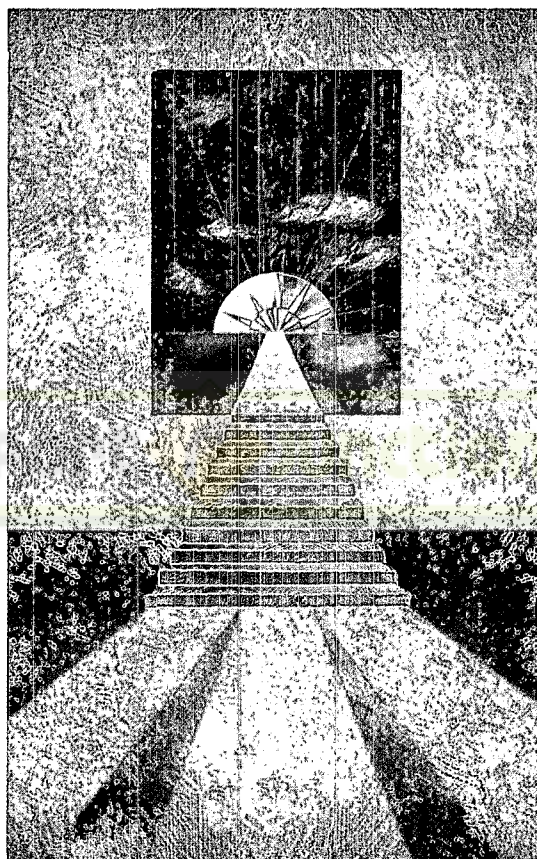
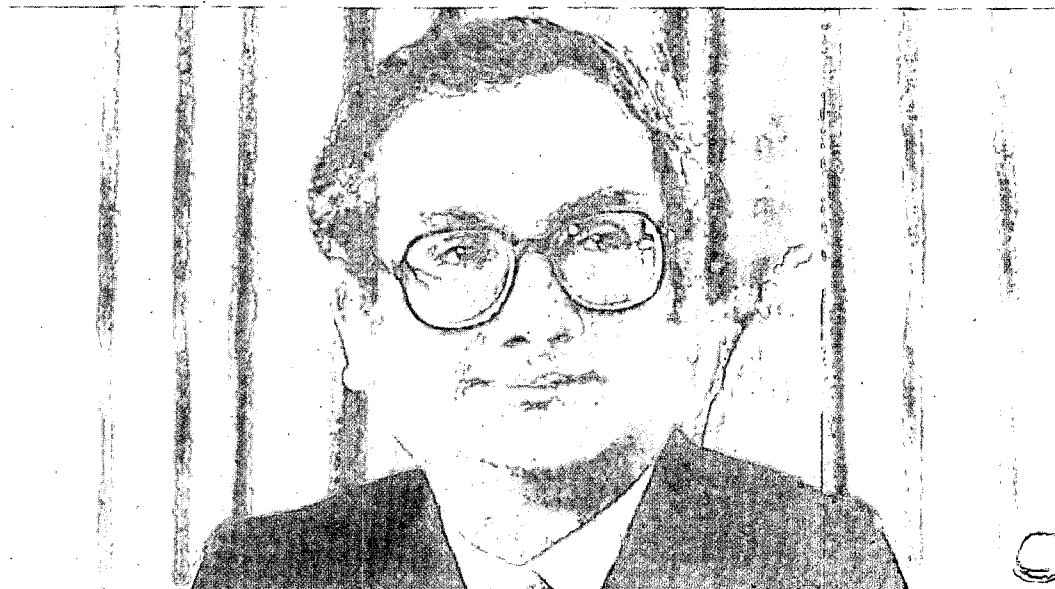


**ANNUAL REPORT
2002 - 2003**



IN HOMAGE
TO A LEGEND



“My vocation, is to strive continuously, to reach excellence in all spheres of management, by weaving the threads of enterprise, knowledge, experience, ideas and tasks into a fabric that can be called "management". My job is to motivate, to bring together and fuse human talent, so that they act in harmony and in unison - as one team, directed towards a single purpose, a single goal.

In our Group, our first and foremost objective is to satisfy our larger family, our family comprising of our shareholders, our customers and our employees.

Towards this objective, our credo is, 'strive for excellence and perfection in all spheres of management, through continuous improvement.'

For our shareholder, it is our job, and our commitment to create wealth for him, and to amply reward the faith that he has reposed in us.

For our customers, we believe, that, 'the customer is always right'. Our motto is to give him total satisfaction, in terms of quality and service.

For our colleagues and employees, our motto is 'your growth is our concern!.'
(1995)

We follow in his footsteps.



ADITYA VIKRAM BIRLA,
November 14, 1943 - October 1, 1995

ANNUAL REPORT AND ACCOUNTS 2002-2003

DIRECTORS

Shri Jyoti Prakash Kanoria
Shri A. K. Newar
Shri Yashwant Daga
Shri Harsh V. Lodha
Shri R. N. Jha, (Nominee of LIC)
Shri M. C. Bagrodia
Shri Pinaki Dutta

AUDITORS

M/s. S. R. Batliboi & Co.

BANKERS

Bank of Baroda

REGISTERED OFFICE

"Industry House"
10, Camac Street
Kolkata - 700 017

EXECUTIVES

Shri H. C. Daga
Sr. President

Shri Rahul Mohnot
Jt. Executive President (F&C)

CORPORATE OFFICE

Shri G. K. Ravindra
Sr. Vice-President - HR

Shri K. L. Sharma
Company Secretary

FOUNDRY DIVISION

Shri Sunil Bharadwaj
Chief Executive

NITROGEN DIVISION

Shri M. P. Dhanuka
Vice-President

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NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the FIFTY NINTH ANNUAL GENERAL MEETING of the Members of HGI INDUSTRIES LIMITED will be held at its Registered Office i.e. "INDUSTRY HOUSE", 10, CAMAC STREET, KOLKATA - 700 017 on Friday, the 13th June, 2003 at 4 p.m. to transact, with or without modifications, the following business :-

1. To receive and adopt the audited Balance Sheet as at 31st March, 2003, Profit & Loss Account for the year ended 31st March, 2003 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri J. P. Kanoria, who retires from office by rotation, but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Pinaki Dutta, who retires from office by rotation, but being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution relating to the appointment of the Auditors of the Company.

"RESOLVED THAT M/s. S. R. Batiboi & Co., Chartered Accountants, Kolkata, the retiring Auditors, be and are hereby re-appointed as the Statutory Auditors of the Company under Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold the office as such from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors of the Company."

NOTES FOR MEMBERS' ATTENTION :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES TO BE EFFECTIVE, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of item No. 4 of the Notice set out above, is annexed hereto.

12th May, 2003

Regd. Office :
"Industry House"
10, Camac Street
Kolkata-700017

3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 7th June, 2003 to Friday, the 13th June, 2003 [both days inclusive].
4. a) Members are requested to notify change of address, if any, with PIN CODE quoting reference of their folio number.
b) In case, your mailing address mentioned on this Annual Report is without the PIN CODE, then you are requested to kindly inform your PIN CODE immediately.
5. Members are requested to quote Folio Numbers in all correspondences.
6. Members who are holding shares in identical orders of names in more than one Folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the members after making requisite changes thereon.

ANNEXURE TO NOTICE

Explanatory Statement under Section 173 of the Companies Act, 1956.

Item No. 4

Although, not strictly necessary, this Explanatory Statement is being given in respect of the Resolution mentioned in this item of Notice since the Resloution for the re-appointment of the retiring Auditors will be proposed as Special Resolution. In view of the provisions contained in Section 224A of the Companies Act, 1956, the Auditors have forwarded the respective Certificates to the Company, stating that the re-appointment, if made, will be within the limit in that behalf specified in Sub-section (1-B) thereof.

The Board recommends the acceptance of the above Resolution.

None of the Directors is concerned or interested in the above Resolution.

The Special Resolution as set in this item of notice is accordingly commended for the acceptance of the members.

By Order of the Board

For HGI INDUSTRIES LTD.

K. L. SHARMA
COMPANY SECRETARY

HGI INDUSTRIES LIMITED

Management's Discussion and Analysis

OVERVIEW

As a major of restructuring and in order to protect shareholders' value, Company's strategic decision to hive-off Steel Files Division has yielded some improvements in the current year which is evident from the fact that Loss Before Depreciation during the year has reduced to Rs.1.77 Crores as against Loss Before Depreciation of Rs.9.82 Crores in the previous year.

SEGMENT ANALYSIS AND REVIEW

	2002-03		2001-02	
	Net Turnover (Rs./Lac)	Revenue Mix%	Net Turnover (Rs./Lac)	Revenue Mix %
Steel Files	—	—	1076	33
Foundry	1,665	74	1639	50
Gases	575	26	581	17
	2240	100	3296	100

FOUNDRY DIVISION

	2002-03	2001-02	Change %
Production (in M.T.)	4423	4453	(0.67)
Sales Volume (in M.T.)	4445	4592	(3.20)
Net Turnover (Rs. in Lac)	1665	1639	1.59
Profit Before Depreciation & Tax	(291)	(208)	(40)

REVIEW OF OPERATIONS

Despite various initiatives undertaken for controlling the cost, giving thrust on exports and value added items, performance of the Foundry Division has been continuously deteriorating and the losses could not be arrested due to un-remunerative price structure in domestic insulator segment.

OUTLOOK

In view of stagnancy in the Industries at large and stiff competition from the unorganized sectors, the future outlook of this Division is a matter of concern and the management is studying the various options.

GASES

	2002-03	2001-02	Change %
Production Volume (Lac C.M.)	80.97	79.91	1.33
Sales Volume (Lac C.M.)	80.97	79.91	1.33
Net Turnover (Rs. in Lac)	575	587	(2.04)
Profit Before Depreciation & Tax (Rs. in Lac)	357	376	(5.05)

REVIEW OF OPERATIONS

The overall performance of the Division was quite satisfactory and the Division has maintained its capability to meet fluctuating requirements of MRPL ranging from 600 SM3 to 1200 SM3 for better customer satisfaction and could maintain quality of supply upto their expectations.

OUTLOOK

Consequent upon renewal of the Long Term contract for another period of 5 years i.e. upto 31st December 2006 with MRPL for supply of Nitrogen Gas, the long term outlook is positive.

INTERNAL CONTROL SYSTEM

The Company is having adequate system of internal controls in major functional areas. The internal control is structured through internal audit being carried out by the Corporate Management Audit Cell. The Management regularly reviews the findings of the Internal Auditors and corrective measures are taken to implement the suggestions / observations of the Internal Auditors and are monitored on regular basis. In the opinion of the Board, the existing internal control system is adequate commensurate to the size of the Company.

CAUTIONARY STATEMENT

Statements in this "Management's Discussion and Analysis" describing outlook may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include demand and pricing in the market and for buyer / end users, changes in Government regulations, tax regimes, economic developments within India and the countries in which the Company's products are traded.

HGI INDUSTRIES LIMITED

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31ST MARCH 2003

CORPORATE GOVERNANCE AT HGI

HGI Industries Ltd. believes in adhering to the best practice of Corporate Governance.

HGI Industries Ltd., believes that the shareholders have the right to know complete information on the Board of Directors and the Management, their interests in the organization as well as governance practices followed by them.

Towards this end, HGI has been making extensive disclosures on the Company and its Board of Directors and also have been benchmarking its practices with the recommendations of the SEBI Committee on Corporate Governance since 2000-2001. We have continued the practice even during the year and are highlighted in this report.

HGI's objective and that of its management and employees is to manufacture and market the Company's products in such a way as to create value for consumers, shareholders, employees, business partners and to the exchequer. In addition to compliance with regulatory requirements, HGI's endeavours to ensure that highest standards of ethics and conduct are met throughout the organization.

BOARD OF DIRECTORS**Composition, Attendance at the Board Meetings, Outside Directorships and other Board Committees**

The Board of the Company comprises fully of Non-executive and Independent Directors with considerable experience in their respective fields. Over 57% of the Board comprises of Independent Directors (including the Nominee Director representing an Investor), who have no business / professional relationship with the Company.

Director	Non-Executive/ Independent	No. of outside Directorship held		Outside Committee Positions Held	
		Public	Private	Member	Chairman/ Chairperson
1. Shri J.P. Kanoria	Independent	1	10	—	—
2. Shri A.K. Newar	Non-Executive	7	8	—	—
3. Shri Yashwant Daga	Non-Executive	5	4	—	—
4. Shri M.C. Bagrodia	Non-Executive	9	—	5	1
5. Shri H.V. Lodha	Independent	20	—	4	4
6. Shri R.N. Jha (Nominee of LIC)	Independent	1	—	—	—
7. Shri Pinaki Dutta	Independent	—	1	—	—

Board Meetings

The Board of Directors met 4 times during the year (see details below). Agenda papers along with explanatory statements were circulated in advance of each meeting of the Board of Directors. The Company placed before the Board, the workings of all units/segments and statements containing status of various matters pursuant to Corporate Governance Practices, as required by Clause 49 of the Stock Exchange Listing Agreement.

Date of Board Meeting	City	No. of Directors present
24.06.2002	Kolkata	5
24.07.2002	Kolkata	4
24.10.2002	Kolkata	4
29.01.2003	Kolkata	5

None of the Directors of the Company is a member of more than 10 Committees or Chairman of more than 5 Committees across all companies in which he is a Director.

The Company should provide a brief resume, expertise in specific functional areas and names of companies, in which the person also holds the Directorship and the membership of Committees of the Board, while appointing a new Director or re-appointing an existing Director. These should form part of notice to shareholders.

Relevant details are provided in the explanatory statement of the Notice of the Annual General Meeting.

Shareholders Committee

The Company has a "Shareholders / Investors Grievances Committee" at the Board level to look into issues related to shareholders, including transfer and transmission of shares, issue of duplicate shares, non-receipt of dividend, Annual Report, etc. The composition of the Committee is as follows:

- Shri J. P. Kanoria Chairman
- Shri M. C. Bagrodia Member
- Shri Yashwant Daga Member

Shri K. L. Sharma, Company Secretary acts as Secretary to the Committee.

Share Transfer Committee

The Company's shares are compulsorily traded in the dematerialized form and have to be delivered in the dematerialized form in Stock Exchange. To expedite the transfer in the physical segment, authority has been delegated to the Shareholders / Investors Grievances Committee of the Board.

Share transfers / transmission approved by the Committee are placed at the Board Meeting from time to time. Simultaneously, a statement of complaints received from the investors is also placed at the Board Meeting.

There were no pending share transfers as on 31st March 2003. Details of number of shares transferred during the year, time taken for effecting transfers and number of complaints received are highlighted in the "Shareholder Information" section of the Annual Report.

Name and Designation of Compliance Officer: Shri K. L. Sharma, Company Secretary.

Remuneration Committee

The Board constituted the Directors' Remuneration Committee on 27th January 2001. The composition of the Committee is as under:

- Shri J.P. Kanoria Chairman
- Shri Yashwant Daga Member
- Shri M. C. Bagrodia Member

Shri K. L. Sharma, Company Secretary acts as Secretary to the Committee.

Terms of reference of this committee include determination of the Company's policy for specific remuneration packages, commission payable to Directors/Managing Director of the Company and sitting fees and other expenses payable to the Directors for attending meeting of the Board/or Committee thereof.

The Company does not have any Executive / Whole-time Director on its Board. Hence no remuneration is paid. However, sitting fees during the year 2002-03 paid to the Directors of the Company are given in details hereunder.

REMUNERATION / SITTING FEES OF DIRECTORS FOR 2002-2003

Non-Executive Directors

	Relationship with other Directors	Business Relationship with the Company, if any,	Sitting Fees Paid	No. of Board Meetings		Attend- ed last AGM @
				Held	Attnd	
			(In Rs.)			
1. Shri J.P. Kanoria	N.A.	Director	8000/-	4	4	Yes
2. Shri A.K. Newar	N.A.	Director	6000/-	4	3	No.
3. Shri Yashwant Daga	N.A.	Director	4000/-	4	2	Yes
4. Shri M.C. Bagrodia	N.A.	Director	6000/-	4	3	No
5. Shri H.V. Lodha	N.A.	Director	-	4	-	No
6. Shri R.N. Jha (Nominee of LIC)	N.A.	Director	6000/-	4	3	No
7. Shri Pinaki Dutta	N.A.	Director	6000/-	4	3	No

@ Annual General Meeting (AGM) held on 28.08.2002 at the Company's Registered Office at Industry House, 10, Camac Street, Kolkata - 700 017

Note:

- No Director is related to other Directors on the Board.
- The Company has a policy of not advancing any loans and paying commission on profits to its Directors and hence is not highlighted separately.

As part of the disclosure related to Management, the Company should, in addition to the Directors' Report, annex a Management's Discussion and Analysis report which should form part of the Annual Report to the shareholders.

Management's Discussion and Analysis Report

HGI introduced a separate section on Corporate Governance in its Annual Report for the year 2002-03. All mandatory recommendations as per SEBI Committee on Corporate Governance, as applicable, are being complied with by the Company and necessary Certificate of the Statutory Auditor forms part of the Annual Report.

There is no Chairman in the Company. The Registered Office of the Company supports the Directors for discharging their responsibilities.

HGI INDUSTRIES LIMITED

Audit Committee

The Board constituted an Audit Committee on 27th January 2001 comprising of three Independent / Non-Executive Directors, as mentioned hereunder:

- Shri J.P. Kanoria, Chairman
- Shri Yashwant Daga, Member
- Shri M. C. Bagrodia, Member

Shri K. L. Sharma, Company Secretary acts as Secretary to the Committee.

The terms of reference of the Audit Committee are in conformity with the requirements as per Clause 49 of the Listing Agreement with Stock Exchange and the Companies Act, 1956.

The Audit Committee met three times during the year to deliberate on the aforesaid matters. Details of the meetings are given below:

Name of Director	No. of Meetings	
	Held	Attended
1. Shri J.P. Kanoria	3	3
2. Shri Yashwant Daga	3	2
3. Shri M.C. Bagrodia	3	2

None of the Directors of the Company is a member of more than 10 Committees or Chairman of more than 5 Committees across all companies in which he is a Director.

DISCLOSURES

Disclosures to be made to the Board by the management relating to all material, financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large. These include dealing in company shares, commercial dealings with bodies, which have shareholding of management and their relatives, etc.

No transaction of material nature 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.

Other disclosures

1. Details on Annual General Meetings.

1.1. Location and time, where last three AGMs held

Year	Location	Date	Time
2001-02	Registered Office-Industry House, 10, Camac Street, Kolkata - 700 017.	28.08.2002	4.00 P.M.
2000-01	Registered Office - Industry House, 10, Camac, Street, Kolkata - 700 017.	21.08.2001	3.30 P.M.
1999-00	Registered Office - Industry House, 10, Camac Street Kolkata - 700 017.	30.05.2000	2.30 P.M.

- 1.2 Whether special resolutions were put through postal ballot last year ? No

- 1.3 Are votes proposed to be conducted through postal ballot this year ?
Will be done, if needed, as per the Rules.

2. Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its Promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.

Transactions with related parties as per requirements of Accounting Standard-18 are disclosed elsewhere in this Annual Report, none of these transactions have potential conflict with interest of the Company at large.

3. There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

4. Means of communication

- 4.1 Half-yearly report sent to : No, as the results of the Company are published in the Newspapers.
each household of Shareholders

- 4.2 Quarterly results

- 4.2.1 Which newspapers : Financial Express
normally published in : Khabarar Kagaz

- 4.2.2 Any website, where displayed : No

- 4.3 Whether it also displays

- 4.3.1 All official news releases : No

- 4.3.2 Presentation made to Investors/Analysts : No

- 4.4 Whether MD & A are a part of Annual Report : Yes

- 4.5 Whether Shareholders Information section forms part of the Annual Report : Yes