



**HGI INDUSTRIES**



**ADITYA BIRLA GROUP**

**HGI Industries Limited**

**ANNUAL REPORT 2006-2007**

**HGI INDUSTRIES LIMITED****ANNUAL REPORT AND ACCOUNTS 2006-2007****MANAGEMENT TEAM****DIRECTORS**

Shri Jyoti Prakash Kanoria  
 Shri A.K. Newar  
 Shri Yashwant Daga  
 Shri Ravi Kastia  
 Shri Pinaki Dutta

**EXECUTIVES**

Shri H. C. Daga  
*Sr. President*

Shri Ramesh Aggarwal  
*Jt. Executive President (F&C) &  
 Company Secretary*

**AUDITORS**

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

**BANKERS**

United Bank of India

**REGISTERED OFFICE**

"Industry House"  
 10, Camac Street  
 Kolkata - 700017

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**HGI INDUSTRIES LIMITED****MANAGEMENT'S DISCUSSION AND ANALYSIS****FINANCIAL REVIEW AND ANALYSIS**

The highlights of performance are as under –

**(Rs./Thousands)**

Particulars	2006-2007	2005-2006
Net Turnover	-	-
Other Income	1,694	4,765
Total Expenditure	850	2,021
Operating Profit (PBDIT)	844	2,744
Interest	330	270
Gross Profit (PBDT)	514	2,474
Depreciation	41	47
Profit before Tax	473	2,427
Provision for Current Tax	-	-
Fringe Benefit Tax	2	11
Profit after Current Tax	471	2,416
Deferred Tax	-	-
Net Profit after Tax	471	2,416

**REVIEW OF OPERATIONS**

Your Company earned an Income of Rs. 16,94,000/- under the head "Other Income" from sources like Rent and Interest.

**OUTLOOK**

At present, the company is carrying out no manufacturing activity. However, the company is looking for suitable opportunities for growth.

**INTERNAL CONTROL SYSTEM**

The Company is having adequate system of internal controls. 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 taken to implement the suggestions / observations of the Internal Auditors and 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.*

## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2007

### CORPORATE GOVERNANCE AT HGI

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

HGI 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.

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 of Non-executive and Independent Directors with considerable experience in their respective fields. The Board comprises of Independent Directors, 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	Both	1	9	-	-
2. Shri A.K. Newar	Both	6	8	-	-
3. Shri Yashwant Daga	Both	6	5	-	-
4. Shri Pinaki Dutta	Both	-	1	-	-
5. Shri Ravi Kastia	Both	2	-	-	-

### DISCLOSURES: SHAREHOLDING OF DIRECTORS

Director	No. of Shares Held
1. Shri J. P. Kanoria	720
2. Shri A.K. Newar	500
3. Shri Yashwant Daga	6100
4. Shri Pinaki Dutta	720
5. Shri Ravi Kastia	100

### BOARD MEETINGS

The Board of Directors met Four 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 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
31.05.2006	Kolkata	3
28.07.2006	Kolkata	3
31.10.2006	Kolkata	4
29.01.2007	Kolkata	3

None of the Directors 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 provides 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 reappointing 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:

<input type="checkbox"/> Shri J. P. Kanoria	Chairman
<input type="checkbox"/> Shri Yashwant Daga	Member
<input type="checkbox"/> Shri Ravi Kastia	Member
<input type="checkbox"/> Shri A K Newar	Member

**HGI INDUSTRIES LIMITED**

Mr. Ramesh Aggarwal, 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 31<sup>st</sup> March, 2007. 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: Mr. Ramesh Aggarwal, Company Secretary.

**REMUNERATION COMMITTEE**

The Directors' Remuneration Committee is as under :

- |                      |          |
|----------------------|----------|
| • Shri J.P. Kanoria  | Chairman |
| • Shri Yashwant Daga | Member   |
| • Shri Ravi Kastia   | Member   |
| • Shri A K Newar     | Member   |

Mr. Ramesh Aggarwal, 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 2006-07 paid to the Directors of the Company are given in details hereunder.

**REMUNERATION / SITTING FEES OF DIRECTORS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2007****Non-Executive / Independent Directors**

	Relation-ship with other Directors	Business Relation ship with the Company, if any	Sitting Fees Paid	No. of Board Meetings		Attended 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	4000/-	4	2	No
3. Shri Yashwant Daga	N.A.	Director	6000/-	4	3	Yes
4. Shri Ravi Kastia	N.A.	Director	-	4	-	No
5. Shri Pinaki Dutta	N.A.	Director	6000/-	4	3	No

\*Annual General Meeting (AGM) held on 15.09.2006 at the Company's Registered Office at Industry House, 10, Camac Street, Kolkata – 700 017.

**NOTE:**

- 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, in addition to the Directors' Report, annexed a Management's Discussion and Analysis report, which forms 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 Auditors forms part of the Annual Report.

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

**HGI INDUSTRIES LIMITED****AUDIT COMMITTEE**

The Audit Committee comprising of Independent / Non-Executive Directors, as mentioned hereunder:

- Shri J.P. Kanoria, Chairman
- Shri Yashwant Daga, Member
- Shri A. K. Newar, Member
- Shri Ravi Kastia, Member

Mr. Ramesh Aggarwal, 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 four 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	4	4
2. Shri Yashwant Daga	4	3
3. Shri Ravi Kastia	4	-
4. Shri A. K. Newar	4	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.

**CEO/CFO CERTIFICATION:**

As required under Clause 49 of the Listing Agreement, the Company has received a Certificate from the Sr. President, the CEO of the Company and from Jt. Executive President (F&C) & Company Secretary, the CFO of the Company, confirming the compliance of all the provisions related to CEO/CFO certification.

**CODE OF ETHICS :**

The Company has received the following declaration from the Senior President, the CEO of the Company confirming the Compliance of Code of Ethics of the revised Clause 49 of the Listing Agreement.

**DECLARATION REGARDING CODE OF CONDUCT**

The Code of Ethics (Code) laid down by the Board has been circulated to the members of the Board and Senior Management Personnel, who have confirmed compliance of the same. Therefore, it is hereby declared that the code has been complied with by all.

For HGI Industries Limited

H. C. Daga  
Senior President

Kolkata,  
30<sup>th</sup> day of July, 2007

**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.

**HGI INDUSTRIES LIMITED****OTHER DISCLOSURES****1. Details of Annual General Meetings.****1.1. Location and time, where last three AGMs held**

Year	Location	Date	Time
2005-06	Registered Office – Industry House, 10, Camac Street, Kolkata – 700 017.	15.09.2006	3.30 P.M.
2004-05	Registered Office – Industry House, 10, Camac Street, Kolkata – 700 017.	27.09.2005	3.30 P.M.
2003-04	Registered Office – Industry House, 10, Camac Street, Kolkata – 700 017.	03.12.2004	4.00 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 ?  
No

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. The Company has adopted & complied with mandatory requirements as per the revised clause 49 of the listing agreement.

**5. MEANS OF COMMUNICATION**

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

5.2. Quarterly results

5.2.1 Which news papers normally published in : Financial Express/Asian Age Dainik Lipi

5.2.2 Any website, where displayed : No

5.3. Whether it also displays

5.3.1 All official news releases : No

5.3.2 Presentation made to Investors/ Analysts : No

5.4. Whether MD & A are a part of Annual Report : Yes

5.5. Whether Shareholders Information section forms part of the Annual Report : Yes

**HGI INDUSTRIES LIMITED**

**AUDITORES' CERTIFICATE**

To  
The Members of HGI Industries Ltd.

We have examined the compliance of Corporate Governance by HGI Industries Ltd. for the year ended on 31<sup>st</sup> March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Calcutta stock exchange.

The compliance 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 the explanation 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 further state that 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.

Place: Kolkata  
Date: 30<sup>th</sup> July , 2007

**S. R. BATLIBOI & CO.**  
**CHARTERED ACCOUNTANTS**  
Per (R. K. AGRAWAL )  
*a Partner*  
Membership No.16667



**HGI INDUSTRIES LIMITED****SHAREHOLDERS' INFORMATION**

1	Annual General Meeting	
	Date and Time	25 th September, 2007 3.30 PM.
	Venue	Registered Office: "Industry House", 10, Camac Street, Kolkata – 700 017 West Bengal, India
2	Financial Calendar	April 2007 to March 2008
	Financial reporting for the Quarter ending June 30, 2007	Last week of July, 2007
	Financial reporting for the Quarter ending September 30, 2007	Last week of October, 2007
	Financial reporting for the Quarter ending December 31, 2007	Last week of January, 2008
	Financial reporting for the Year ending March 31, 2008	Last week of June, 2008
	Annual General Meeting for the Year ended March 31, 2008	September 2008
3	Dates of Book Closure	19.09.07 to 25.09.07 (Both days inclusive)
4	Dividend Payment Date	N.A.
5	Registered Office	"Industry House", 18 <sup>th</sup> Floor 10, Camac Street, Kolkata – 700 017, West Bengal, India. Tel: (033) 2282-8339 / 8330 Fax: (033) 2282-4998 E-Mail: hgiho@adityabirla.com
6	Listing on Stock Exchanges at :	Kolkata

**HGI INDUSTRIES LIMITED**

7	Name of the Stock Exchange :	The Calcutta Stock Exchange Association Limited Stock Code: 10018159			
8	Name of Depositories	<ol style="list-style-type: none"> <li>1. National Securities Depository Ltd. 4<sup>th</sup> Floor, Trade World, Kamala Mills Compound, Senapat Bapat Marg, Lower Parel Mumbai – 400 013.</li> <li>2. Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Tower, 28<sup>th</sup> Floor, Dalal Street, Mumbai – 400 023. ISIN NO. INE 869B01018</li> </ol>			
9	Stock Price Data :				
		Calcutta Stock Exchange			
		High (in Rs.)	Low (in Rs.)	Close (in Rs.)	Av. Volume (in Nos.)
	31 <sup>st</sup> March 2007	20.80	20.80	20.80	0
	Since there has been no trading during the year under review, the monthly data are not available and hence not furnished.				
10	Registrar and Transfer Agents: (Physical and Demat both) from 1 <sup>st</sup> April 2003.	MCS Limited 77/2A, Hazra Road, Kolkata – 700 029. Ph: (033) 2476-7350 / 54 Fax: (033) 2454-1961. E-Mail: mcscal@cal2.vsnl.net.in			
11	Share Transfer System	<p>Share Transfers in physical form are registered normally within 15 days from the date of receipt, provided that the documents are complete in all respects.</p> <p>The total number of shares transferred in the physical form during the year was 200 (Previous year 22518). The total transfers were completed within 15 days from the date of receipt. Transfers in physical segment were significantly lower during the year since trading in the Company's shares is permitted only in the dematerialized form w.e.f 25<sup>th</sup> September 2000.</p>			