

STAYING FOCUSED DELIVERING PERFORMANCE



ANNUAL REPORT
2013-2014

HGI INDUSTRIES LIMITED

MANAGEMENT TEAM

DIRECTORS

Jyoti Prakash Kanoria
Ravindra (Ravi) Kastia
Arvind Kumar Newar
Yashwant Kumar Daga

REGISTERED OFFICE

Industry House
18th Floor
10, Camac Street
Kolkata – 700017

CHIEF EXECUTIVE OFFICER

Hukam Chand Daga

AUDITORS

M/s. S. V. Ghatalia & Associates LLP

COMPANY SECRETARY

Shubhradip Bose

BANKERS

HDFC Bank Limited
United Bank of India

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW AND ANALYSIS

The performance highlights of your Company during the year are as under : –

(₹ in Thousands)

Particulars	2013-14	2012-13
Total Income	3,633	3,552
Total Expenditure	1,892	2,689
Profit Before Finance Cost, Tax & Depreciation & Amortization	1,741	863
Finance cost	157	140
Profit Before Tax, Depreciation & Amortization	1,584	723
Depreciation	23	23
Profit before Tax	1,561	700
Tax Expenses	–	–
Net Profit after Tax	1,561	700

REVIEW OF OPERATIONS

During the financial year 2013-14, your Company earned an Income of ₹ 36,32,582/- as compared to previous financial year 2013 of ₹ 35,52,590/-. The income comprises mainly of rental income.

OUTLOOK

Your Company is looking for suitable business opportunities for growth.

RISK MANAGEMENT

The Risk Management framework is reviewed by the management and recognized as an integral part of business and an aid to improvement and achievement of targets. The Audit Committee also reviewed the Risk Management framework.

No material risk is envisaged in the present operations of the Company.

INTERNAL CONTROL SYSTEM

The internal control system of your Company is adequate and commensurate with its size of operations. The internal control is structured through internal audit being carried out by the Group's Corporate Audit Cell. The Audit Committee and the Management regularly review findings of the Internal Auditors, if any, and steps/measures are taken to implement the suggestions/observations of the Internal Auditors.

CAUTIONARY STATEMENT

Statement in this "Management Discussion and Analysis" describing Outlook is "forward looking statement". Important factors that could make a difference to the Company's operations include changes in Government regulations, tax regimes, economic developments. 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 or otherwise.

REPORT ON CORPORATE GOVERNANCE

Company's Corporate Governance Philosophy

Corporate Governance refers to a set of laws, regulations and good practices that enable an organization to perform efficiently and ethically generate long-term wealth and create value for all its stakeholders.

We, at HGI Industries Limited, are committed to the adoption of best governance practices and its adherence in true spirit, at all times. Our governance practices are self-driven, reflecting the culture of the trusteeship that is deeply ingrained in our value system and reflected in our strategic growth process. Our Governance philosophy rests on five basic tenets, viz.,

- Board's accountability to the Company and shareholders,
- Equitable treatment to all shareholders,
- Strategic guidance and effective monitoring by the Board,
- Protection of minority interests and rights, and
- Transparency and timely disclosure.

In line with the above philosophy, your Company continuously strives for excellence through adoption of best governance and disclosure practices. In terms of Clause 49 of the Listing Agreement, the details of compliance for the year ended 31st March 2014 are as follows:

1. BOARD OF DIRECTORS

Composition of the Board

The Board of Directors of your Company comprises of a 100% Non-Executive Directors and majority of them are Independent having proficiency in their respective fields. Independent Director means a director as defined in Section 149(6) of the Companies Act, 2013 and Clause 49(I) (A) (iii) of the Listing Agreement. None of the Director is related to any other Director on the Board. No Directors have any business or professional relationship with the Company. None of the Directors is a member of more than 10 Committees or acts as Chairman of more than 5 Committees across all companies in which he is a Director.

Details of the number of Directorships and Committee memberships held by the Board of Directors in other Companies:

Director	Non-Executive / Independent	No. of outside Directorship in Public Companies as on 31.03.2014*		No. of outside Committee positions in Public Companies as on 31.03.2014**	
		Chairman	Member	Chairman	Member
Mr. J. P. Kanoria	Independent	—	1	—	—
Mr. Ravindra (Ravi) Kastia	Independent	—	—	—	—
Mr. A. K. Newar	Non-Executive	—	3	—	—
Mr. Yashwant Daga	Independent	—	5	—	7

* Number of directorships does not include directorship in Private, Foreign and Section 25 Companies.

** Represents Chairmanship / Membership of Audit Committee and Shareholders/ Investors Grievances Committee only.

Disclosures: Shareholding of Directors

Director	No. of Shares held
Mr. J. P. Kanoria	720
Mr. Ravindra (Ravi) Kastia	100
Mr. A.K. Newar	500
Mr. Yashwant Kumar Daga	6100

Board Meetings

During the year, five Board meetings were held and the gap between two meetings did not exceed four months. Your Company makes available to the Board, all information as required under Annexure IA to Clause 49 of the Listing Agreement and places before the Board financial and other statements, containing status of various matters and compliance certificates covering all laws applicable to the Company.

Dates on which the Board Meetings held

Date of Board Meeting	No. of Directors present
08.05.2013	2
28.05.2013	3
14.08.2013	3
11.11.2013	4
12.02.2014	3

In the notice to the shareholders, your Company provides a brief resume, details of the expertise in specific functional areas of the Directors proposed to be appointed or re-appointed, names of other companies in which they hold Directorship and list of their membership in Committees of Boards of other Companies.

Details of the Board and Committee Meetings attended and sitting fees paid

Director	Whether last AGM* attended	Board Meetings		Committee Meetings**		Sitting fees Paid (in ₹)
		No. of Meetings		No. of Meetings		
		Held	Attended	Held	Attended	
Mr. J. P. Kanoria	Y	5	5	8	8	24,000/-
Mr. A. K. Newar	—	5	3	8	6	18,000/-
Mr. Yashwant Daga	Y	5	4	8	6	18,000/-
Mr. Ravindra (Ravi) Kastia	—	5	3	8	6	18,000/-

* Annual General Meeting (AGM) of the Company was held on 27th September 2013 at Industry House, 19th Floor, 10, Camac Street, Kolkata – 700 017.

** Committee Meetings includes Audit Committee and Shareholders / Investors Grievances Committee Meetings.

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The Board of Directors has laid down a Code of Conduct ("the Code") which is circulated to all the Board Members and Senior Management of the Company. A declaration of affirmation as to adherence of the Code is attached and forms a part of this report. The Code is posted on the website of the Company.

2. AUDIT COMMITTEE

Composition

Your Company has a Qualified Audit Committee comprising of three (3) Independent Directors and one (1) Non – Executive Director as members, with requisite qualifications as mentioned hereunder:

- Mr. Jyoti Prakash Kanoria Chairman
- Mr. Ravindra (Ravi) Kastia Member
- Mr. Arvind Kumar Newar Member
- Mr. Yashwant Kumar Daga Member

The Chairman of the Audit Committee is an Independent Director.

Mr. Shubhradip Bose, Company Secretary acts as Secretary to the Committee. The Statutory and Internal Auditors of your Company are also invited to the Audit Committee Meetings as and when required.

The Audit Committee met four times during the year to deliberate on various matters.

The Audit Committee of your Company acts as a link between the Management, the Statutory and Internal Auditors and the Board of Directors. It monitors and supervises the financial reporting process. The terms of reference, powers and role of the Audit Committee are in accordance with Clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956.

The Audit Committee is endowed with the following powers:

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice;
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Role of Audit Committee is as follows:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions; and
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- 5A. Reviewing, with the management, the statement of uses /application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of the proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;

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6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
8. Discussing with internal auditors any significant findings and follow up there on;
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any;
12. Approval of appointment of CFO (i.e. the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate;
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee reviews the following information:

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors, if any;
4. Internal audit reports relating to internal control weaknesses;
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor.

Meetings of the Audit Committee

Dates on which the Audit Committee Meetings were held:

Date of Audit Committee Meeting	No. of Members present
28.05.2013	3
14.08.2013	3
11.11.2013	4
12.02.2014	3

3. REMUNERATION COMMITTEE**Composition**

The Remuneration Committee comprises of the following Directors as Members:

- Mr. Jyoti Prakash Kanoria Chairman
- Mr. Ravindra (Ravi) Kastia Member
- Mr. Arvind Kumar Newar Member
- Mr. Yashwant Kumar Daga Member

Mr. Shubhradip Bose, Company Secretary acts as Secretary to the Committee.

Terms of reference of the Remuneration Committee includes determination of your Company's policy for specific remuneration packages, any commission / compensation to Directors / Executive Directors, sitting fees and other expenses payable to the Directors for attending meeting of the Board or Committees thereof

Your Company does not have any Executive / Whole-time Director on its Board hence no remuneration was paid. Sitting fees paid to Directors is within the limits prescribed under the Companies Act, 1956 and the details of sitting fees paid during FY 2013-14 for attending meetings of the Board and Committees of Directors is given elsewhere in this Report. Your Company has a policy of not advancing any loans and paying commission on profits to its Directors and hence it is not highlighted separately.

4. SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE

The Shareholders / Investors Grievances Committee constituted under the Chairmanship of a Non-Executive & Independent Director. The Committee handles the issues related to shareholders, including transfer and

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transmission of shares, issue of duplicate shares, non-receipt of dividend, if declared, Annual Report, etc.

Composition

The Shareholders / Investors Grievances Committee comprises of the following Directors as Members:

- Mr. Jyoti Prakash Kanoria Chairman
- Mr. Ravindra (Ravi) Kastia Member
- Mr. Arvind Kumar Newar Member
- Mr. Yashwant Kumar Daga Member

The Chairman of the Committee is a non-executive Director.

Mr. Shubhradip Bose, Company Secretary acts as Secretary to the Committee.

Meetings of the Shareholders / Investors Grievances Committee

Dates on which the Shareholders / Investors Grievances Committee Meetings were held:

Date of Shareholders / Investors Grievances Committee Meeting	No. of Members present
28.05.2013	3
14.08.2013	3
11.11.2013	4
12.02.2014	3

The shares of the Company are compulsorily traded in the dematerialized form and have to be delivered in the dematerialized form in the Stock Exchange. For transfer in the physical segment, the authority has been delegated to the Shareholders / Investors Grievances Committee of the Board, in order to expedite action taken. Share transfers / transmission approved by the Committee are placed at the Board Meeting from time to time. A statement of complaints received from the investors, if any, is also placed at the Board Meeting.

There were no share transfers pending as on 31st March 2014. Details of number of shares transferred during the year, time taken for effecting transfers and the number of complaints received, number of complaints pending etc, are highlighted in the "Shareholder Information" section of the Annual Report.

5. NAME AND DESIGNATION OF COMPLIANCE OFFICER

Mr. Shubhradip Bose, Company Secretary.

6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis form part of the Annual Report and is in accordance with the requirements laid out in Clause 49 of the Listing Agreement.

7. DETAILS OF THE GENERAL BODY MEETINGS

i. Location and time of last three AGMs

Year	Location	Date	Time
2012-13	Industry House, 19 th Floor, 10, Camac Street, Kolkata – 700 017.	27.09.2013	4.00 P.M.
2011-12	Industry House, 19 th Floor, 10, Camac Street, Kolkata – 700 017.	28.09.2012	3.30 P.M.
2010-11	Industry House, 19 th Floor, 10, Camac Street, Kolkata – 700 017.	26.09.2011	3.00 P.M.

ii. Whether any Special Resolution was passed in any of the previous 3 AGMs?

Yes, the following Special Resolutions were passed during the 3 AGMs and approved by the shareholders:

Date	Resolution
27.09.2013	Re-appointment of M/s. S.V. Ghatalia & Associates LLP, Chartered Accountants, Kolkata as Statutory Auditors of the Company for the Financial Year 2013-14.
28.09.2012	Re-appointment of M/s. S.V. Ghatalia & Associates, Chartered Accountants, Kolkata as Statutory Auditors of the Company for the Financial Year 2012-13.
26.09.2011	Appointment of M/s. S.V. Ghatalia & Associates, Chartered Accountants, Kolkata as Statutory Auditors of the Company for the Financial Year 2011-12.

iii. No Special Resolution was passed through postal ballot during the previous financial year.

iv. No Special Resolution is proposed to be adopted through postal ballot this year.

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8. DISCLOSURES

Disclosures are 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 your Company at large. These includes dealing in company's shares, commercial dealings with bodies Corporate, which have shareholding of management and their relatives, etc.

No transaction of material nature has been entered into by your Company with the Promoters, Directors or the Management, their Subsidiaries or Relatives etc., that may have a potential conflict with interests of your company.

- i. **Disclosures on materially significant related party transactions i.e. transactions of your 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 your 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 your Company at large.

- ii. **Disclosure of accounting treatment**

Your Company has followed all relevant accounting standards in preparing the financial statements.

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

- iv. **Risk management**

During the year, the Audit Committee reviewed the efficacy of the Risk Management framework and the key risks associated, if any.

- v. **Proceeds from public issue, rights issue, preferential issue etc.**

During the year, your Company did not raise any funds by way of public, rights or preferential issues etc.

9. MEANS OF COMMUNICATION

- | | | | |
|-------|---|---|---|
| 9.1 | Half yearly report sent to each household of Shareholders | : | No. The quarterly results of the Company are published in the newspapers. |
| 9.2 | Quarterly results: | | |
| 9.2.1 | Which newspapers normally published in | : | Business Standard
Aarthik Lipi |
| 9.2.2 | Any website, where displayed | : | www.hgiil.com |
| 9.3 | Whether it also displays: | | |
| 9.3.1 | All official news releases | : | No release during the year. |
| 9.3.2 | Presentation made to Investors/ Analysts | : | No presentations during the year |
| 9.4 | Whether Shareholders' Information section forms part of the Annual Report | : | Yes |

REPORT ON CORPORATE GOVERNANCE

CEO/CFO CERTIFICATION

To,
The Board of Directors
HGI Industries Limited

We, Hukam Chand Daga, Chief Executive Officer, and Shubhradip Bose, Company Secretary, to the best of our knowledge and belief, certify that:

- a) We have reviewed the Financial Statements and the cash flow statement of the Company, for the financial year 2013-14 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's Code of Conduct.
- c) We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and disclosed to the Auditors and the Audit Committee, that there are no material deficiencies in the design and operation of such internal controls.
- d) We have indicated to the Auditors and the Audit Committee that
 - i. there is no significant change in internal control over financial reporting during the year;
 - ii. there is no significant change in accounting policies during the year; and
 - iii. there is no instance of significant fraud, in which the management or an employee having a significant role in the company's internal control system over financial reporting was involved.

For HGI INDUSTRIES LIMITED

Place: Kolkata

H.C. DAGA

SHUBHRADIP BOSE

Date: 30th May, 2014

Chief Executive Officer

Company Secretary

DECLARATION REGARDING CODE OF CONDUCT

The Code of Conduct (Code) laid down by Board in accordance with clause 49 of the Listing Agreement, was circulated to all Board Members and Senior Management Personnel of the Company. It is hereby declared that all the Board Members and Senior Management personnel of the Company have affirmed the compliance with the Code for the year ended 31st March, 2014.

For HGI INDUSTRIES LIMITED

HUKAM CHAND DAGA

Chief Executive Officer

Place: Kolkata

Date: 2nd April, 2014