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ANNUAL REPORT
1996-97

HYDERABAD INDUSTRIES LIMITED

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Fiftieth Annual Report 1996-97

HYDERABAD INDUSTRIES LIMITED

DIRECTORS

Mr. C.K. Birla, *Chairman*
Mr. Krishnagopal Maheshwari
Mr. Shreegopal Daga
Mrs. Sultana N. Alladin
Mr. Siddharth C. Shriram
Mr. P. Vaman Rao
Mr. A.V. Ganapathy

PRESIDENT AND MANAGER

Mr. R. Khemka

BANKERS

State Bank of Hyderabad
State Bank of India
Central Bank of India
State Bank of Indore
State Bank of Mysore
State Bank of Travancore

AUDITORS

S.G. Dastgir & Co.
S.R. Batliboi & Co.

SOLICITORS

Khaitan & Co.

REGISTERED OFFICE

Sanatnagar
Hyderabad-500 018
(Andhra Pradesh)

WORKS

Hyderabad (Andhra Pradesh)
Faridabad (Haryana)
Jasidih (Bihar)
Dharuhera (Haryana)
Uttarpara (West Bengal)

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TO THE SHAREHOLDERS

Notice is hereby given that the Fiftieth Annual General Meeting of Hyderabad Industries Limited will be held on Thursday, the 31st July, 1997 at 4. P.M. at Asbestos Centre, Road No. 13, Banjara Hills, Hyderabad A.P., to transact the following business:

1. To receive and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1997 and the Directors' Report and Auditors' Report thereon.

2. To declare a Dividend on Equity Shares.

3. To appoint a Director in place of Mr. C.K. Birla, who retires by rotation and being eligible, offers himself for re-election.

4. To appoint a Director in place of Mr. Krishnagopal Maheshwari, who retires by rotation and being eligible, offers himself for re-election.

5. To appoint a Director in place of Mr. P. Vaman Rao, who retires by rotation and being eligible, offers himself for re-election.

6. To appoint Auditors to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration and in this connection to consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

   "RESOLVED THAT Messrs. S.G. Dastgir & Company, Chartered Accountants and Messrs. S.R. Batliboi & Company, Chartered Accountants, be and they are hereby reappointed as Joint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration of Rs. 1,90,000 (Rupees One Lac Ninety thousand only) and Rs 7,00,000 (Rupees Seven Lacs only) respectively exclusive of travel and other out of pocket expenses incurred by them for and in connection with the Audit of Books of Account kept at the various units of the Company and that the said remuneration be paid to them in equal half yearly instalments".

   The present Auditors Messrs. S.G. Dastgir & Company and Messrs.S.R.Batliboi & Company, Chartered Accountants retire and have expressed their willingness to continue in office. Certificates have been obtained from each of the said Auditors that reappointment, if made, will be in accordance with the limits specified in sub-section (1B) of Section 224 of the Companies Act, 1956.

   The provisions of Section 224A of the said Act are applicable and hence the reappointment of Auditors of the Company, is to be made by a Special Resolution.

As Special Business

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution :

   "RESOLVED THAT in supersession of the Ordinary Resolution passed at the Extra-Ordinary General Meeting of the Company held on 29th October. 1985 consent of the Company be and is hereby accorded pursuant to Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time, any sum or sums of money for the purposes of the Company upon such terms and conditions and with or without security as the Board of Directors may in its discretion think fit, upto Rs. 200 crores (apart from the temporary loans obtained or to be obtained from time to time from the Company's Bankers in the ordinary course of business) in excess of the aggregate of the Paid-Up Share Capital of the Company and its free reserves that is to say, reserves not set apart for any specific purposes."

8. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

   "RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act 1956, to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to existing mortgages, charges and hypothecations created by the Company, on such of the assets of the Company, both present and future, in such manner as the Board of Directors may direct, together with power to take over the management of the Company in certain events, to or in favour of all or any of the Financial Institutions, Banks, any other lending Agencies and Trustees for the holders of Debentures/Bonds/any other instruments which may be issued to and subscribed by all or any of the said parties or any other person(s)/bodies corporate by private placement or otherwise, to secure rupee/foreign currency loans, Debentures, Bonds and other instruments of an equivalent aggregate value not exceeding the limit specified in the Resolution at item 7 above together with interest thereon, at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the aforesaid parties or any of them under the Agreements/ Arrangements entered into or to be entered into by the Company in respect of the said loans, Debentures, Bonds or other instruments."

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"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the aforesaid parties or any of them, the documents for creating mortgages/charges/hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

9. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act 1956, the existing Article 110 (2) be renumbered as 110 (3) and the following new Article 110 (2) be inserted after the existing Article 110 (1) :

Article 110 (2)

In the event of the Company borrowing any money from any financial institution or any lending Agency or Bank (each of which hereinafter referred to as the lender) and so long as any money remains due to them or any of them, the said Financial Institution, lending Agency or Bank as the case may be, shall have and may exercise the rights and powers to appoint from time to time any person or persons to be a Director or Directors on the Board of the Company (which Director is hereinafter referred to as "Nominee Director") and to remove from such office any person so appointed and appoint any person in his place. Any such appointment or removal shall be in writing and served on the Company. Such Nominee Director shall not be required to hold any Share Qualification in the Company. Also such Nominee Director shall not be liable to retire by rotation.

Subject as aforesaid, the Nominee Director shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director so appointed shall hold the office only so long as any moneys remain owing by the Company to the lender and the Nominee Director so appointed in exercise of the said power shall ipso facto vacate such office immediately the money owing by the Company is paid off to the lender."

10. To consider and, if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution :

"RESOLVED THAT in partial modification of Resolution No. 7 passed at the Annual General Meeting of the Company held on 30th July, 1996 and in accordance with the applicable provisions of the Companies Act 1956, the Company hereby accord its consent and approval of the increase in the maximum salary payable to Mr. R. Khemka, President and Manager of the Company including payment of bonus to him as set out in the Explanatory Statement of the Notice of this meeting with effect from 1st April, 1997 with liberty to the Board of Directors to pay, alter or vary his salary and bonus from time to time within respective maximum limits as in their discretion deem fit".

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

Item No.7 of the Notice

The Board of Directors is considering various projects for implementation which, when materialises, may require further borrowings exceeding the present borrowing powers of the Board of Directors. It is therefore, desired to increase the borrowing powers of the Board of Directors as set out in the Resolution at item 7 above and hence the proposed Resolution.

The Board of Directors recommend passing of the Ordinary Resolution at item 7 of the Notice.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

Item No.8 of the Notice

Due to reasons stated in the foregoing item of Explanatory Statement, the Company is expected to borrow moneys for the Company. Such financing is usually secured by creation of mortgages/charges on properties and undertakings of the Company in favour of lenders/Trustees for the holders of Debentures. The mortgaging by the Company on its immovable and movable properties in the manner proposed in the Resolution at item 8 of the Notice may be regarded as disposal of Company's properties / undertakings. It is therefore necessary for the shareholders to pass a Resolution under Section 293(1) (a) of the Companies Act 1956, before the creation of any such mortgage/charge.

The Board of Directors recommended passing of the Ordinary Resolution at item 8 of the Notice.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

Item No.9 of the Notice

The Company is considering various projects for implementation as part of its growth plan for which it expects to borrow moneys from financial Institutions, Banks and other lending Agencies.

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As these parties generally incorporate a provision in their loan Agreements/Arrangements to the effect that they will have the power to nominate Directors on the Board of the Company in certain events. In order to enable the Company to appoint such Nominee Director, a suitable provision is proposed to be made in the Articles of Association of the Company by inserting a new Article 110 (2) while renumbering existing Article 110 (2) as Article 110 (3). As per provisions of Section 31 of the Companies Act 1956, a Special Resolution is required to be passed for making any alteration in the Articles of Association and hence the proposed Resolution.

A copy of the Articles of Association of the Company is available for inspection during business hours, on any working day at the Registered Office of the Company, upto the date of the meeting.

The Board of Directors recommend passing of the Special Resolution at item 9 of the Notice.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

Item No.10 of the Notice

The Shareholders of the Company at its Annual General Meeting held on 30th July, 1996 have approved the maximum salary payable to Mr. R. Khemka, President and Manager at Rs. 75,000/- per month. The Board of Directors of the Company at their meeting held on 22nd May, 1997 have proposed to revise, subject to approval of the Shareholders of the Company at the ensuing Annual General Meeting, the maximum salary payable to Mr. R. Khemka including payment of bonus to him with effect from 1st April, 1997 as under with liberty to the Board of Directors to pay and revise the salary and bonus from time to time within respective maximum limits with proportionate increase in the value of all benefits related to salary.

Salary : Not exceding Rs. 1,00,000/- per month.
Bonus : Not exceding Rs. 3,00,000/- per annum.

The other terms and conditions of appointment of Mr. R. Khemka as approved earlier by the shareholders will remain unchanged.

The total remuneration, perquisites and contribution towards provident and superannuation funds payable to Mr. R. Khemka will be within the overall ceiling of remuneration stipulated in Section I of Part II Schedule XIII to the Companies Act, 1956.

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure, the Company will pay minimum remuneration by way of salary and perquisites as set out in Section II of Part II of Schedule XIII to the Companies Act, 1956.

The Resolution passed by the Board of Directors on 22nd May, 1997 relating to maximum salary and bonus payable to Mr. R. Khemka is available for inspection during business hours, on any working day at the Registered Office of the Company, upto the date of meeting.

The Board of Directors recommend passing of the Ordinary Resolution at Item 10 of the Notice.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

By Order of the Board
for Hyderabad Industries Limited

Registered Office :
Sanatnagar
Hyderabad - 500 018
Dated : 22nd May 1997.

G.R. Desai
Secretary

Notes :

i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

ii) The Register of Members and Share Transfer Books of the Company in respect of Equity Shares will remain closed from 16th July, 1997 to 25th July, 1997 (both days inclusive).

iii) The Dividend, when declared, will be payable to the Registered Shareholders as on 25th July, 1997 or to their Mandatees, on 6th September, 1997.

iv) Those members who have so far not encashed their Dividend Warrants for the financial year ended 31st March, 1994 may claim or approach the Company for the payment as the same will be transferred to the General Revenue Account of the Central Government by 13th October, 1997.

v) Pursuant to Section 205 A of the Companies Act. 1956 all unclaimed dividends upto the financial year 1992-93 have been transferred to the General Revenue Account of the Central Government. Concerned Shareholders are requested to claim the amount from the Registrar of Companies, Andhra Pradesh, Hyderabad.

vi) Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the Company.

vii) Members are requested to notify immediately any change in their address to the Company.

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TO THE SHAREHOLDERS

The Directors have pleasure in presenting their Report and the Audited Accounts of the Company for the year ended 31st March, 1997.

FINANCIAL RESULTS

	Rs. in lacs	
	1996-97	1995-96
Profit before Interest, Depreciation and Tax	**3233.52**	3734.20
Less : Interest	**1318.62**	994.22
Depreciation	**367.32**	325.98
Profit before Tax	**1547.58**	2414.00
Less : Provision for Income Tax	**403.97**	941.14
Profit after Tax	**1143.61**	1472.86
Add : Investment Allowance Reserve Written back	--	44.45
Debenture Redemption Reserve Written back	**42.00**	57.00
Balance as per last year	**166.02**	100.00
Balance available for appropriation	**1351.63**	1674.31

APPROPRIATIONS

Debenture Redemption Reserve	**152.00**	152.00
General Reserve	**500.00**	998.91
Proposed Dividend	**357.38**	357.38
Provision for Income Tax on Proposed Dividend	**35.74**	—
Balance carried to Balance Sheet	**306.51**	166.02
	1351.63	1674.31

DIVIDEND

The Directors are pleased to recommend, for consideration of the shareholders, at the ensuing Annual General Meeting, payment of dividend, on the Equity share of Rs. 10/- each @ Rs. 5.00 per Equity share.

PERFORMANCE

The Company has been able to maintain its sales and production levels of Building Products during the year under review in spite of unfavourable market conditions during the second half of the year. The production and sales was 249606 MT. and 251351 MT. as against 241823 MT. and 244675 MT. respectively, during the previous year.

The production and sales of Jointings, Thermal Insulation Products (Refractories), Crushers, Screens, Pumps was satisfactory and contributed to the overall results.

The performance of the Heavy Engineering Division was affected adversely during the year under review due to the sluggishness in the core sector industrial activity and also due to delays in the finalisation of orders from mining and infrastructure projects. Efforts are being made to reduce costs and optimise use of inputs, with an aim to improve the performance of this division.

The Company, in its pursuit of operating efficiency and growth, continues to place importance in the areas of modernisation, innovation and enhancing product quality to global standards. With the measures and policies announced at the beginning of 1997 by the Government to facilitate investment and revival of industrial growth, the Company's performance is expected to be satisfactory during the current year.

FINANCE

Effective funds management has become a critical factor for success in the competitive environment. The Company continued its policy of proficient monitoring of working capital requirements and resource utilisation aimed at achieving maximum economy in operating expenses.

The funds raised by the issue of Debentures have been and are being utilised for the intended purposes. During the year under review, the second instalment of 14% Secured Redeemable Non-convertible Debentures was repaid.

EXPANSION AND DIVERSIFICATION

The process for production of Aerocon Panels, also known as Prefabricated building panels, based on technology from M/s. Building Technologies (Australia) Pty. Ltd., Australia, has been modified and patents are applied in India and other countries. Based on this patented process, plants are being set up at Thimmapur, Andhra Pradesh and Faridabad, Haryana. The product, Aerocon Panel is an extremely economical substitute for framed construction, plastered external and internal brick walls and partitions. The said plants are in advanced stage of completion and expected to commence commercial production in the first half of the current financial year.

The Company is also setting up a plant at Vijayawada, Andhra Pradesh, for production of fibre cement sheets and accessories. The proposed project is expected to be operative in the first quarter of 1998.

As a step towards further augmenting its position in the building products industry, the Company is in the process of setting up a project for production of Autoclaved Aerated Concrete Blocks (AAC Blocks) on the outskirts of Chennai, Tamilnadu. AAC Block is a light weight concrete block having wide application in the construction industry. Major constituent in raw material of the product is fly ash (waste by-product from thermal power plant) thereby helping to reduce environmental pollution. Growth prospect for this segment of industry is expected to be favourable in due course of time.

The competitive strength and profitability of the Company should improve as a result of setting up of the above projects, since all the projects enjoy locational advantages with respect to raw materials, utilities and vicinity to the markets.

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Financial assistance for all the above projects has been tied up with The Industrial Credit and Investment Corporation of India Limited.

RESEARCH AND DEVELOPMENT

The Research and Development (R & D) Centres of the Company, recognised by the Department of Scientific and Industrial Research, Government of India, continued to provide valuable support to the Company's operations. Research on Prefabricated Building Panels was undertaken to make the product more suitable for Indian conditions. Extensive R & D activities were oriented towards development of value added building products, industrial products, usage of cost effective raw materials, optimising energy consumption, modernisation and technological innovation with a view to reduce production costs and enhance product quality to global standards.

DIRECTORS

Mr. C.K. Birla, Mr. Krishnagopal Maheshwari and Mr. P.Vaman Rao, Directors of the Company, retire from the Board by rotation in accordance with the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. S.G.Dastgir & Co. and M/s. S.R.Batliboi & Co., the present Auditors of the Company retire and are eligible for re-appointment. The re-appointment of the Auditors will have to be made by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

Note Nos. 15 and 16 appearing in Schedule 20 of the Accounts referred to in the Auditors' Report are self explanatory.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the annexure attached hereto and forms part of this Report.

PERSONNEL

The Company continues to give thrust on Human Resource Development through continuous training and development. Barring an illegal strike resorted to by the workmen at the Jasidih unit from 23.4.1996 to 11.7.1996, the industrial relation continues to be cordial at all the units.

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in the annexed statement and forms part of this Report.

ACKNOWLEDGEMENTS

The Directors take this opportunity to thank their employees, Financial Institutions, Consortium of Commercial Banks, Shareholders and Debentureholders for their continued co-operation and support.

On behalf of the Board of Directors,

C.K. BIRLA
Chairman

New Delhi, 22nd May, 1997.

Annexure to the Directors' Report

Statement of particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Conservation of Energy

The Company continues to accord high priority to energy conservation. Use of cost effective energy source like solar power is under consideration for industrial lighting. Power intensive equipments are being identified to replace them with energy efficient equipments to save on energy consumption. Further areas of improvement are being constantly perceived as part of ongoing programme to optimise usage of energy.

FORM A

Form for disclosure of particulars with respect to conservation of energy :

(A) Power and Fuel Consumption

	1996-97	1995-96
1. Electricity		
a. Purchased		
Units (lacs KwH)	**12.59**	13.33
Total amount (Rs. in lacs)	**39.69**	34.49
Rate/Unit (Rs./KwH)	**3.15**	2.59
b. Own Generation		
i) Through Diesel Generator		
Units (lacs KwH)	**11.28**	6.76
Units per Ltr. of Diesel Oil	**3.68**	3.69
Cost/Unit (Rs.)	**2.04**	1.81
ii) Through Steam Turbine/ Generator	—	—
2. Coal	—	—
3. Furnace Oil/ LDHS Qty. (K.Ltrs.)	**2136**	1717
Total amount (Rs. in lacs)	**142.90**	105.56
Average Rate (Rs./K.Ltrs.)	**6690**	5940
4. Others / Internal generation	—	—
(B) Consumption per unit of production		
Thermal Insulation Products (Refractories)		
Electricity (KwH/MT.)	**1242**	1209
Furnace Oil/LDHS (Ltrs./MT.)	**1111**	1070
Coal	—	—

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FORM B

Form for disclosure of particulars with respect to Technology Absorption :

Research and Development (R&D)

1. Specific areas in which R&D is carried out by the Company
   a. Development and commercialisation of new products.
   b. Improvement in process efficiency.
   c. Usage of cost effective raw materials.
   d. Constant upgradation of technology.
   e. Conservation of energy and water.
   f. Technology absorption.
   g. Reducing and recycling waste.
2. Benefits derived as a result of the above R&D
   a. Easy to use new panelling material is in the process of commercialisation. Patents were applied in various countries.
   b. Usage of cost effective fibre in higher amounts was successful which will result in import substitution.
   c. Some machinery spares and consumables were indigenised.
   d. Usage of cost-effective additives was found successful.
   e. Optimising process efficiency.
   f. Reduction in energy usage.
3. Future Plan of Action

   Continuation of work in areas specified at S.No. 1 to improve the results and benefits.
4. Expenditure on R&D

		1996-97 (Rs. in lacs)
a.	Capital	114.23
b.	Recurring	120.38
c.	Total	234.61
d.	Total R&D expenditure as a percentage of total turnover (%)	0.83

Technology Absorption, Adaptation and Innovation

1. In-house Research and Development is in the process of understanding and adapting the technology for manufacture of Autoclaved Aerated Concrete Blocks. Computerised process instrumentation for monitoring and control of product quality is under active consideration. The expertise of outside consultants is being availed of wherever necessary. Innovative suggestions are constantly encouraged and suggestions received through Suggestion Schemes and Quality Improvement Teams, if found advantageous, are implemented.
2. Particulars of imported technology (imported during the last 5 years reckoned from the beginning of the financial year).

	(a) Technology imported (for manufacture of)	(b) Year of import	(c) Status
i)	Hydraulic Excavators (Model H-65 & H-185 S)	1992	Being absorbed
ii)	Hydraulic Excavators (Model H-135 S)	1994	Being absorbed
iii)	Size Separation Equipment	1992	Partially absorbed
iv)	Gear boxes for Hydraulic Excavators	1993	Being absorbed
v)	Slurry Pumps	1994	Partially absorbed
vi)	Sizers, Screens, Divergators and auxiliary equipments	1994	Being absorbed
vii)	Prefabricated Building Panel & accessories	1995	Implemented
viii)	Steel Moulds	1995	Implemented
ix)	Autoclaved Aerated Concrete Blocks	1996	Being absorbed
x)	Jointings	1996	Being absorbed

Foreign Exchange Earnings and Outgo

The Company is exporting its own products such as Building Products, Plant and Machinery, Thermal Insulation Products, Jointings etc. Efforts are continuing to increase the quantum of exports, particularly to the Middle East, Far East and African countries.

Total Foreign Exchange used and earned is provided in Schedule 20 Notes 17(b),(e) & (f).

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