

**HF HILTON**  
**METAL FORGING LTD.**

*FORGINGS AS YOU LIKE ...*

**Annual Report 2009 - 2010**

## HILTON METAL FORGING LIMITED

### BOARD OF DIRECTORS:

Shri Yuvraj Malhotra	CMD
Shri Navraj Malhotra	Whole time Director
Mr. Harmohindar Singh	
Dhingra	Director
Shri Joseph Mc Kay	Director .
Shri Manoj Kumar More	Director
Shri Sanjay Jain	Director
Shri Navin Chokshi	Director

### COMPANY SECRETARY:

Vimal Prakash Dubey

### AUDITOR:

M/s R.K. Chaudhary & Associates,  
Chartered Accountants,  
3<sup>rd</sup> Floor, Kamanwala Chambers,  
Sir P.M. Road, Fort,  
Mumbai-400001.

### REGISTERED OFFICE:

701, Palmspring, Palmcourt Complex,  
Link Road, Malad(W),  
Mumbai-400064

### BANKERS:

State Bank of Hyderabad  
The Saraswat Co-op. Bank Ltd  
State Bank of Indore  
Axis Bank Ltd.

### REGISTRAR & SHARE TRANSFER AGENTS:

Sharex Dynamic (India) Pvt. Ltd.,  
Unit No. 1, Luthra Industrial Premises,  
Andheri Kurla Road, Safed Pool,  
Andheri (E), Mumbai-400072

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### NOTICE

Notice is hereby given that the Fifth Annual General Meeting of the Members of Hilton Metal Forging Limited will be held on Thursday, the 30<sup>th</sup> September, 2010 at 701 Palm Spring, Link Road, Malad (W), Mumbai-400064 at 3.30 p.m. to transact the following business :

#### AS ORDINARY BUSINESS:

- 1) To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2010 and the profit & loss account for the year ended on that date along with the schedules thereon and the Reports of the Directors and Auditors thereon.
- 2) To appoint a director in place of Mr Manoj Kumar More who retires by rotation and being eligible offers himself for re-appointment.
- 3) To appoint a director in place of Mr. Sanjay Jain who retires by rotation and being eligible offers himself for re-appointment
- 4) To declare dividend.
- 5) To appoint Auditors and to fix their remuneration.

#### Special Business

**6. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Ordinary Resolution:**

**“RESOLVED THAT pursuant to the provisions of Section 198,269,309,310 read with Schedule XIII and such other applicable provisions, if any of the Companies Act, 1956, including any statutory modification or any amendment or any substitution or re-enactment thereof for the time being in force, approval of the members of the Company be and is hereby accorded to the re-appointment and terms of remuneration of Shri Yuvraj Malhotra as Chairman and Managing Director, for a period of five years commencing from 20<sup>th</sup> July, 2010. upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Board of Directors to alter and/or vary the terms and conditions of the said re-appointment in such manner as may be agreed to between the Board of Directors and Mr Yuvraj Malhotra**

**7. To consider and, if thought fit, to pass with or without modifications, the following resolution as a Ordinary Resolution:**

**“RESOLVED THAT pursuant to the provisions of Section 198,269,309 ,310 read with Schedule XIII and such other applicable provisions, if any other of the Companies Act, 1956, including any statutory modification or any amendment or any substitution or re-enactment thereof for the time being in force, approval of the members of the Company be and is hereby accorded to the re-appointment and terms of remuneration of Shri Navraj Malhotra as Whole Time Director, for a period of five years commencing from 20<sup>th</sup> July, 2010. upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year, with liberty to the Board of Directors to alter and/or vary the terms and conditions of the said re-appointment in such manner as may be agreed to between the Board of Directors and Mr Navraj Malhotra.**

**For and On Behalf of Board of Directors**

CHAIRMAN

#### Registered office

5,Whispering Palms Centre  
Akurli Road  
Kandivali (East) Mumbai – 400 101

**Date : 30<sup>th</sup> July,2010**  
**Place : Mumbai**

**NOTES:**

1. The Explanatory Statement pursuant to Section 173 (2) of The Companies Act 1956 in respect of Item Nos.6 & 7 set out in the notice is annexed hereto
2. 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 NEED NOT BE A MEMBER.
3. Proxy Form and Attendance Slip are enclosed. Proxies, duly stamped and executed, must reach at the Registered Office of the Company not less than 48 Hours before the commencement of the Annual General Meeting.
4. Dividend when declared will be paid to all the Shareholders who are entitled to receive payment and whose names appear in the Register of Members as on the 30<sup>th</sup> September 2010
5. All documents referred in the Notice and Explanatory Statements are available for inspection for eligible members on all working days except on Saturdays, and holidays between 11.00 a.m. to 01.00 p.m. up to the date of the General Meeting.
6. Members holding shares in Dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Annual General Meeting.
7. Members/ Proxies should bring their copy of Annual Report and also the attendance slip duly filled in for attending the meeting.
8. The Register of Members and Share Transfer Books of the Company will remain closed from 24<sup>th</sup> September, 2010 to 30<sup>th</sup> September, 2010 -both days inclusive.
9. As required under clause 49(IV) (G) of the Listing Agreement of the Stock Exchanges, the relevant details of persons seeking appointment/ re-appointment as Directors are furnished in the Corporate Governance Section of this Annual Report.

**For and On Behalf of Board of Directors**

CHAIRMAN

**Registered office**

5,Whispering Palms Centre  
Akurli Road  
Kandivali (East) Mumbai – 400 101

**Date : 30<sup>th</sup> July,2010**

**Place : Mumbai**

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**ANNEXURE TO NOTICE**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**ITEM NO.6**

The Board of Directors at its meeting held on 30<sup>th</sup> July 2010 and based on the recommendation by the Remuneration Committee and subject to the approval of the shareholders of the company, passed a Resolution for the re-appointment of Shri Yuvraj Malhotra as Chairman & Managing Director of the Company for a period of five years commencing from 20<sup>th</sup> July, 2010 upon the terms and conditions set out hereunder

1. **Remuneration:**
  - (a) Salary: Rs. 2,00,000/- per month in the scale of 2,00,000 to Rs. 5,00,000/-
  - (b) Bonus: Bonus upto maximum of 20% of salary payable quarterly or at other intervals as may be decided by the Board
  - (c) Commission: 1% of Net Profit After Tax payable yearly
2. **Perquisites**
  - a) **Housing:** Unfurnished residential accommodation or house rent allowance up to 10% of salary in lieu thereof. The expenditure incurred by the Company on Gas, electricity, water shall be valued as per Income Tax Rules, 1962.
  - b) **Medical:** Reimbursement of actual expenses for self and family
  - c) **Leave travel:** For self and family once in a year as decided by the Board from time to time
  - d) **Personal accident Insurance:** As per the rules of the Company
3. **Other Benefits:**
  - a) Earned/Privilege Leave as per rules of the Company
  - b) Company's contribution to provident fund and super-annuation fund as per the rules of the Company

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- c) Gratuity as per the rules of the Company
- d) Encashment of Leave as per rules of the Company
- e) Company Car and Telephone: Use of Company's car and telephone at residence for official purpose as per rules of the Company

The aggregate remuneration inclusive of salary, bonus, commission, incentives, allowances, perquisites and other benefits payable to Mr Yuvraj Malhotra shall always be subject to the overall ceilings laid down in section 198 and 309 and Part II of Section I of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

#### 4. Minimum remuneration

Where in any financial year during the tenure of Mr. Yuvraj Malhotra the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Yuvraj Malhotra the above remuneration by way of salary and other allowances as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

None of the Directors except Shri Yuvraj Malhotra and Navraj Malhotra being relative are deemed to be concerned or interested in the aforesaid Resolution

#### ITEM NO.7

The Board of Directors at its meeting held on 30<sup>th</sup> July 2010 and based on the recommendation by the Remuneration Committee and subject to the approval of the share-holders of the company, passed a Resolution for the re-appointment of Shri Navraj Malhotra as Whole Time Director of the Company for a period of five years commencing from 20<sup>th</sup> July, 2010 upon the terms and conditions set out hereunder

##### 1. Remuneration:

- (a) Salary: Rs. 50,000/- per month in the scale of 50,000 to Rs 5,00,000/-
- (b) Bonus: Bonus upto maximum of 20% of salary payable quarterly or at other intervals as may be decided by the Board

##### 2. Perquisites

- a) Medical: Reimbursement of actual expenses for self and family
- b) Leave travel: For self and family once in a year as decided by the Board from time to time
- c) Personal accident Insurance: as per the rules of the Company

##### 3. Other Benefits:

- a) Earned/Privilege Leave as per rules of the Company
- b) Company's contribution to provident fund and super-annuation fund as per the rules of the Company
- c) Gratuity as per the rules of the Company
- d) Encashment of Leave as per rules of the Company

The aggregate remuneration inclusive of salary, bonus, commission, incentives, allowances, perquisites and other benefits payable to Mr. Navraj Malhotra shall always be subject to the overall ceilings laid down in section 198 and 309 and Part II of Section I of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

#### 4. Minimum remuneration

Where in any financial year during the tenure of Mr. Navraj Malhotra the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Navraj Malhotra the above remuneration by way of salary and other allowances as a minimum remuneration subject to the limits specified under Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

None of the Directors except Shri Navraj Malhotra and Yuvraj Malhotra being relative are deemed to be concerned or interested in the aforesaid Resolution

**For and On Behalf of Board of Directors**

CHAIRMAN

#### Registered office

5,Whispering Palms Centre  
Akurli Road  
Kandivali (East) Mumbai – 400 101

**Date : 30<sup>th</sup> July,2010**

**Place : Mumbai**

**DIRECTORS' REPORT**

To

**The Members**
**Hilton Metal Forging Limited**

1. Your Directors present the Fifth Annual Report and the Audited Statement of accounts of the Company for the year ended March 31<sup>st</sup>, 2010.

**Financial Results**

## Particulars

	(Rs in Lacs)	
	Year Ended March 2010	Year Ended March 2009
Sales	4707.42	346.83
Other Income	7307.85	604.77
Profit before Interest, Depreciation, exceptional Items and Tax	753.08	1040.38
<b>Less : Finance Charges</b>	408.16	441.02
Profit before Depreciation, exceptional Items, Waivers and Tax	344.92	599.36
<b>Less: Depreciation</b>	185.05	125.78
Profit before exceptional Items and Tax	159.87	473.58
<b>Less: Exceptional Items</b>	47.84	47.84
Profit Before Tax	112.03	425.74
<b>Less: Current Tax /Deferred Tax</b>	130.91	150.14
Profit after Tax	(18.88)	275.60
Balance Brought forward from previous year	557.96	601.23
Prior Period Expenses	126.82	
Dividend /Corp. Dividend Tax written back	105.64	0.00
Balance Available for Appropriation	644.72	750.01
Appropriation		
Proposed Dividend for the Financial year at the rate of Rs.0.25 per share	31.11	124.43
Corporate Dividend Tax	5.29	17.62
Transferred to General Reserves	35.00	50.00
Balance Carried forward	573.32	557.96

**2. Operations & Future Outlook**

The Company achieved net sales and other income of Rs 5054.25 lacs for the year ended on 31<sup>st</sup> March, 2010 as against net sales and other income of Rs 7912.62 lacs achieved in the previous year. The year under review, ended with a gross profit of Rs. 753.08 lacs (previous year Rs 1040.38 Lacs) and pre-tax profit of Rs 112.03 Lacs (Previous year Rs 425.74 Lacs). The Company's relentless efforts in developing new high value products, reducing costs, improving productivity and yield, conserving energy, standardizing of production process and improving work practices, initiatives in technical up-gradation, procurement of raw material and combating the dollar movement on export realization, helped to retain margins in an increasing cost scenario. Your company was able to withstand the adverse circumstances prevailed because of world wide slow down in economy. Due to strict environment norms observed by some countries where your company is exporting its material has caused reduction in turnover as compared to last year. However the net profit was reduced mainly because of high financial cost and depreciation on new assets acquired and installed during the year.

**3. Dividend**

Your Directors are pleased to recommend a dividend of 2.50% i.e Rupee 0.25 per Equity share of Rs 10 each for the year ended March 31<sup>st</sup>, 2010,

**4. Deposits :**

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

**5. Directors' Responsibility Statement:**

In view of the provisions of Section 217(2AA) of the Companies Act 1956, your Directors state that in preparation of the Financial Statements for the year ended 31<sup>st</sup> March, 2010:

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- a) The applicable Accounting Standards have been followed by the Company, with necessary explanation for material departure, if any;
- b) The accounting policies adopted and applied consistently, in the opinion of the Directors are reasonable and prudent and gives true and fair view of the state of affairs of the Company at the end of the financial period and of the Profit of the Company for the year ended on that date;
- c) The proper and sufficient care was taken for the maintenance of the adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The accounts have been prepared on a going concern basis.

### 6. Committees:

In terms of the provisions of Companies Act, 1956, and considering the requirement under Clause 49 of the Listing Agreement of the Stock Exchanges, Audit Committee, Shareholders' Grievance Committee, Management Committee and Managerial Remuneration Committee have been formed with the required number of Independent Directors of the Company.

### 7. Directors:

Mr. Manoj More and Mr. Sanjay Jain, the Directors, are liable to retire by rotation at the ensuing Annual General Meeting and have given their consent to be re-appointed as the Directors. Your Directors recommend their appointment.

### 8. Auditors:

M/s. R K Chaudhary & Associates, Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The members are requested to appoint the auditors.

The company has received a confirmation from them to the effect that their appointment, if made, would be within the prescribed limits U/S 224 (1B) of the Companies Act, 1956.

### 9. Management Discussion and analysis

#### Business of the company and over view

Indian Exporters of Steel products faced the problem of radio contamination detection in the raw material used to produce the forgings, your company also has felt the dent of the same. Many consignments, which were shipped, through midway had to be called back for testing of radio contamination. Your Company not only has installed various instruments to check the contamination but also invited officials of Atomic Energy Regulatory Board to inspect the factory site thoroughly. Your company has obtained a certificate that no radiation level above the natural background radiation level was observed by them on day of their visit as well the company is suitably equipped with radiation monitoring instruments.

The company continues to enjoy 0.89 % anti Dumping Duty on its products exported to USA and this gives huge advantage to the company over its competitors.

All these augur well for the future of your company and we see significant growth in the years to come.

#### RISK MANAGEMENT

The company recognizes that this is inevitable and believes in having optimum, well-defined and integrated risk management strategy. It also believes that proper risk identification, evaluation and mitigation would help to achieve its target of sustainable profitability and growth.

The upward fluctuation in raw material prices adversely effects profitability. Hence the company constantly monitors raw material price and revises the selling prices of its products.

#### HUMAN RESOURCES

The company's HR policy and process are aligned to effectively drive its expanding business and forays in to emerging opportunity. This has been achieved by continuous investing in training and development programs, creating a compelling work environment, empowering employees at all levels and maintaining well structured and recognition mechanisms. The company helps employees build new skills and new competencies and promotes knowledge sharing and team building. The company's recruitment practice ensures that suitable candidates with merit are recruited and provided with right opportunity.

**CAUTIONARY STATEMENT**

Statements in the management discussion and analysis describing the company's objective, projections, estimates and expectations may constitute "FORWARD LOOKING STATEMENTS" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent development, information or events.

**10. Disclosure of particulars with respect to conservation of energy, foreign exchange earning / outgo etc :**

Statement giving particulars relating to conservation of energy, technology absorption and foreign exchange earning and outgo as required under section 217(1)(e) of the Companies Act, 1956 is annexed.

**11. Particulars of Employees**

The statement under sub-section (2A) of section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended and forming part of this report is given in annexure. The annexure shall, however, be provided to the member on request to be made to the Company Secretary.

During the period under review, relation with the workmen continued to remain cordial. The Company has and possesses good faith and trust of the workers and continues having best industrial relation with its workmen force.

**12. Acknowledgements:**

Your Directors take this opportunity to thank the Company's Bankers, foreign buyers for their continued co-operation and patronage. The Board of Directors also Thank all the employees for their contribution, dedication, commitment and hard work and continued co-operation throughout the year.

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

**Mumbai  
Dated :**

**Yuvraj Malhotra  
Chairman and Managing Director**



**Annexure to Directors' Report****A. Conservation of Energy**

Energy conservation is priority area for the Company, Energy conservation measures taken during the year included:

1. Optimum utilization of maximum demand.
2. Replacement of all incandescent lamps with CFL
3. Control of Compressed air leakage
4. Awareness and training programs for employees

With proper planning and awareness, consumption of electricity and diesel was reduced compared to previous year. Proposed work area includes furnaces, water cooling plants, servo control voltage stabilizers for lighting, compressed air systems and selection of energy efficient plant and machinery. Due to new machines installation and new sheds made functional, consumption of energy is factually seen more as compared to last year.

**Form A  
(See Rule2)**

<b>Power and Fuel Consumption</b>	<b>Current year ended 31-03-2010</b>	<b>Previous year ended 31-03-2009</b>
1. Electricity		
Purchased Units (KWH)	2528268	2409947
Total Amount (in Rupees)	14445060	15140649
Rate/unit (Rs.)	5.71	6.28
2. Furnace Oil		
Quantity (KLS)	810	998
Total Amount (Rupees)	18951819	24363611
Average Rate Per KLS	23397.31	24412.44

**B. Consumption per unit of production**

The company produces wide range of forgings, flanges and other allied products. It is not practicable to establish product wise energy consumption.

**FORM - B**

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

1. Specific area in which R & D carried out by the company

The company is in continuous process of improving quality standards and developing new items for uses by different types of industries.

2. Benefit derived as a result of the above R & D

The direct result with the use of the above is the company's products are well established in export market and percentage of rejection is very negligible.

3. Future plan and Action

With expansion program, the company is willing to add more testing and laboratory equipment for total controlled analysis of different steel category.

4. Expenditure on R & D

The products of the company are mainly forging and flanges which does not require much of R & D since those are an established standard products like API/ASTM.

**TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION:**

The Company has installed one unit and planning to install two more units of Heat treatment plant to meet the quality of the product and also installed Vertical Machining Centre (VMC) for making dies strictly as per the

customer's drawings. Heat Treatment Plant along with sophisticated die shop has been absorbed successfully in the plant.

**EXPORT INITIATIVES:**

The Company has exported to USA, United Kingdom and Germany. The Company has taken all around efforts and initiatives viz. participation in international fairs, and other marketing efforts. The Company will expand its client base to other countries and will strive for quality, efficient and international standards.

**FOREIGN EXCHANGE EARNING AND OUTGO:**

Our Foreign Exchange earning through exports was to the tune of Rs 3222.58 Lacs. The Company's outgo of foreign exchange activities amounted to Rs 66.97 Lacs particulars of Foreign Exchange earning and the utilization during the period appears in Schedule XVI to the accounts.

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

**Mumbai**  
**Dated :**

**Yuvraj Malhotra**  
**Chairman and Managing Director**

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In the aftermath of the 'sub-prime' led global financial crisis in 2008, economies across the world went into a tailspin. This trend continued through most of 2009.

Towards the end of 2009 and Q1, 2010, there were some positive signs. Global financial markets witnessed a degree of stabilization. India, too, recovered from a slight slump and has grown by 7.4% for 2009-10. It would seem that these economies are on their way to attaining their higher growth trajectories of the pre 'Lehman collapse' days. The Revival of the Indian Economy came close on the heels of a year of a short-lived slowdown, which was undoubtedly unprecedented in terms of both severity and reach. HFML utilized this period to improve its internal efficiency and hence was better prepared to reap the benefits when the economy became favorable during 2010-11.

### Industry Overview

The global economy has witnessed a sharp recovery largely driven by the large stimulus packages announced by various countries which has created liquidity and stimulated demand, leading to the speedy recovery of the world GDP growth. The Chinese and Indian economies have been the fastest economies to recover. The steel industry has also seen a strong recovery in demand and increase in production volumes especially in China and India. However, this has once again put pressure on raw material availability and prices. From a net exporter of Coking Coal and Coke, China has become a net importer of Coking Coal. China continues to drive the global steel industry with a production of approx. 570 million tons in 2009 which equates to 50% of global Steel production. Chinese Steel demand continues to be driven by large capital expenditure and government infrastructure projects across the country. The Indian economy grew at 7.2% in 2009-10 against 6.7% last year which shows a remarkable turnaround. The economy is likely to grow at approx. 8 to 10% over the next decade driven by the infrastructure (power, road, railways, ports etc.) and consumption (automobile, real estate etc.) sectors which will result in robust growth in demand for various iron and steel products.

### Highlights of financial performance of Hilton Metal Forging Limited

The Board believes that it has been objective and prudent in making estimates and judgments relating to financial statements and confirms that these financial statements are true and fair representation of the Company's operation and profit for the year.

The Financial statements have been prepared in accordance with the requirement of the Companies Act, 1956, the Indian Accepted Accounting Principals and the Accounting Standards as prescribed by the Institute of Chartered Accountants of India.

The Overall Financial Picture of 2009-2010 is satisfactory. With close monitoring of costs and expenses and due to international crisis, this year ended with pre tax profit of Rs .112.03.Lacs (Previous year Rs 425.4 Lacs)

This Management Discussion and Analysis of your company's financial condition and results of operations contains forward-looking statements regarding future events and future results. These are based on previous year's performance, current expectations, estimates, forecasts, and projections about the industries in which it operates and the beliefs and assumptions of the Company's management.

### DEVELOPMENTS IN HUMAN RESOURCES & INDUSTRIAL RELATIONS

Your Company recognizes the fact that manpower is one of the vital constituents of a successful organization. The growth of your Company and execution of new projects places emphasis on the recruitment process and your Company has been successful in attracting professional talent. The Company continuously trains & develops employees to suit organizational needs.

The Company firmly believes that in house human capital will see the organization through success in today's highly competitive global environment. Hilton Metal Forging Ltd considers its human resources as amongst its most valuable assets.

### Total Quality Management

HFML's quality management practices are based on three pillars — customer satisfaction, systematic

improvements in all processes and people participation in improvements, all of which saw further progress during the year.. The Company aims to enhance everyone's capability in problem solving, and thereby improve organizational capability to remain at the cutting edge of competition.

#### **Information Technology**

HFML leverages Information Technology effectively to improve revenue, productivity while reducing costs and risks of doing business. HFML continued its journey on Knowledge Management by bringing about a change in the way the Company works with information across its units.

#### **HEALTH, SAFETY, SECURITY ENVIRONMENT**

The Company already has in place its own Safety System. Regular training is imparted to the workers and staff at all levels. The increased focus on safety has resulted in improved safety records at all our Plants and thus has improved the working environment.

#### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has a sound system of internal control in place, which assures the Board of Directors and the management that there is a structured system for:

- business planning and achievement of goals
- evaluating risks
- ensuring reliability of financial and operational reporting
- ensuring legal and regulatory compliance
- protecting company's assets
- prevention and detection of fraud and error

Interrelated control systems, covering all financial and operating functions, assure fulfillment of these objectives. Significant features of these controls include

- The planning system that ensures drawing up of challenging goals and formulation of detailed strategies and action plans for achieving these goals
- The risk assessment system that accounts for all likely threats to the achievement of the plans, and draws up contingencies to mitigate them.
- The review systems that track the progress of the plan to ensure that timely remedial measures are taken and deviations from the plan are minimized

A well-established internal audit system periodically reviews the controls and compliance of laws and regulations, and the environment under which the internal controls exist. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors. The Company is fully committed to ensuring an effective internal control environment.

#### **Risk , Concerns and Risk Management:**

In addition to the regular process-related risks inherent in manufacturing companies there are some specific risks facing the Company, which are to do with its business model, this risks include,

Hardening of interest rates, lack or inadequate credit facilities extended by the banks to the customers, materials and other inputs, fluctuating foreign currency, pricing pressure, global recession etc., are threat thrown to the Forging industry. Any economic slow down leading to reduced growth in the forging industry, inflationary pressure and spiraling of input cost due to external factors may influence the profitability of the Company.

The Company recognizes that this is inevitable and believes in having optimum, well-defined and integrated risk management strategy. It also believes that proper risk identification, evaluation and mitigation would help to achieve its target of sustainable profitability and growth. The upward variation in raw material prices adversely

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affects profitability. Hence the Company constantly monitors raw material price and revises the selling prices of its products accordingly.

The risk is assessed in Strategic Planning and Business Review & Planning. The Company continues to comply with the strictest of the environmental norms and regulations.

### **CAUTIONARY STATEMENT**

Statements in this document relating to future status, events, or circumstances, including but not limited to statements about plans and objectives, are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward looking statements. HFML cannot be held responsible in any way for such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

### **Outlook**

FY2010 was very challenging year. In Light of the slowdown, there has been a focus on operations restructuring and optimal utilization of Machinery in India. Today, Hilton Metal Forging Limited as a Company is structurally better equipped to tackle the slump even if it were to continue for a prolonged period.

With a strong India's Presence Hilton Metal Forging Limited is cautiously optimistic about its prospects in FY2011.

## REPORT ON CORPORATE GOVERNANCE

### 1) COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE:

At HILTON METAL FORGING LIMITED, it has been a constant endeavour to follow the principles of transparency, accountability, ethical business conduct and integrity in functioning to achieve excellence in Corporate Governance, which leads to enhance the value of all stakeholders. The Company has formulated, to ensure the high ethical and moral standards, code of business ethics and code on prohibition of insider trading. The company conducts its activities in a manner that is fair and transparent and perceived to be such by others. Your Company has always complied with the code of Corporate Governance.

### 2) BOARD OF DIRECTORS:

#### A. Composition and size of the Board:

The Board has an optimum combination of executive, Independent and Non-Executive Directors. The Board has more than 50% of non-executive Directors. During the year 2009-10, the Board had 7 Directors of which 2 Directors were Executive Directors (including the Managing Director) and the rest 5 are non-Executive Directors.

#### B. Board Meetings:

Board Meetings were held at Mumbai during the year under review. The Board Meetings were held on 20<sup>th</sup> April, 2009, 19<sup>th</sup> June, 2009, 31<sup>st</sup> July, 2009, 30<sup>th</sup> October, 2009 and 29<sup>th</sup> January, 2010. The maximum gap between two Board Meetings did not exceed the prescribed time in clause 49 of the Listing Agreement. The details of composition and category of Directors, their Attendance at Board Meeting/ Annual General Meeting, other positions in Board/Committee of the Board are as under:

Name of Directors	Designation/ Category of Directors	No. of Board Meetings attended in F.Y.2009-10	Attendance at A.G.M.	No. of other Directorship \$	Membership of other Board Committees
Mr. Yuvraj Malhotra	Chairman & Managing Director Executive	5	Yes	Nil	Nil
Mr. Navraj Malhotra	Whole time Director Executive	5	Yes	Nil	Nil
Mr. Joseph McKay	Independent Director Non Executive	Nil	No	Nil	Nil
Mr. Sanjay Jain	Independent Director Non Executive	Nil	No	Nil	Nil
Mr. Manoj Kumar More	Independent Director Non Executive	3	No	1	Nil
Mr. Navin Chokshi	Independent Director Non Executive	2	Yes	2	Nil
Mr. Harmohindar Singh Dhingra	Independent Director Non Executive	5	Yes	Nil	Nil

\$ This excludes Directorship held in other Private Limited Companies.

All the information as required under Annexure 1A of clause 49 of the Listing Agreement, as is required from time to time, is tabled before the Board for its consideration.

## Annual Report 2009-2010

### C. Share holding of Non-Executive Directors:

Sr.No.	Name of Directors	Shareholdings in the Company
1.	Mr. Sanjay Jain	Nil
2	Mr. Joseph McKay	Nil
3.	Mr. Manoj Kumar More	Nil
4.	Mr. Navin Chokshi	Nil
5.	Mr. Harmohindar Singh Dhingra	Nil

### 3) COMMITTEES OF DIRECTORS:

The Board has constituted the following Committees of Directors:

#### a) Audit Committee:

Role of Audit Committee and its terms of reference include:

- To focus it's attention on subjects relating to accounting standards, internal controls and financial policies.
- To oversee the Company's financial reporting process and disclosure of its financial information.
- To review the financial statement before submission to the Board of Directors.
- To hold discussion with Management regarding the internal control system.
- To hold prior discussion with external auditors regarding scope and nature of audit before commencement of the audit and also to have pos audit discussion on the areas of concern.

The Audit Committee met 4 times during the year on 18<sup>th</sup> June,2009, 30<sup>th</sup> July,2009, 30<sup>th</sup> October,2009 and 29<sup>th</sup> January,2010. All meetings were chaired by Mr.Harmohindar Singh Dhingra. The composition, names of the members, chairperson, particulars of the meeting and attendance of the member during the year are as follows:

Sr.No.	Names of Members	Designation	Category of Director	Attendance Meeting
1	Mr. Harmohindar Singh Dhingra	Chairman	Independent non executive	4
2	Mr. Manoj Kumar More	Member	Independent non executive	4
3	Mr. Sanjay Jain	Member	Independent non executive	1

#### b) Remuneration Committee:

The Remuneration Committee has been constituted to recommend/ review the remuneration package of the Managing / Whole time Directors, based on performance and defined criteria. Mr. Harmohindar Singh Dhingra was the chairman of the Committee; The Committee has been authorized to determine the remuneration package for any Executive Directors as well as remuneration payable to the non-executive Directors from the year to year.

The composition of the committee is as follows:

Sr.No.	Name of Members	Designation	Nature of Directorship
1.	Mr.Harmohindar Singh Dhingra	Chairman	Non-Executive, Independent
2.	Mr. Manoj Kumar More	Member	Non-Executive, Independent
3.	Mr. Sanjay Jain	Member	Non-Executive, Independent

The Non-Executive Directors are paid sitting fees for each meeting of the Board or Committee thereof attended by them. Other than sitting fees, no other remuneration payable to the Non-Executive Directors for the year 2009-10.

Details of Remuneration paid to the Directors for the year ended 31<sup>st</sup> March, 2010 are as follows:

Directors	Relationship with the other Directors	Business Relationship	Sitting Fees	Salary/ Perquisites	Contribution to P.F.	Total
Mr. Yuvraj Malhotra	Brother of Mr. Navraj Malhotra	Promoter	Nil	2376000	Nil	2376000
Mr. Navraj Malhotra	Brother of Mr. Yuvraj Malhotra	Promoter's family	Nil	600000	Nil	600000
Mr. Joseph McKay	None	None	NIL	Nil	Nil	NIL
Mr. Navin Chokshi	None	None	4000	Nil	Nil	4000
Mr. Manoj Kumar More	None	None	6000	Nil	Nil	6000
Mr. Harmohindar Singh Dhingra	None	None	10000	Nil	Nil	10000
Mr. Sanjay Jain	None	None	Nil	Nil	Nil	Nil

**c) Investors Grievance Committee:**

The Company has constituted an Investor Grievance Committee. The terms of reference of the Committee is to redress Shareholders and Investors complaints, to review all matters connected with the share transfers and to review status of legal cases involving the investors where the Company has been made a party.

The Company's Registrar & Share Transfer Agents, M/s Sharex Dynamic (India) Private Limited are fully equipped to carry out the transfers of shares and redress Investor complaints.

The Investor Grievance Committee met once during the year on 19<sup>th</sup> June, 2009. This meetings was chaired by was chaired by Mr. Manoj Kumar More.

The composition of the investor's Grievance Committee and attendance of the Committee members at these meetings were as follows:

Sr. No.	Names of Members	Designation	Category	No. of Meetings Attended during the year 2009-10
1.	Mr. Manoj Kumar More	Chairman	Non-Executive, Independent	1
2.	Mr. Yuvraj Malhotra	Member	Executive, Non-Independent	1
3.	Mr. Harmohindar Singh Dhingra	Member	Non-Executive, Independent	1

Details in respect of Compliance Officer:

Sr.No.	Name	Designation of Compliance officer
1	Mr. Suryakant Mayani	C F O

Details of Investors Complaints received during 2009-10 are as follows:

Sr.No.	Nature of Complaints	Whether Received		No. of Complaints Redressed	Pending Complaints
		SEBI	DIRECT		
1.	Non-Receipt of Dividend	0	4	4	Nil
2.	Non- Receipt of Refund Order	0	2	2	Nil
3.	Non Receipt of Annual Report	0	1	1	Nil



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### 4. GENERAL BODY MEETINGS:

The Location and time of the Annual General Meetings held during last 2 years are as follows:

AGM	DATE	TIME	VENUE	SPECIAL RESOLUTIONS PASSED
4 <sup>th</sup>	24.09.2009	5 PM	1 <sup>st</sup> Floor, East Banquet Hall, Goregaon Sports Club, Link Road, Malad(W), Mumbai-400064	One
3 <sup>rd</sup>	05.08.2008	3 PM	1 <sup>st</sup> Floor, East Banquet Hall, Goregaon Sports Club, Link Road, Malad(W), Mumbai-400064	Nil

No item of Business, which required the member's approval through postal Ballot, was transacted during the year 2009-10. Accordingly the Companies (Postal Ballot) rules 2001 are not applicable during the said year.

### 5) DISCLOSURES:

- There was no transaction of material nature with the Promoters, Directors, Management or their relatives during the financial year of the Company, which could have potential conflict with the interests of the Company at large. However, the transactions detailed in Note no. 15 of Schedule "XVI" annexed to the Accounts may be considered as related party transactions.
- The Company does not have a Whistle Blower Policy. All the same, no personnel of the Company have been denied access to the grievance redressal mechanism of the Company.
- The Company is in Compliance with all the mandatory Provisions of clause 49 of the Listing Agreement.

### 6) MEANS OF COMMUNICATION:

- The Annual, half yearly and Quarterly results submitted to the Stock Exchange and published in Newspapers in accordance with the Listing Agreement.

Company's un-audited quarterly results for Quarter ended 30<sup>th</sup> June,2009 , 30<sup>th</sup> September,2009, 31<sup>st</sup> December,2009 were published in the Free Press Journal ,Mumbai(English Daily) and Navshakti (Vernacular Daily). The audited results for 31<sup>st</sup> March, 2010 was published in the Free Press Journal, Mumbai (English Daily) and Navshakti (Vernacular Daily).

- Management Discussion and Analysis forms part of the Director's Report.

### 7) (a) General Shareholder Information:

Annual General Meeting  
(Date, Time and Venue)

Friday, 24<sup>th</sup> September,2010

Financial Calendar

The Company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the quarter.

Book Closure date

18<sup>th</sup> September, 2010 to 24<sup>th</sup> September,2010 [Both days inclusive]

Dividend Payment

Within 30 days from AGM date

Listing on Stock Exchanges

Bombay Stock Exchange Limited,  
P.J. Towers, Dalal Street, Fort, Mumbai-400001  
The National Stock Exchange of India Limited,  
Exchange Plaza, Bandra Kurla Complex, Bandra(East), Mumbai-400051

Registrar & Share Transfer  
Agents

SHAREX DYNAMIC (INDIA) PVT.LTD.  
Unit No.1, Luthra Industrial Premises,  
Andheri - Kurla Road, Safed Pool, Andheri(E),  
Mumbai-400072  
Tel: (022) 28515606 / 44 Fax: (022) 28512885

Business Hours: Monday to Friday: 10.00 a.m. to 1.00 p.m. and 2.00 p.m. to 4.00 p.m.

Contact Person: Mr. T. Sasikumar

Share Transfer System

The power of approving transfer of securities has been delegated to the Company's Registrar and Share Transfer Agent, M/s Sharex Dynamic (India) Pvt. Ltd., Mumbai.

Plant Location Plot Nos. 1,2,3,15,21,25,26,28,& 30,  
SHAH & MEHTA IND. ESTATE,  
Village-Ghonsai, Tal. Wada, Dist. Thane

Address Correspondence Hilton Metal Forging Limited, 5, Whispering Palm Centre  
Lokhandwala Township, Kandivali (East),  
Mumbai-400101

Scrip Code BSE:532847 ; NSE: HILTON

ISIN Number for NSDL and CDSL INE 788H01017

- (b) Profile of Directors seeking appointment/ re-appointment at the Annual General Meeting are furnished below:

Name of the Director	Mr Manoj Kumar More	Mr Sanjay Jain
Date of Birth	01-05-1971	25-11-1965
Date of Appointment	29-3-2006	29-3-2006
Area of expertise	Finance & Accounts	Metallurgy
Qualification	B. Com F. C A	BE(metallurgy)
List of other public companies incorporated in India in which directorships held as on March 31,2010	Ken Financial Services Ltd Acquitor Financial Services Pvt Ltd	Nil
List of chairmanships/ memberships of committees of the board of other public companies incorporated in India in which directorships held as on March 31,2010	NIL	NIL
No. of shares held in the company prior to the date of appointment	NIL	NIL

- (c) **Market Price Data: High/Low during each month of 2009-10 on Stock Exchange, Mumbai:**

Market Price Data Month	Share prices of the Company for the Period April,2009 to March,2010			
	Bombay Stock Exchange		The National Stock Exchange of India	
	High(Rs)	Low(Rs)	High(Rs)	Low(Rs)
April,2009	17.80	13.50	17.50	13.35
May,2009	24.62	14.10	24.40	13.90
June,2009	25.80	18.05	26.50	18.00
July,2009	29.25	16.20	19.35	16.35
August,2009	21.30	18.15	21.25	18.00
September,2009	23.30	20.10	24.00	20.20
October,2009	22.00	16.55	22.20	16.60
November,2009	21.90	15.30	22.10	15.50
December,2009	25.50	18.05	26.00	18.05
January,2010	32.50	22.20	32.55	22.45
February,2010	26.15	20.50	27.20	20.30
March,2010	23.80	20.50	24.00	20.25

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(d) : Performance of the Scrip in comparison to BSE Sensex & NSE Nifty:

Month	BSE SENSEX		SHARE PRICE OF THE COMPANY AT BSE		NSE NIFTY		SHARE PRICE OF THE COMPANY AT NSE	
	High(Rs)	Low(Rs)	High(Rs)	Low(Rs)	High(Rs)	Low(Rs)	High(Rs)	Low(Rs)
April,2009	11492	9546	17.80	13.50	4291	3769	17.50	13.35
May,2009	14931	11621	24.62	14.10	5480	4378	24.40	13.90
June,2009	15600	14017	25.80	18.05	5740	5227	26.50	18.00
July,2009	15733	13220	29.25	16.20	5737	4915	19.35	16.35
August,2009	16002	14684	21.30	18.15	5862	5431	21.25	18.00
September, 2009	17142	15356	23.30	20.10	6302	5690	24.00	20.20
October, 2009	17493	15805	22.00	16.55	6379	5846	22.20	16.60
November, 2009	17290	15330	21.90	15.30	6333	5663	22.10	15.50
December, 2009	17531	16578	25.50	18.05	6457	6146	26.00	18.05
January, 2010	17790	15982	32.50	22.20	6557	6025	32.55	22.45
February, 2010	16669	15652	26.15	20.50	6123	5860	27.20	20.30
March,2010	17793	16438	23.80	20.50	6588	6232	24.00	20.25

(e) Categories of Shareholding as on 31<sup>st</sup> March, 2010:

Categories	Number of Shares	Amount in Rs	%
Promoters, Directors, Relatives and Companies under the same Management	6740382	67403820	54.170
Mutual Funds	0	0	0
Banks	0	0	0
Venture Cap Funds	486	4860	0.004
FII(s)	583000	5830000	4.685
Private Corporate Bodies	730304	7303040	5.869
Indian Public	4173599	41735940	33.542
NRI's	207123	2071230	1.665
Clearing Members	8122	81220	0.065
<b>TOTAL</b>	<b>12443016</b>	<b>124430160</b>	<b>100.00</b>

(f) **Distribution of Shareholding as on 31<sup>st</sup> March, 2010:**

No. of equity Shares held	Shareholders		Amount	
	Number	% of Total	Rupees	% of Total
1-100	39423	39.48	274263	2.20
101-200	1950	19.53	342857	2.76
201-500	2332	23.36	838217	6.74
501-1000	1037	10.39	809853	6.51
1001-5000	630	6.31	1268350	10.19
5001-10000	44	0.44	320175	2.57
10001-100000	41	0.41	1059568	8.52
100001 and above	9	0.09	7529733	60.51
<b>Total</b>	<b>9985</b>	<b>100.00</b>	<b>124443016</b>	<b>100.00</b>

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AUDITORS CERTIFICATE TO THE SHARE HOLDERS ON COMPLIANCE WITH THE CONDITIONS OF  
CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

We have examined the compliance of conditions of corporate governance by M/s. Hilton Metal Forging Limited, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

The certificate of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the 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 explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We have to state that as per records maintained by the company, there were no investor grievances remaining unattended / pending for more than one month.

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

For and on behalf of

**R K Chaudhary & Associates**  
CHARTERED ACCOUNTANTS

R K CHAUDHARY  
Proprietor.  
C A Regn No 35487

Mumbai :  
Date :

**REPORT OF THE AUDITOR TO THE MEMBERS**

We have audited the attached Balance Sheet of **HILTON METAL FORGING LIMITED** as at 31<sup>st</sup> March 2010 and also the annexed Profit and Loss Account of the Company for the period ended on that date and the Cash Flow Statement for the period ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

1. We conducted our audit in accordance with the audit standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. An audit includes, examining on 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 the management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.
2. As required by Companies (Auditors' Report) Order 2003 as amended by the Companies (Auditors' Report) – amendment 2004 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraph 4 and 5 of the said Order.
3. Further to our comments referred to in paragraph 1 above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion Books of Accounts as required by law have been kept by the Company so far as appears from our examination of the books of the Company.
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Accounts of the Company and also comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956.
  - d) On the basis of the representation made by the Directors and taken on the record by the Board of Directors of the Company and the information and explanation given to us, none of the Directors is, as at 31<sup>st</sup> March 2010, prima-facie disqualified from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanation given to us, the accounts read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and present true and fair view:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2010;
- (b) in the case of Profit & Loss Account, of the Profit for the period concluded on that date and
- (c) In the case of Cash Flow Statement, of the cash flows for the period ended on that date.

For **R K Chaudhary & Associates**  
CHARTERED ACCOUNTANTS

R K CHAUDHARY  
Proprietor.  
C A Regn No 35487

Mumbai :  
Date :

## Annual Report 2009-2010

### ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2010 OF HILTON METAL FORGING LIMITED

On the basis of such checks as we consider appropriate and in terms of information and explanation given to us, we state that:

1.
  - a. The company has generally maintained proper records showing particulars including quantitative details and situation of fixed assets. However these records are to be updated.
  - b. As explained to us, fixed assets according to the practice of company, are physically verified by the Management except Office equipments and Furniture and Fixtures at reasonable intervals as per the phased verification program, which in our opinion, is reasonable, looking the size of the company and the nature of its business. According to the information and explanation given to us, no material discrepancies were noticed on such verification as compared to available records.
  - c. The fixed assets disposed off during the period, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
2.
  - a. As explained to us, inventories have been physically verified during the period by the management, the stocks of finished goods, stores, spare parts and raw material have been physically verified at reasonable intervals by the Management except in cases of stock in transit and stock lying with some outside parties which have, however been confirmed by them
  - b. The procedure explained to us, which are followed by the Management for physical verification of inventories are in our opinion reasonable and adequate in relation to the size of the Company and the nature of its business:
  - c. On the basis of our examination of the inventory records of the company, we are of the opinion that, the company is maintaining proper records of its inventory, have been properly dealt with in the books of accounts.
3. According to the information and explanation given to us, on respect of loans, secured or unsecured granted to or taken from the company to/from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956.
  - a. The company has granted unsecured loans in form of advances to the company/ies, firm/s or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. The terms and condition relating to repayment or interest is prima-facie not prejudicial to the interest of the company. The company has given advances to employees without any time stipulation.
  - b. The company has not taken / availed any loan secured or unsecured from the companies, or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. Further on the basis of our examination of the books and accounts of the Company and according to the information and explanations given to us, we have neither come across nor have been inform of any continuing failure to correct major weakness in the aforesaid internal control procedures.
5. On the basis of audit procedures performed by us, and according to the information, explanations and representations given to us, we are of the opinion that, the transactions in which directors were interested, and which were required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
6. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public to which the provisions of section 58A and 58AA of the Companies Act 1956 and the Rules framed there under are applicable.
7. In our opinion, the internal audit functions carried out during the period by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the books of accounts 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 in respect of the Company's products and are of the opinion that, prima facie the prescribed accounts and records

have been made and maintained to the extent applicable.

9. In our opinion the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Sales Tax, customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities and therefore no undisputed amounts payable in respect of these dues which remained outstanding as at 31<sup>st</sup> March 2010 for a period of more than six months from the date they become payable.
10. The Company has neither accumulated losses nor incurred cash losses, during the financial year ended on that date.
11. On the basis of the records examined by us and according to the information and explanation given to us the Company has not defaulted in repayment of dues to financial institutions and banks.
12. As explained to, the Company has not taken any loans or advances on the basis of security by way of pledge of shares, debentures or any other securities.
13. The company is not a chit-fund or nidhi mutual benefit fund/society. Hence the provision of the clause 4(XIII) of the Companies (Auditors Report) Order 2003 is not applicable.
14. On the basis of our examination of the documents and records of the Company, the Company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us and representation made by the Management, the Company has not given any guarantee for loans taken by others from any bank or financial institutions.
16. On the basis of the records examined by us and according to the information and explanation given to us, term loan have been applied for the purpose for they have been raised.
17. According to the information and explanations given to us and on an overall examination of financial statements of the Company and after placing reliance on the reasonable assumption made by the Company for clarification of long term and short term usage of funds, we are of the opinion and report that the funds raised on short term basis have not been used for long term investment and vice versa.
18. The Company has not made any preferential allotment of shares
19. On the basis of records and documents examined by us, the Company has not issued any secured debentures during the period.
20. During the period covered by our audit report, the Company has not raised any money by public issue.
21. According to information and explanations given to us and to the best of our knowledge and belief, no fraud on or by the Company, has been noticed or reported by the Company during the period.

For and on behalf of  
**R K Chaudhary & Associates**  
CHARTERED ACCOUNTANTS

R K CHAUDHARY  
Proprietor.  
C A Regn No 35487

Mumbai :  
Date :



**BALANCE SHEET AS AT 31ST MARCH 2010****(Amount In Rs.)**

	<b>SCHEDULE NO.</b>	<b>AS AT 31.03.10</b>	<b>AS AT 31.03.09</b>
<b>I. SOURCES OF FUNDS</b>			
<b>Share Holders' Fund</b>			
Share Capital	<b>I</b>	124,430,160	124,430,160
Reserves & Surplus	<b>II</b>	425,013,302	419,976,613
		<u>549,443,462</u>	<u>544,406,773</u>
<b>Loan Funds</b>			
Secured Loans	<b>III</b>	299,035,744	446,773,875
Un Secured Loans	<b>IV</b>	-	957,500
<b>Deferred Tax Liability</b>	<b>Note No 16 Schedule XVI</b>	40,164,300	28,196,353
<b>TOTAL</b>		<b><u>888,643,506</u></b>	<b><u>1,020,334,501</u></b>
<b>II. APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	<b>V</b>	452,676,561	425,291,327
Less : Depreciations		43,083,458	24,578,527
Net Block		409,593,102	400,712,800
Capital Work In Progress		-	5,968,470
		<u>409,593,102</u>	<u>406,681,270</u>
<b>Investments</b>	<b>VI</b>	10,050,600	7,550,600
<b>Current Assets, Loans and Advances</b>			
Inventories	<b>VII</b>	360,017,776	391,139,445
Sundry Debtors		76,727,346	74,286,578
Cash and Bank Balances		9,947,013	138,071,355
Loans and Advances		80,308,611	142,368,856
		<u>527,000,746</u>	<u>745,866,234</u>
<b>Less: Current Liabilities</b>	<b>VIII</b>		
Current Liabilities		81,404,787	158,521,828
Provisions		10,080,875	19,510,027
		<u>91,485,662</u>	<u>178,031,855</u>
<b>NET CURRENT ASSETS</b>		435,515,084	567,834,379
<b>MISC EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>	<b>IX</b>	33,484,720	38,268,252
<b>TOTAL</b>		<b><u>888,643,506</u></b>	<b><u>1,020,334,501</u></b>

**Notes to the schedule referred to above form integral part of Accounts XVI**

As per our report of even date

For and on behalf of the Board of Directors

**For R K Chaudhary & Associates  
CHARTERED ACCOUNTANTS**

**R K Chaudhary  
Proprietor  
M No : 35487**

**Yuvraj Malhotra  
Chairman & Managing  
Director**

**Navraj Malhotra  
Whole Time  
Director**

Place : Mumbai  
Date :

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2010**

	SCHEDULE NO.	Year Ended 31-03-10	Year Ended 31-03-09
<b>I. INCOME:</b>			
Sales (net)	X	470,742,362	730,785,029
Other Income	XI	34,682,621	60,476,638
Increase/(Decrease) in stocks	XII	37,919,161	39,743,706
<b>Total</b>		<b>543,344,144</b>	<b>831,005,373</b>
<b>II. EXPENDITURE:</b>			
Raw Material Consumed	XIII	327,051,524	541,895,446
Manufacturing & Other Expenses	XIV	140,985,008	185,071,981
Interest & Finance Charges	XV	40,816,350	44,102,616
Depreciation	V	18,504,931	12,577,967
Preliminary Exp. Written off		4,783,532	4,783,532
<b>Total</b>		<b>532,141,345</b>	<b>788,431,542</b>
<b>PROFIT BEFORE TAX</b>		<b>11,202,799</b>	<b>42,573,831</b>
Less: Provision for Taxation			
Current Tax (MAT)		1,123,000	3,720,864
Deferred tax		11,967,947	10,609,487
Fringe Benefit Tax		-	683,848
<b>PROFIT AFTER TAX</b>		<b>(1,888,148)</b>	<b>27,559,632</b>
Balance Brought Forward		55,795,653	60,123,498
Add : Dividend /Dividend Tax written back		10,564,420	-
Less: Prior Period Expenses		-	12,682,157
Amount available for Appropriation		<b>64,471,925</b>	<b>75,000,973</b>
<b>APPROPRIATION</b>			
<b>Transferred to General Reserve</b>		3,500,000	5,000,000
<b>Proposed Dividend</b>		3,110,754	12,443,016
<b>Corporate Dividend Tax</b>		528,828	1,762,304
<b>Balance Carried to Balance Sheet</b>		<b>57,332,342</b>	<b>55,795,653</b>
<b>Earning Per Share (Rs.)</b>		(0.15)	2.21
<b>No of Shares</b>		12,443,016	12,443,016

Notes to the schedule referred to above form integral part of Accounts XVI

As per our report of even date

For and on behalf of the Board of Directors

For R K Chaudhary & Associates  
CHARTERED ACCOUNTANTS

R K Chaudhary  
Proprietor  
M No : 35487

Yuvraj Malhotra  
Chairman & Managing  
Director

Navraj Malhotra  
Whole Time  
Director

Place : Mumbai  
Date :

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

	AS AT 31.03.2010	AS AT 31.03.2009
<b>I SHARE CAPITAL</b>		
<b>Authorised</b>		
150,00,000 Equity Shares of Rs 10/- each	<b>150,000,000</b>	<b>150,000,000</b>
<b>Issued, Subscribed &amp; Paid Up</b>		
12443016 Equity Shares ( Previous year 12443016 Equity Shares) of Rs 10/- each fully paid	124,430,160	124,430,160
	<b>124,430,160</b>	<b>124,430,160</b>
<b>II RESERVES AND SURPLUS</b>		
Share Premium Account	336,180,960	336,180,960
General Reserves		
As per Last Balance Sheet	28000000	23,000,000
Add : Trfd from Profit & Loss Account	3,500,000	5,000,000
Closing Balance	31,500,000	28,000,000
Profit and Loss Account	57,332,342	55,795,653
	<b>425,013,302</b>	<b>419,976,613</b>
<b>III SECURED LOANS</b>		
<b>Term Loan</b>		
Medium Term Loan	47,433,835	74,633,835
(against hypothecation of Plant & Machinery and immoveable property of the Company at Wada, amount due within 1 year Rs.200.00 Lacs)		
<b>Working Capital Limits</b>		
Packing Credit Advance form Banks	218,974,383	234,229,166
(Secured By hypothecation of Entire Stocks) both present and future.		
Export Bill Negotiation from Banks	32,627,526	52,910,874
Secured by Books Debts, Bills receivable etc both present and future.		
<b>Short Term Advance</b>		
Against Fixed Deposit - SBH	-	85,000,000
	<b>299,035,744</b>	<b>446,773,875</b>
<b>IV UNSECURED LOANS</b>		
Long term Advance		
From a Foreign Company	-	957,500
	-	<b>957,500</b>

**SCHEDULE : V FIXED ASSETS**

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 1-4-2009	Additions	Deduction	As On 31-3-2010	up to 1-4-2009	Depreciation Written back	For the Year	as on 31-3-2010	as on 31-3-2010	as on 31-3-2009
<b>A. TANGIBLE ASSETS</b>										
Land (See Note No XVI/3)	13759150	0	0	13759150	0		0	0	13759150	13759150
Building and Shed	57613242	9337539	0	66950781	2779414		2053437	4832851	62117930	54833828
Staff Quarters	7161280	3484660	0	10645940	272134		239187	511321	10134619	6889146
Plant and Machinery	318065970	17050811	4165821	330950960	19037079	327987	15190565	33899657	297051303	299028891
Office Equipments	1368543	229539	0	1598082	121731		67643	189374	1408708	1246812
Designs & Drawings	51890	0	0	51890	884		1020	1904	49986	51006
Office Premises	8897607	0	0	8897607	0		0	0	8897607	8897607
Electrical Installation	8160986	250000	0	8410986	732302		392574	1124876	7286110	7428684
Computer System	1103383	474837	0	1578220	377052		238977	616029	962191	726331
Furniture & Fixtures	7534139	50490	0	7584629	717289		478676	1195965	6388664	6816850
Vehicles	1575135	673180	0	2248315	540641		170839	711480	1536835	1034494
<b>Total</b>	<b>425291326</b>	<b>31551056</b>	<b>4165821</b>	<b>452676561</b>	<b>24578527</b>	<b>327987</b>	<b>18832918</b>	<b>43083458</b>	<b>409593102</b>	<b>400712798</b>
WIP Machinery	1740636	16372678	18113314	0	0		0	0	0	1740636
WIP Building	4227834	6161665	10389499	0	0		0	0	0	4227834
WIP Furnitures (Office)	0	0	0	0	0		0	0	0	0
<b>Total Assets</b>	<b>431259796</b>	<b>54085399</b>	<b>32668634</b>	<b>452676561</b>	<b>24578527</b>	<b>327987</b>	<b>18832918</b>	<b>43083458</b>	<b>409593102</b>	<b>406681268</b>

## SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010

	AS AT 31.03.2010	AS AT 31.03.2009
<b>VI INVESTMENTS</b>		
<b>QUOTED</b>		
Equity Fund	2,500,000	
DSPML Top 100 Equity Fund unit 108145521		
Bharti Axa Equity Fund - Unit 100000 (Pr. Year <b>Unit</b> 500000) (MV Rs _____ LACS)	<b>10,000,000</b>	5,000,000
<b>UNQUOTED</b>		
5060 Equity Shares (Previous Year 5060)	<b>50,600</b>	50,600
Equity Shares of Rs10/- each of Saraswat Co Op Bank Ltd.		
	<b>10,050,600</b>	<b>7,550,600</b>
<b>VII CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>INVENTORIES</b> (as taken valued and certified by Management)		
Raw Material	115,191,272	187,654,820
Semi Finished Goods	109,411,923	75,030,643
Finished Goods	54,081,309	50,020,428
Stores & Spares and Consumables	6,129,000	6,832,000
Dies and Tools at Cost	71,572,272	68,149,554
Scrap	3,632,000	3,452,000
	360,017,776	391,139,445
<b>SUNDRY DEBTORS</b> (Unsecured considered good)		
Outstanding for more than six months	19,056,268	4,428,627
Others	57,671,078	69,857,951
	76,727,346	74,286,578
<b>CASH &amp; BANK BALANCE</b>		
Cash on Hand	1,084,047	1,331,267
Balance with Schedule Banks in Current Accounts	1,935,108	17,532,627
in Fixed Deposits	6,392,236	118,671,841
in Margin Money Accounts	535,620	535,620
	9,947,011	138,071,355
<b>LOANS AND ADVANCES</b> (Unsecured considered good)		
Advance Receivable in cash or kind or for Value to be received	14,533,172	66,597,908
Security Deposits	2,908,360	2,744,110
Advances on Capital Account	3,334,665	4,017,996
Advance for Expenses	2,937,920	4,373,378
Advance for Raw Material	15,237,046	22,675,441
Balance with Central Excise Authority	11,434,249	19,703,945
Custom duty Credit Receivable	1,533,646	1,533,646
Duty Drawback Receivables	6,794,941	8,712,032
Maha. Vat Refund Receivable	10,835,152	2,973,895
Advance Tax and Tax Deducted at Source	10,759,460	9,036,505
	<b>80,308,611</b>	<b>142,368,856</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010**

	<b>AS AT 31.03.2010</b>	<b>AS AT 31.03.2009</b>
<b>VIII CURRENT LIABILITIES &amp; PROVISIONS:</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
For Raw Material	48,964,795	123,323,093
For Expenses	24,046,367	18,011,822
For Capital Assets	1,991,135	9,545,334
Others	6,402,490	7,641,579
	<u>81,404,787</u>	<u>158,521,828</u>
<b>PROVISIONS:</b>		
Proposed Dividend	3,110,754	12,443,016
Corporate Dividend Tax	528,828	1,762,304
Provisions for Income Tax	1,123,000	4,404,712
Other Statutory Dues	5,318,293	899,995
	<u>10,080,875</u>	<u>19,510,027</u>
<b>IX MISC EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>		
Public Issue Expenses	38,268,252	43,051,784
Less: Written of during the year 1/10th	4,783,532	4,783,532
Carried Forward	<u>33,484,720</u>	<u>38,268,252</u>

**SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

	AS AT 31.03.2010	AS AT 31.03.2009
<b>X SALES (NET OF RETURN &amp; CLAIMS)</b>		
Export Sales	322,546,685	532,321,406
Domestic Sales	148,195,677	198,463,623
	<u>470,742,362</u>	<u>730,785,029</u>
<b>XI OTHER INCOME</b>		
Labour Charges Received	4,105,917	10,734,769
Sales of DEPB	22,120,175	35,255,428
Target Plus Benefit / EPCG License	-	3,059,100
Interest Received	2,624,608	9,456,705
Misc Balance Written off	-	33,317
Misc Income	16,795	657,049
Dividend Received	3,940,126	1,280,270
Rent Receipt	1,875,000	-
	<u>34,682,621</u>	<u>60,476,638</u>
<b>XII INCREASE/(DECREASE) IN STOCKS</b>		
<b>Less: Closing Stock</b>		
Semi finished Goods	109,411,923	75,030,643
Finished Goods	54,081,309	50,020,428
scrap	3,632,000	3,452,000
Stores& Fuel	6,129,000	6,832,000
	<u>173,254,232</u>	<u>135,335,071</u>
<b>Less: Opening Stock</b>		
Semi finished Goods	75,030,643	60,237,628
Finished Goods	50,020,428	25,205,137
Scrap	3,452,000	4,025,200
Stores& Fuel	6,832,000	6,123,400
	<u>135,335,071</u>	<u>95,591,365</u>
	<u>37,919,161</u>	<u>39,743,706</u>
<b>XIII RAW MATERIAL CONSUMED</b>		
Opening Stock	187,654,820	242,854,362
Add: Cost of Purchase	312,401,969	517,830,390
Scrap Purchase	-	7,474,112
	<u>500,056,789</u>	<u>768,158,864</u>
Less: Sales	57,813,993	38,608,598
	<u>442,242,796</u>	<u>729,550,266</u>
Less: Closing stock	115,191,272	187,654,820
	<u>327,051,524</u>	<u>541,895,446</u>

**SCHEDULE FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

	AS AT 31.03.2010	AS AT 31.03.2009
<b>XIV MANUFACTURING &amp; OTHER EXPENSES</b>		
<b>Employees Remuneration, Benefits and Other Payments</b>		
Salary wages & Bonus	7,459,051	9,688,166
Remuneration to Directors	2,976,000	3,084,000
Contribution to Provident Fund	456,774	467,164
Welfare Expenses	1,511,346	2,030,111
<b>Manufacturing Expenses</b>		
Stores & Spares Consumed	16,673,963	23,263,364
Packing Material Consumed	4,723,834	6,061,839
Insurance Charges - plant	143,302	273,775
Power & Fuel	37,931,924	48,519,578
Transportation and Octroi	2,565,464	2,657,829
Heat Treatment & Shot Blasting Charges	238,490	1,640,286
Die Amortisation	1,605,114	2,154,505
Machining & Labour Charges	6,165,883	9,210,851
Repairs & Maintenance _ Machines	3,627,317	3,383,758
Testing Charges	640,710	771,638
Wages Contractor	20,635,186	20,991,748
Water Charges	650,400	999,900
<b>Administrative &amp; Selling Expenses</b>		
ECGC Premium Charges	859,464	1,025,562
Insurance Charges - Vehicles	-	36,448
Auditors Remuneration	386,860	393,260
Bank Charges	623,779	2,283,279
Exchange Difference	-	8,808,537
Rent rates & Taxes	816,930	930,830
General Expenses	9,605,988	8,716,003
Freight & Forwarding Charges	7,794,888	11,600,732
Postage Telephone etc	1,299,389	1,279,004
Traveling & Conveyance	6,767,685	4,948,801
Legal & Professional Charges	1,654,670	1,882,520
Advertisement & Sales Promotions	3,170,597	7,968,493
	<b>140,985,008</b>	<b>185,071,981</b>
<b>XV INTEREST &amp; FINANCE CHARGES</b>		
Interest on Term Loan	7,395,730	8,475,929
Interest of Packing Credit.	23,683,376	21,324,644
Discounting Interest	6,159,448	5,238,846
Interest (others)	3,577,796	9,063,197
	<b>40,816,350</b>	<b>44,102,616</b>



**SCHEDULE XVI: NOTES TO ACCOUNTS:**

**A. SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY**

**1. Basis of presentation of Financial Statement**

The financial statements are prepared under historical cost conversion in accordance with applicable Accounting Standards and relevant presentation requirements of the Companies Act 1956. The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

**2 Fixed Assets:**

(a). All Fixed Assets are stated at Cost of acquisition

(b). The Company provides depreciation on all assets on the 'straight Line Method' in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956.

**3. Investments**

Long Term Investments are stated at cost of acquisition.

**4. Inventories**

Finished Goods, Work-in-progress semi finished goods and raw material are valued at cost or net realizable value which ever are lower. Materials in transit are valued at cost-to-date. Stores, spares, fuels components and loose tools are valued at cost or below cost. Cost comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and conditions.

**5. Foreign Currency Fluctuation:**

Current assets and other liability in foreign currency out standing at the close of the period are expressed in Indian Currency at the rate of exchange prevailing on the date of balance sheet, except cases where the loans/ liabilities are covered under forward exchange contracts. Net gain or loss due to increase/decrease in rupee liabilities are charged to revenue.

Foreign Currency Transactions in respect of Export Sales, Import of Material and other Revenue items are accounted at the exchange rate prevailing on the date of transaction took place. Out standing Export realization, payment obligation are accounted for at the prevailing conversion rate at the close of the year and the difference in actual realization of such document is accounted for in exchange fluctuation account to be credited/charged to the respective account in the year of realisation

**6. Recognition of Income and Expenditure:**

a. Revenues/Incomes and cost/expenditure are generally accounted on accrual basis as they are earned or incurred.

b. Export Sales are accounted on basis of dates of bill of Lading.

c. Benefits on account of entitlement of import duty free material under Advance License and Duty Entitlement Pass Book Scheme is accounted in the year of export.

**7. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditure during the reporting period. Difference between actual results and estimates are recognized in the year in which the results are known /materialized.

**8. Research and Development Expenditure:**

Revenue expenditure, including Overheads on Research and Development is charged out as expenditure through the natural heads of expenses in the year in which incurred.

**9. Retirement and other Employee related Benefits:**

Retirement Benefits to the employees will be accounted in the year of actual payment.

**10. Accounting for taxes on income:**

Current tax is determined as an amount payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets arising due to timing

difference, being the difference between the taxable income and accounting income which originate in one year and are capable of reversal in one or more subsequent years.

**11. Earning Per Share**

In accordance with the Accounting Standard –20(AS-20) “Earning per Share” issued by The Institute of Chartered Accountants of India, Basic and diluted earning Per Share is computed using the weighted average number of Shares outstanding during the period.

**12. Treatment of MVAT**

The Scheme of deferment of Sales Tax/MAVT opted by the Company was discontinued on attainment of prescribed limit. The liability created till 31<sup>st</sup> March 2007 continued to remain and shown under deferred tax liability. The said liability is liable to pay after ten years and in five yearly installments.

**13. Impairment of Assets**

The carrying amount of assets is reviewed at each Balance Sheet date. If there is any indication of impairment based on internal/external factors i.e when the carrying amount of the assets exceeds the recoverable amount, an impairment loss is charged to the profit and Loss Account in the year in which assets is identified as impaired. An impairment loss recognized in prior accounting period is reversed or reduced if there has been a favorable change in the estimate of the recoverable amount.

**B Notes forming part of the Accounts**

**1. Secured Loans**

Term Loans from Banks are secured by way of first charge against mortgage of Company’s immoveable assets at Wada, Dist Thane, Maharashtra, and through subsisting pari-passu second charge over Company’s all moveable assets both present and future and guaranteed by CMD.

2. Working Capital facilities from the banks (included in Schedule III) are secured by way of hypothecation of stocks and book debts. The said facilities are also secured by way of second and subservient charges against mortgage of Company’s immoveable assets at Wada, Dist Thane, Maharashtra and guaranteed by CMD.

**3. Fixed Assets:**

The plot No 21, 25, 26, 28, 29 and 30 situated at wada, are still standing in the name of one of the director Mr Yuvraj Malhotra for want of mutation process to be completed for revenue records. Necessary steps are being taken to get the same mutated in the name of the company.

**4. Current Assets:**

In the Opinion of the Board of Directors of the Company, all items of the current assets including Loans and Advances continue to have a realizable value of at least the amount at which they are stated on the Balance Sheet.

**5. Contingent Liabilities not provided for**

Guarantees given by the company. Rs 124.82 Lacs (Rs 121.83 lacs)

6. At the closure of the year, the company has valued and accounted an amount of Rs 2,21,20,175/- (Rs. 3,52,55,428/-) as export incentives being the benefit on account of entitlement to import duty-free materials under Entitlement Pass-book Scheme, as detailed in Accounting Policies A (5) (ii)

7. During the year, Material Worth Rs 2,35,16,977/- (previous Year Rs. 1,48,14,136/-) were called back due to radioactive contamination was noticed in material exported from India. Out of this material worth Rs 341,85449/- have been re-exported after thorough checking during the year . The Balance worth Rs 41,45,664/-is under process of checking and will be re-exported in due course.

8. (A) Closing Stock of Raw material Include:

Goods Lying with Third Party Rs. 102.43Lacs (Rs 74.33 Lacs)

(b) Closing stock of Semi finished goods (WIP) includes

Goods lying with third party Rs. Nil (Rs. Nil)

9 Remuneration to the Managing Director and Whole time Directors paid/payable during the period under Section 198 of the Companies Act 1956

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	Managing Director	Whole Time Director
Salaries	Rs 23,76,000/- (Rs 23,76,000)	Rs. 6,00,000/- (Rs 6,80,000)
Others	Rs ___Nil_/- (Rs 3,80,000/-)	Nil (Nil)
No of Directors	1	1
	31-3-2010	31-3-2009

10. (a) CIF Value of Imports		
Dies and tools	Rs Nil	(Rs Nil Lacs)
Machinery Equipments	Rs 8.55 Lacs	(Rs 239.05)
Consumables	Rs Nil	(Rs. Nil Lacs)
(b) Expenditure in Foreign Currency in respect of		
i) Traveling Expenses	Rs 7.07 Lacs	(Rs 5,91 Lacs)
ii) Commission	Rs 40.15 Lacs	(Rs 2.07 Lacs)
iii) Sales Promotion,	Rs 1.73 Lacs	(Rs. 0.86 Lacs)
iv) Others	Rs 9.47 Lacs	(Rs. 62.12Lacs)
(c) Earning in foreign Currency		
FOB Vales of Exports	3222.58 Lacs	(Rs5283.16Lacs)

11. Additional information pursuant to the provisions of paragraph 3, 4 and 4D of Part II of Schedule VI to the companies Act, 1956

Annual License Capacity, Installed capacity, Production, Sales, Opening and Closing Stocks

Sr No	Particulars	As at 31-03-2010		As at 31-03-2009	
		Qty (MT)	Amount (Rs in Lacs)	Qty (MT)	Amount (Rs in Lacs)
1	Installed Capacity			11100	
2	Actual Production	2745	4288	2359	6427
3	Opening Stock *	653	1250	491	854
4	Closing Stock	1142	1635	653	1250
5	Sales **	2256	3903	2303	6031

\*\* includes domestic sales

**Raw Material Consumed.**

Particulars	31-03-2010			31-03-2009		
	QTY (MT)	Value (Rs.)	% age	QTY (MT)	Vale (Rs.)	% Age
Indigenous	3070	3373	100%	4198	5345	100%
Imported	Nil	Nil	0%	Nil	Nil	0%

**Consumable Stores & Spares:**

Particulars	31-03-2010		31-03-2009	
	Value (Rs.)	% Age	Value (Rs.)	% age
Indigenous	166.74	100%	232.63	100%
Imported	0	0%	0	0%

12. The company has only one segment namely forgings, hence no separate disclosure of segment wise information has been made as required by accounting Standard 17 on "Segment Reporting" as issued by The Institute of Chartered Accountant of India.

**13 Related Party Disclosures:**

Names of related parties and description of relationship:

- |   |  |
|---|--|
| 1. Key Management Personal  | Mr. Yuvraj Malhotra.<br>Mr. Navraj Malhotra            |
| 2. Relatives of Key Management Personal.  | Mrs. Diksha Malhotra<br>M/S. Yuvraj Malhotra HUF.      |
| 3. Enterprises significantly influenced by key Management personal and Relatives. | Hilton Steel Forging Pvt. Ltd.<br>M/S. Delta Cut Tools |

Transaction	Relationship	2010 Rs. In Lacs	2009 RS in Lacs
<b>Expenditure</b>			
<b>Managerial remuneration</b>			
Mr. Yuvraj Malhotra	Key Mgmt. personnel	23.76	27.56
Mr. Navraj Malhotra	Key Mgmt. personnel	6.00	6.00
<b>Salary</b>			
Mrs Diksha Malhotra	Wife of CMD	6.00	5.50
<b>Vehicle Rent</b>			
Mrs Diksha Malhotra	Wife of CMD	2.40	2.20
<b>Machining Charges</b>			
M/s Delta Cut Tools	Partnership firm in which CMD and Mr Navraj Malhotra are partner	13.06	40.89

14. Public Issue Expenses and Preliminary expenses are amortized over a period of ten years.

15. The break up of net deferred tax liability as at March 31, 2010 is as follows (figures in bracket are in respect of previous year).

Timing difference on account of Difference between Book depreciation and depreciation under I T Act 1961	1,19,67,947/-
Previous year	(1,83,21,797/-)
M vat Deferred Tax Liability	98,74,556
Previous Year	(98,74,556)
Total	401,64,300
	(281,96,353)

**16. Payment to Auditors**

As Auditors	Rs 2.78 Lacs	(Rs 2.81 Lacs)
As Tax Auditors	Rs.0.83 Lacs	(Rs.0.84 Lacs)
For Certification Work	Rs.0.17 Lacs	(Rs.0.17 Lacs)
For Other Matters	Rs.0.11 Lacs	(Rs.0.11 Lacs)

17. Previous year's figures have been regrouped and rearranged where ever necessary.

**Signature to schedule I to XVI**

As per our report of even date

For and on behalf of the Board of Directors

**For R K Chaudhary & Associates  
CHARTERED ACCOUNTANTS**

**R K Chaudhary  
Proprietor  
M No : 35487**

**Yuvraj Malhotra  
Chairman & Managing  
Director**

**Navraj Malhotra  
Whole Time  
Director**

Place : Mumbai

Date :



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2010**

(Amount In Rupees)

Particulars	Year Ended 31.03.10	Year Ended 31-03-09
<b>I Cash Flow From Operating Activities</b>		
Net Profit Before Tax after Extraordinary Items	11,202,799	29,891,674
Adjustment for:		
Depreciation & Amortisation	23,288,463	17,361,499
Interest Expenses	40,816,350	44,102,616
<b>Operating Profit Before Working Capital Changes</b>	<b>75,307,612</b>	<b>91,355,790</b>
<b>Adjustment for Working Capital Changes</b>		
Trade & Other Receivables	59,619,477	84,891,525
Inventories	31,121,669	(14,129,713)
Trade & Other Payable	(80744354)	(42,138,983)
Cash Generated from operations	85,304,404	119,978,619
Less: Taxes Paid		
<b>Net Cash Flow from Operating Activities (A)</b>	<b>85,304,404</b>	<b>119,978,619</b>
<b>II Cash Flow from Investing Activities</b>		
Purchase of Fixed assets/ Capital Expenditure	(21,416,764)	(158,984,962)
Investment	(2,500,000)	11,500,000
Advances On Capital Account		
<b>Net Cash used in Investment Activities (B)</b>	<b>(23,916,764)</b>	<b>(147,484,962)</b>
<b>III Cash Flow from Financial Activities</b>		
Issue of Shares	-	-
Premium on Equity Shares	-	-
Increase in Banks Borrowings	(147,738,131)	29,002,574
Interest Expenses	(40,816,350)	(44,102,616)
Decrease in long term loan	(957,501)	
<b>Net Cash flow from Financing Activities (C')</b>	<b>(189,511,982)</b>	<b>(15,100,042)</b>
Net Increase/ (Decrease) in cash & Cash Equivalents		
(A+B+C)	<b>(128,124,341)</b>	<b>(42,606,385)</b>
Cash & Cash Equivalent at the beginning of the period	138,071,355	180,677,740
<b>Cash &amp; Cash Equivalent at the close of the period</b>	<b>9,947,013</b>	<b>138,071,355</b>
	0	(42,606,385)

Figures in brackets denotes cash out flow  
Cash and cash equivalent is Cash & Bank Balances as per Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors

**For R K Chaudhary & Associates**  
**CHARTERED ACCOUNTANTS**

**R K Chaudhary**  
**Proprietor**  
**M No : 35487**

**Yuvraj Malhotra**  
**Chairman & Managing**  
**Director**

**Navraj Malhotra**  
**Whole Time**  
**Director**

Place : Mumbai  
Date :

**HILTON METAL FORGING LIMITED**

**Regd. Office: 701,Palmspring, Palmcourt Complex, Link Road, Malad(w), Mumbai-400064.**

( Please complete this attendance slip and hand it over at the entrance of the meeting hall)

I hereby record my presence at the 4<sup>th</sup> ANNUAL GENERAL MEETING of the Company being held on Thursday, the 30<sup>th</sup> September, 2010 at 701 Palm Spring, Link Road, Malad (W), Mumbai-400064 at 3.30 p.m.

NAME OF SHAREHOLDER \_\_\_\_\_

NAME OF PROXY \_\_\_\_\_

(To be filled in the case the proxy attends instead of Shareholder)

SIGNATURE OF SHAREHOLDER/PROXY\*

Strike out Which is not applicable

\_\_\_\_\_ (Tear Here) \_\_\_\_\_

**HILTON METAL FORGING LIMITED**

**Regd. Office: 701,Palmspring, Palmcourt Complex, Link Road, Malad(w), Mumbai-400064.**

Folio No: \_\_\_\_\_

I/We \_\_\_\_\_

Of \_\_\_\_\_ being

A member/ members of Hilton Metal Forging Ltd. hereby appoint \_\_\_\_\_ of

\_\_\_\_\_ or

failing him/her \_\_\_\_\_

of \_\_\_\_\_

As my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, the 30<sup>th</sup> September, 2010 or at any adjourned meeting thereof.

Affix Rupee  
One evenue  
stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010 Signature of Member/Proxy

**Notes:** The Proxy form must be returned so as to reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The proxy need not be a shareholder of the Company

Book Post / UCP



*If undelivered, please return to :*

**Corporate Office:**

**HILTON METAL FORGING LTD.**

701, Palm Spring, Link Road,  
Malad (West), Mumbai - 400 064.

E-mail : [hiltonforge@vsnl.com](mailto:hiltonforge@vsnl.com) • Web : [www.hmfl.co.in](http://www.hmfl.co.in)