>Purchase of Trading Goods</u>		
Hira Steel Limited	1806.40	0.00
<u>Sales of Goods</u>		
Godawari Power & Ispat Limited	651.00	1284.91
Hira Power and Steels Limited	103.16	0.00

<b>Details of Material Transaction with related parties</b>	<b>2007</b>	<b>2006</b>
<u>Sale of Electricity</u>		
RR Ispat Limited	208.08	0.00
Shree Hira Exim Limited	54.15	0.00
<u>Sale of Trading Goods</u>		
Godawari Power & Ispat Limited	985.13	0.00
<u>Sale of Shares to :</u>		
Chhattisgarh Power & Coal Benefication Limited	34.00	0.00
<u>Advances given and repaid during the year :</u>		
Tanusha Real Estate Private Limited	195.00	10.00
Hira Power and Steels Limited	0.00	200.00
Hira Steels Limited	0.00	77.00
Maruti Clean Coal & Power Limited	0.00	155.00
<u>Advances received and paid during the year</u>		
Alok Ferro Alloys Limited	105.00	17.00
Tanusha Real Estate Private Limited	170.00	22.00
Sri N.P.Agrawal	703.86	183.15

As per our attached Report of even date

**For OPSinghania & Co.**  
Chartered Accountants,

**SANJAY SINGHANIA**  
PARTNER  
Membership No.76961

Raipur, 26th June, 2007

For and on behalf of the Board

**(N. P. AGRAWAL)** Mananging Director

**(B.L.AGRawal)** Director

