

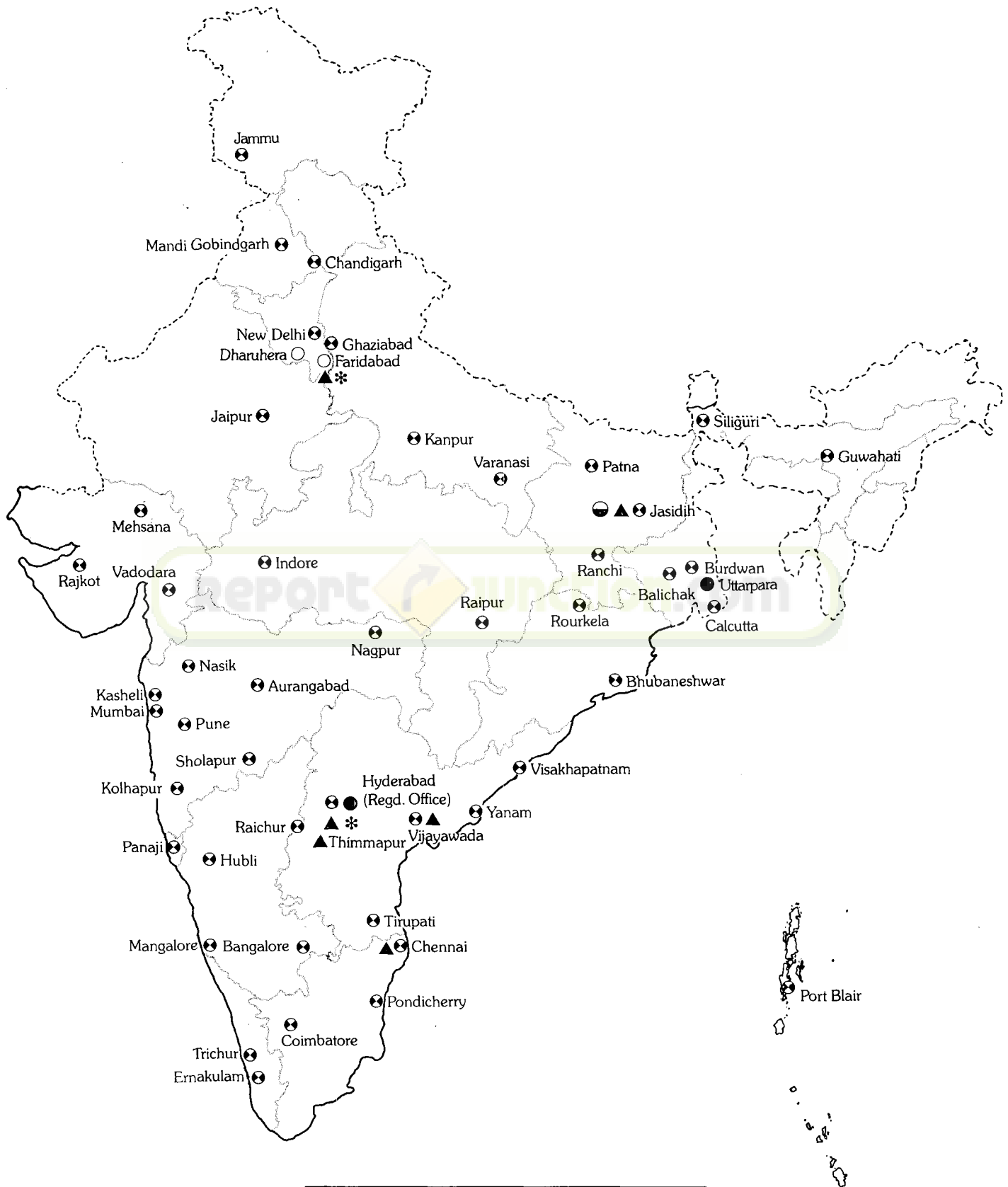
ANNUAL REPORT 1997-98

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HYDERABAD INDUSTRIES LIMITED

HYDERABAD INDUSTRIES NETWORK



Fiftyfirst Annual Report 1997-98



HYDERABAD INDUSTRIES LIMITED

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

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)
 Thimmapur(Andhra Pradesh)
 Vijayawada(Andhra Pradesh)
 Chennai(Tamil Nadu)

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Notice**HYDERABAD INDUSTRIES LIMITED****TO THE SHAREHOLDERS**

Notice is hereby given that the Fifty first Annual General Meeting of Hyderabad Industries Limited will be held on Friday, the 31st July, 1998 at 4 P.M. at Asbestos Centre, Road No. 13, Banjara Hills, Hyderabad, Andhra Pradesh 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 1998 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. Shreegopal Daga who retires by rotation and, being eligible, offers himself for re-election.
4. To appoint a Director in place of Mr. Siddharth C. Shriram who retires by rotation and, being eligible, offers himself for re-election.
5. To appoint a Director in place of Mr. A. V. Ganapathy, 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 are hereby re-appointed 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.8, 50,000/- (Rupees Eight Lacs Fifty thousand 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 re-appointment, 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 224 A of the said Act are applicable and hence the re-appointment 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 partial modification of the Resolution No.10 passed at the Fiftieth Annual General Meeting of the Company held on 31st July, 1997 and pursuant provisions of Sections 310, 387 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, the Company hereby approves the payment of minimum remuneration by way of Salary, Bonus and perquisites to Mr. R. Khemka, the Manager of the Company as set out hereunder in the event of loss or inadequacy of profits in any year including the financial year 1997-98 as computed in the manner laid under section 349 of the Companies Act, 1956.

Salary & Allowances	Rs. 14.52 Lacs
Perquisites	Rs. 2.08 Lacs
Contribution to Provident & Other Funds	Rs. 2.76 Lacs

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

RESOLVED THAT pursuant to provisions of Article 147 of the Articles of Association of the Company and Sections 269, 198, 387 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, if necessary, the Company hereby consent and approve the appointment of Mr. R. Khemka as Manager of the Company under the Companies Act, 1956 for a period of five (5) years effective from 27th June, 1998 terminable by either side on three months notice or pay in lieu thereof at the remuneration and on other terms set out below with liberty to the Board of Directors to sanction and/or vary the same within the overall limit, as they in their discretion deem fit.

I. REMUNERATION

SALARY : Rs.77,500/- per month subject to such increments as the Board may approve from time to time provided that the monthly salary shall not exceed Rs.1,50,000/- per month.

Notice (contd.)**HYDERABAD INDUSTRIES LIMITED****II. PERQUISITES AND ALLOWANCES :**

- a) House Rent Allowance of Fifty percent of the Salary. Expenditure on furnishing, electricity, water, gas at actuals shall, in addition, be payable by the Company to the Manager.
- b) Medical Reimbursement : Expenditure incurred for the Manager and his family subject to a ceiling of one months' salary in a year or three months salary over a period of three years.
- c) i) Leave Travel : For the Manager and his family once in a concession year incurred in accordance with the rules framed by the Company.
ii) Leave : In accordance with the rules framed by the Company.
- d) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees. However, expenses incurred in the club for entertaining official guests will not be included in the perquisite value.
- e) Personal Accident: Premium not to exceed Rs.4,000/- per annum Insurance annum
- f) Contribution to Provident Fund and Superannuation Fund or Annuity in accordance with the Rules of the Company applicable to Senior Executives.
- g) Gratuity payable at a rate not exceeding half months' salary for each completed year of service.
- h) Encashment of unclaimed leave at the end of the tenure.
- i) Provision of One Car with Chauffeur on Company's business and telephone (s) at residence will not be considered as perquisites. Personal long distance calls on telephones and use of Car for private purpose shall be billed by the Company to the Manager as far as possible on actual basis failing which on an estimated basis.

III. In addition to the above, the Board of Directors may at their discretion pay to the Manager other allowances, benefits, perquisites, bonus, ex-gratia amount not exceeding Rs.5,00,000 in a year.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any year, Mr. R. Khemka, shall be paid minimum

remuneration at the same substantive level within the overall limit specified above and as decided by the Board of Directors from time to time.

RESOLVED FURTHER THAT in any year where the profits are adequate, the Board of Directors shall have power to decide amount of remuneration payable to Mr. R. Khemka in accordance with Section I Part II of Schedule XIII to the Act notwithstanding the overall limit as specified above.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No 7 of the Notice

The Shareholders of the Company by their Resolution No.10 of the Annual General Meeting held on 31st July, 1997 accorded their consent and approval for the increase in the remuneration of Mr. R. Khemka, the Manager of the Company. At the time of finalisation of Accounts for the year 1997-98 it came to the notice of the Company that the profits of the Company are inadequate. Consequently, Mr. R. Khemka cannot be paid remuneration in excess of the ceiling specified in Section II Part II of Schedule XIII to the Act. In order to pay remuneration at the level specified in the aforesaid Shareholders' Resolution, the approval of the Shareholders is being sought in modification of earlier resolution passed by them. This constitute increased minimum remuneration and hence approval of shareholders is sought under Section 310 read with Section 387 of the Act. The application for payment of remuneration in excess of limits prescribed is being simultaneously made to the Central Government for their approval. In view of the invaluable contribution being made by Mr. R. Khemka whose existing terms of appointment has been purely based on his professional skill and the results of the Company having no bearing on his individual performance and the same being mainly due to sluggishness in the economy and pressure on margins on account of demand-supply imbalance, the Board of Directors recommend the Resolution for your approval.

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

The Resolution passed by the Board of Directors on 26th May, 1998 pertaining to minimum remuneration payable to Mr. R. Khemka, as Manager is open for inspection to the members at the Registered Office of the Company between 10 A.M. to 12 Noon on any working day upto the date of the meeting.

Item No 8 of the Notice

As per the terms of appointment approved by the shareholders of the Company at their Forty sixth Annual General Meeting held on 28th September, 1993, Mr. R. Khemka holds the office of

Notice (contd.)**HYDERABAD INDUSTRIES LIMITED**

Manager upto 26th June, 1998. In the interest of the Company, it is necessary to consider the appointment of Mr. R. Khemka, as Manager of the Company for a further period of five years effective from 27th June, 1998.

Mr. R. Khemka, has been with the Company for the last four decades and during this period of association with the Company, he has held responsible positions and since March, 1985 has been actively involved in day to day operation of various activities of the Company as President. He has travelled extensively all over the World and possesses a wealth of experience in the Asbestos Cement Industry, in particular. Accordingly, the Board of Directors of the Company at its meeting held on 26th May, 1998 has appointed him as Manager designated as President for a period of five years effective from 27th June, 1998 on the terms and conditions set out in the resolution at item 8 of the notice subject to approval of the Shareholders of the Company and the Central Government.

The Board of Directors recommend the Resolution for your approval.

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

The Resolution passed by the Board of Directors on 26th May, 1998 pertaining to the appointment and remuneration payable to Mr. R. Khemka, as Manager is open for inspection to the members at the Registered Office of the Company between 10 A.M. to 12 Noon on any working day upto the date of the meeting.

Registered Office: Sanatnagar,
Hyderabad - 500 018
Dated : 26th May 1998.

By Order of the Board
For Hyderabad Industries Limited

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, 1998 to 25th July, 1998 (both days inclusive).
- iii) The Dividend, when declared, will be payable to the Registered Shareholders as on 25th July, 1998 or to their Mandatees on 5th September, 1998.
- iv) Those members who have so far not encashed their Dividend Warrants for the financial year ended 31st March 1995 may claim or approach the Company for the payments as the same will be transferred to the General Revenue Account of the Central Government by 19th September, 1998.
- v) Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the financial year 1993-94 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.

Directors' Report**HYDERABAD INDUSTRIES LIMITED****TO THE SHAREHOLDERS**

The Directors have pleasure in presenting their Report and the Audited Accounts of the Company for the year ended 31st March, 1998.

FINANCIAL RESULTS

	Rs. in lacs	
	1997-98	1996-97
Profit before Interest,		
Depreciation and Tax	2332.10	3233.52
Less : Interest	1497.05	1318.62
Depreciation	499.28	367.32
Profit before Tax	335.77	1547.58
Less : Provision for Income Tax	35.00	435.00
Profit after Tax	300.77	1112.58
Add : Tax Credit for earlier years	24.86	31.03
Debenture Redemption		
Reserve Written back	42.00	42.00
Balance as per last year	306.51	166.02
Balance available for appropriation	674.14	1351.63

APPROPRIATIONS

Debenture Redemption Reserve	77.00	152.00
General Reserve	100.00	500.00
Proposed Dividend	178.69	357.38
Corporate Dividend Tax	17.87	35.74
Balance carried to Balance Sheet	300.58	306.51
	674.14	1351.63

DIVIDEND

In view of the reduced profitability, the Directors recommend, for consideration of the shareholders, at the ensuing Annual General Meeting, payment of dividend, on the Equity share of Rs. 10/- each @ Rs. 2.50 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 overall sluggish economy. The production and sales was 273079 MT. and 263391 MT. as against 249606 MT. and 251351 MT. respectively, during the previous year.

The asbestos cement industry was delicensed during the year under review, leading to large scale capacity additions by the existing manufacturers. This led to an over supply position which has resulted in considerable pressure on the margins of the Company. Also, during the second half of the year under review, the cost of raw materials went up considerably due to the depreciation of the rupee, which affected the profitability of the Company.

The production and sales of Process Plant and Machinery, Jointings and Thermal Insulation Products (Refractories) was satisfactory.

The performance of the Heavy Engineering Division was affected adversely during the year under review due to sluggishness in the economy. Efforts are being made to reduce costs with an aim to improve the performance of the Division.

The Company started commercial production of Aerocon Panels at Thimmapur, Andhra Pradesh, in November, 1997 and at Faridabad, Haryana, in March, 1998. The product is well accepted in the market. Aerocon Panels are found to be ideal material for speedier construction of Prefab houses and buildings. The demand for this product is expected to grow in the current year.

With the measures and policies announced by the new Government to facilitate investment and revival of industrial growth, the Company's performance is expected to be satisfactory during the current year though the margins will continue to be under pressure.

FINANCE

The interest charges were high during the year under review as term loans were obtained for financing the new projects.

Rs.1400 lacs were received as advance against subscription to privately placed 15 lacs, 16% Secured Redeemable Non-Convertible Debentures of Rs.100/- each, during the year under review.

During the year under review, the third instalment of 14% Secured Redeemable Non-Convertible Debentures along with premium and the first instalment of 19% Secured Redeemable Non-Convertible Debentures were repaid. The funds raised by the issue of debentures have been and are being utilised for the intended purposes.

EXPANSION AND DIVERSIFICATION

Satisfactory progress has been achieved in implementation of the project for Autoclaved Aerated Concrete Blocks on the outskirts of Chennai, Tamilnadu, and the plant is expected to be commissioned by September, 1998.

Due to unforeseen reasons the Fibre Cement Sheets project at Vijayawada, Andhra Pradesh is expected to be operative in the third quarter of 1998. With the commissioning of this plant there will be additional capacity of 45000 MT, which would help in rationalisation of raw material procurement cost and freight cost.

Directors' Report (contd.)**HYDERABAD INDUSTRIES 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. Extensive R & D activities were oriented towards usage of cost effective raw materials, development of value added building products, optimising energy consumption, modernisation and technological innovation with a view to reduce production costs and enhance product quality to global standards.

DIRECTORS

Mr. Shreegopal Daga, Mr. Siddharth C. Shriram and Mr. A.V. Ganapathy, 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. 4, 12 and 13 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. The industrial relations continue 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, 26th May, 1998.

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. Power intensive equipment are being identified to replace them with energy efficient equipment, use of high efficiency lighting system, minimization of energy requirement in FOB production by optimizing autoclave pressures, optimizing running time of drives during work cycle. Further areas of improvement are being constantly perceived as part of on going programme to optimise usage of energy.

FORM A

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

(A) Power and Fuel Consumption

	<u>1997-98</u>	<u>1996-97</u>
1. Electricity		
a. Purchased		
Units (lacs Kwh)	21.07	12.59
Total amount (Rs. in lacs)	73.61	39.69
Rate/Unit (Rs./Kwh)	3.49	3.15
b. Own Generation		
i) Through Diesel Generator		
Units (lacs Kwh)	9.59	11.28
Units per Ltr. of Diesel Oil	3.51	3.68
Cost/Unit (Rs.)	2.55	2.04
ii) Through Steam Turbine/Generator	—	—
2. Coal	—	—
3. Furnace Oil/ LDHS		
Qty. (K.Ltrs.)	2441	2136
Total amount (Rs. in lacs)	181.22	142.90
Average Rate (Rs./K.Ltrs.)	7424	6690
4. Others / Internal generation	—	—

Annexure to the Directors' Report



HYDERABAD INDUSTRIES LIMITED

(B) Consumption per unit of production

Thermal Insulation Products (Refractories)		
Electricity (Kwh/MT.)	1395	1242
Furnace Oil/LDHS (Ltrs./MT.)	1124	1111
Coal	-	-

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. Identification and development of new products in related business areas.
 - b. Increasing cost effectiveness of products through productivity improvement, automation and usage of cost effective raw materials.
 - c. Conservation of energy, water and recycling of waste.
 - d. Absorption of imported know-how.

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

- a. New Panelling Material – Aerocon is commercialised.
- b. Usage of cost effective raw materials resulted in substantial cost savings.
- c. Considerable reduction in waste through controlled recycling of waste.
- d. Machinery spares and consumables were indigenised.

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 :

1997-98

(Rs. In lacs)

a. Capital	136.06
b. Recurring	129.30
c. Total	265.36
d. Total R&D expenditure as a percentage of total turnover (%)	0.87

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 and Jointings. Innovation is encouraged and rewarded. Innovative suggestions received through suggestion schemes, task forces and quality improvement teams are implemented wherever possible.

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-185 S)	1992	Being absorbed
ii) Size Separation Equipment	1992	Partially absorbed
iii) Gear boxes for Hydraulic Excavators	1993	Being absorbed
iv) Hydraulic Excavators (Model H-135S)	1994	Being absorbed
v) Slurry Pumps	1994	Absorbed
vi) Sizers, Screens, Divergators and auxiliary equipment	1994	Absorbed
vii) Hydraulic Excavators (Model H-95)	1995	Being absorbed
viii) Prefabricated Building Panel & accessories	1995	Implemented
ix) Steel Moulds	1995	Implemented.
x) Autoclaved Aerated Concrete Blocks	1996	Being absorbed
xi) Jointings	1996	Partially 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 18(b),(e) & (f).