

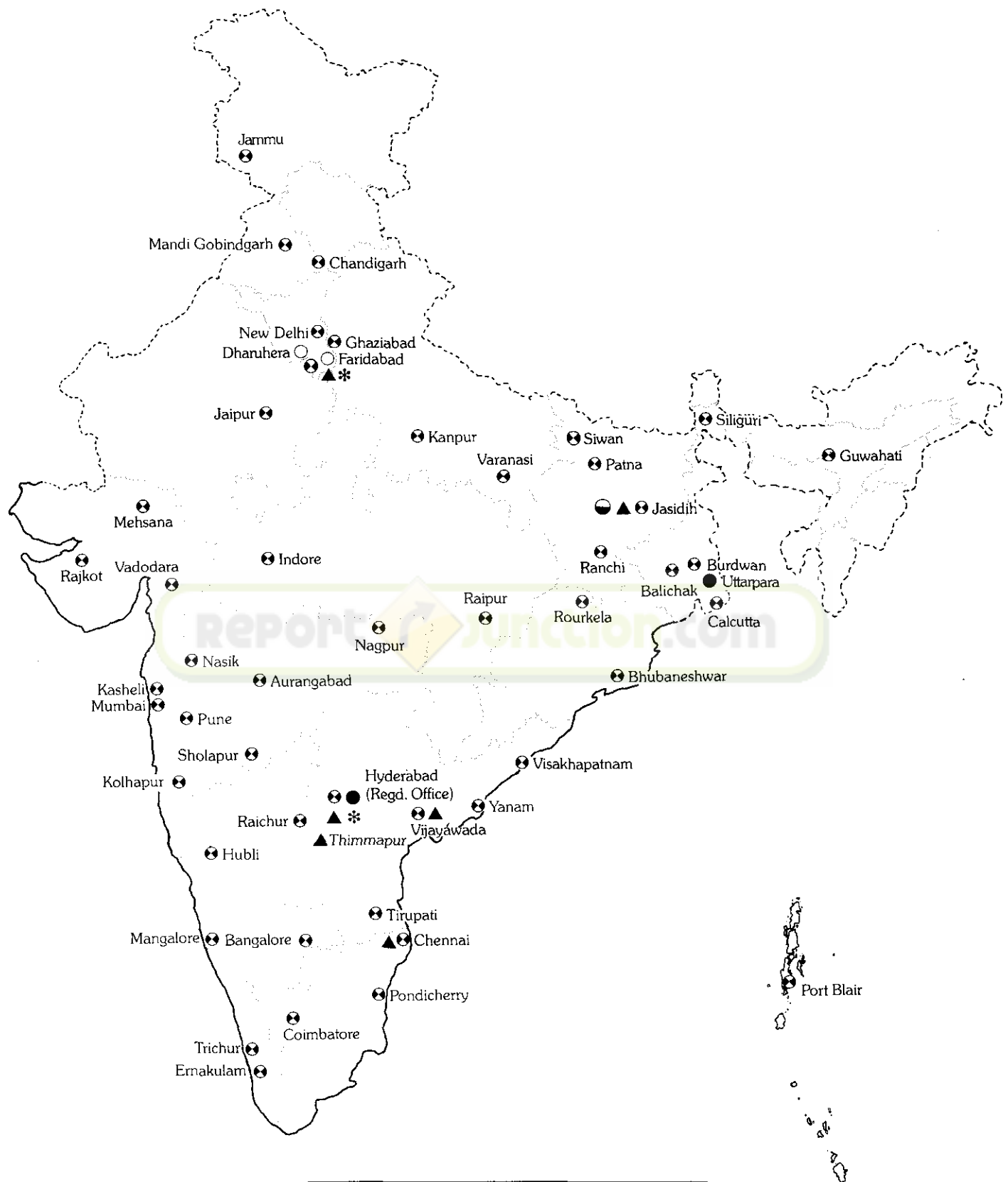
ANNUAL REPORT 1998-99

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HYDERABAD INDUSTRIES LIMITED

HYDERABAD INDUSTRIES NETWORK



Fifty-second Annual Report 1998-99**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.R. Batliboi & Co.
 S.G. Dastgir & 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-second Annual General Meeting of Hyderabad Industries Limited will be held on Saturday, the 31st July, 1999 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 1999 and the Directors' Report and Auditors' Report thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Mrs. Sultana N. Alladin who retires by rotation and, being eligible, offers herself 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.R. Batliboi & Company, Chartered Accountants and Messrs. S.G. Dastgir & 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 and that the Board of Directors be and is hereby authorised to fix their respective remuneration for the said period".

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

Item No. 6 of the Notice

Section 224A of the Companies Act, 1956 provides that in the case of a Company in which not less than 25% of the subscribed share capital is held either singly or jointly by Public Financial Institutions, Government Companies etc., the appointment or re-appointment of the auditor(s) of that Company has to be made by a Special Resolution.

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

The present Auditors Messrs. S. R. Batliboi & Company and Messrs. S. G. Dastgir & 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.

Registered Office:
Sanatnagar
Hyderabad - 500 018
Dated: 25th May, 1999

By Order of the Board
For Hyderabad Industries Limited

Prem Khandelwal
Company 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 12th July, 1999 to 17th July, 1999 (both days inclusive).
- iii) Dividend on Equity Shares when sanctioned will be made payable on or after the 5th day of September, 1999 to those Shareholders whose names stand on the Company's Register of Members or to their mandates as on 17th July, 1999.
- iv) Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends up to the financial year 1994-95 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.
- v) 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.
- vi) 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, 1999.

FINANCIAL RESULTS

	Rs. in lacs	
	1998-99	1997-98
Profit before Interest, Depreciation and Tax	2794.40	2332.10
Less: Interest	1731.99	1497.05
Depreciation	549.83	499.28
Profit before Tax	512.58	335.77
Less: Provision for Income Tax	89.24	35.00
Profit after Tax	423.34	300.77
Add: Tax Credit for earlier years	0.71	24.86
Debtenture Redemption Reserve		
Written back	192.00	42.00
Balance as per last year	300.58	306.51
Balance available for appropriation	916.63	674.14

APPROPRIATIONS

Debtenture Redemption Reserve	264.50	77.00
General Reserve	50.00	100.00
Proposed Dividend	178.69	178.69
Corporate Dividend Tax	19.66	17.87
Balance carried to Balance Sheet	403.78	300.58
	916.63	674.14

DIVIDEND

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 asbestos cement industry continued to face challenges on account of over supply position due to large-scale capacity additions. This has led to pressures on the margins of the Building Products Division of the Company even though the production and sales of Building Products was higher at 275036 MT. and 279345 MT. as compared to 273079 MT. and 263391 MT. respectively, during the previous year. Though a healthy growth in the market is envisaged for the current year, the pressure on margins are expected to continue, and hence the Company has undertaken various initiatives to reduce costs and introduce value added products.

The production and sales of Jointings, Thermal Insulation Products (Refractories) and Process Plant and Machinery was satisfactory. Efforts are continuing to reduce costs and optimise

use of inputs, with an aim to improve the performance of these divisions.

The performance of Heavy Engineering Division continued to be adversely affected during the year under review due to sluggishness in core sector industrial activity. With the planned restructuring of the division almost complete along with the renewed focus by the Government of India towards the core sector, this division is expected to perform better in future.

During the year under review, Aerocon Panels received satisfactory response but growth rate was slow. Steps are being taken to strengthen marketing and distribution network.

FINANCE

In view of the Judgement of Hon'ble Supreme Court in favour of the Company, liability of Rs.1365.89 lacs for additional customs duty on imported raw asbestos was written back during the year under review.

Interest charges continued to be high as term loans were obtained for financing the new projects.

During the year under review, the Company had privately placed 16% Secured Redeemable Non-Convertible Debentures of Rs.100/- each aggregating Rs.1500 lacs. The fourth instalment of 14% Secured Redeemable Non-Convertible Debentures and the second instalment, along with premium, in respect of 19% Secured Redeemable Non-Convertible Debentures were paid during the year under review. The funds raised by the issue of debentures have been and are being utilised for the intended purposes.

DISINVESTMENT IN GMI

During the year under review, the Company decided to disinvest its shareholding of Rs.15 crores in the Equity Shares of General Motors India Limited (GMI) at par. As a part of the arrangement agreed upon with General Motors Corporation, the Company has out of the sale proceeds of the Equity Shares, invested in April 1999 Rs.10 crores in the Preference Shares of GMI. These Preference Shares will be redeemed by GMI in two equal instalments upon expiry of 12 months and 24 months.

EXPANSION AND DIVERSIFICATION

The Company commenced commercial production of Fibre Cement Sheets at Vijayawada, Andhra Pradesh from August 1998 and the plant is operating satisfactorily. Due to locational advantages the plant will further improve the competitive strength and profitability of the Company along with providing improved service and satisfaction to customers.

Trial production at AAC Blocks Project, Chennai has been satisfactory and commercial production has commenced from May 7, 1999. Initial response to the product is satisfactory.

Directors' Report (contd.)**H****HYDERABAD INDUSTRIES LIMITED****Y2K COMPLIANCE**

Effective and appropriate steps have been taken to be Y2K compliant by October 1999. The Company has inherent strength to address any contingency due to Y2K. The expenditure to ensure Y2K compliance is not expected to have any material financial impact.

RESEARCH AND DEVELOPMENT

Research and Development (R & D) activities of the Company at Hyderabad are now relocated in newly constructed building with modern facilities which should enhance their contribution in developing value added products, usage of cost effective inputs, continuous modernisation and technological innovations. R&D facilities of the Company are recognised by the Department of Scientific and Industrial Research, Government of India.

DIRECTORS

Mr. Krishnagopal Maheshwari, Mrs. Sultana N. Alladin 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.R. Batliboi & Co. and M/s. S.G. Dastgir & 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. 12,13,18,19 and 20 appearing in Schedule 20 of the Accounts referred to in the Auditors' Report are self-explanatory.

COST AUDITORS

Pursuant to the directive of the Central Government under the provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditor have been appointed to conduct Cost Audit relating to Mini Steel Plant at Uttarpara, West Bengal.

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 accord top priority to Human Resource Development through continuous training in order to address individual needs and impart new skills to match the challenges taken up by the Company. 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,

New Delhi, 25th May, 1999.

C.K. BIRLA
Chairman

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 intensified its thrust on energy conservation. Energy conservation measures include replacement of power intensive equipment with energy efficient equipment, use of high efficiency lighting system, minimization of energy requirement in Flex-O-Board production by optimizing autoclave pressures, optimizing running time of drives during work cycle, replacing electric heaters with oil fired heating system and optimisation of load at Hyderabad unit resulting in reduction of maximum demand by 500 KVA. Further areas of improvement are being constantly perceived as part of on-going programme to optimise usage of energy.

Annexure to the Directors' Report



HYDERABAD INDUSTRIES LIMITED

FORM A

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

(A) Power and Fuel Consumption

	1998-99	1997-98
1. Electricity		
a. Purchased		
Units (lacs Kwh)	12.21	21.07
Total amount (Rs. in lacs)	47.84	73.61
Rate/Unit (Rs./Kwh)	3.92	3.49
b. Own Generation		
i) Through Diesel Generator		
Units (lacs Kwh)	6.08	9.59
Units per Ltr. of Diesel Oil	3.40	3.51
Cost/Unit (Rs.)	2.66	2.55
ii) Through Steam Turbine/Generator	—	—
2. Coal	—	—
3. Furnace Oil/ LDHS		
Qty. (K.Ltrs.)	1153	2441
Total amount (Rs. in lacs)	76.03	181.22
Average Rate (Rs./K.Ltrs.)	6594	7424
4. Others / Internal generation	—	—

(B) Consumption per unit of production

Thermal Insulation Products (Refractories)		
Electricity (Kwh/MT.)	1736	1395
Furnace Oil/LDHS (Ltrs./MT.)	1123	1124
Coal	—	—

FORM B

Form for disclosure of particulars with respect to Technology Absorption:

Research and Development (R&D)

- Specific areas in which R&D is carried out by the Company
 - Identification and development of environment friendly building products with emerging market needs.
 - Emphasis on process cost reduction.
 - Increasing cost effectiveness of products through productivity improvement, automation and usage of cost effective raw materials and newer process techniques.
 - Effective utilisation of energy, water and waste material.
 - Absorption of imported technical know-how.
 - New products – Access floor and Pressed Products are under commercialisation.
- Benefits derived as a result of the above R&D
 - Newer techniques of curing the products resulting in cost reduction.
 - Usage of cost effective raw materials resulted in cost savings.
 - Considerable reduction in waste through controlled recycling.
 - Machinery spares and consumables were indigenised.
- Future Plan of Action

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

1998-99
(Rs. in lacs)

a. Capital	130.20
b. Recurring	125.60
c. Total	255.80
d. Total R&D expenditure as a percentage of total turnover (%)	0.92

Annexure to the Directors' Report (contd.)



HYDERABAD INDUSTRIES LIMITED

Technology Absorption, Adaptation and Innovation

1. The Company is continuously endeavouring to upgrade its manufacturing technology to improve technical efficiencies and enable manufacture of new products through in-house R&D. Innovation is encouraged and rewarded. Innovative suggestions received through suggestion schemes, task forces and quality improvement teams are implemented wherever possible. This has resulted in reduction in costs besides improvement in process technology and product quality.
2. Particulars of imported technology (imported during the last 5 years reckoned from the beginning of the financial year).

(a)	(b)	(c)
Technology imported (for manufacture of)	Year of Import	Status
i) Hydraulic Excavators (Model H-185 S)	1992	Being absorbed
ii) Gear boxes for Hydraulic Excavators	1993	Implemented
iii) Hydraulic Excavators (Model H-135S)	1994	Being absorbed
iv) Slurry Pumps	1994	Absorbed
v) Sizers, Screens, Divergators and auxiliary equipment	1994	Absorbed
vi) Size Separation Equipment	1995	Partially absorbed
vii) Hydraulic Excavators (Model H-95)	1995	Being absorbed
viii) Hydraulic Excavators (Model H-85 & H-121)	1995	Partially absorbed
ix) Prefabricated Building Panel & accessories	1995	Implemented
x) Steel Moulds	1995	Implemented
xi) Autoclaved Aerated Concrete Blocks	1996	Being absorbed
xii) 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, Asian, Far East, African and European countries.

Total Foreign Exchange used and earned is provided in Schedule 20 Notes 21 (b), (c), (f) and (g).

HIL at a Glance**HYDERABAD INDUSTRIES LIMITED**

	1998-99	1997-98	1996-97	1995-96	(Rs. in lacs) 1994-95
OPERATING RESULTS					
Sales	27859	30464	28422	28075	24176
Profit before Interest, Depreciation & Tax	2794	2332	3234	3734	2546
Profit after Interest but before Depreciation & Tax	1062	835	1915	2740	1634
Depreciation	550	499	367	326	358
Tax	89	35	435	941	437
Profit after Tax	423	301	1113	1473	839
Dividend	179	179	357	357	286
Dividend %	25	25	50	50	40
Retained Earnings	224	104	720	1116	553
ASSETS & LIABILITIES					
Fixed Assets					
Gross Block *	15414	12139	10130	8498	7577
Net Block *	10433	7645	6063	4671	3873
Investments	3844	4409	3833	3333	3243
Net Current Assets	9007	9654	7928	8067	7527
Total Assets	23284	21708	17824	16071	14643
Represented by					
Share Capital	717	717	717	717	717
Reserves & Surplus **	9167	8921	8780	8020	6957
Net Worth	9884	9638	9497	8737	7674
Loan Funds	13400	12070	8327	7334	6969
RATIOS					
Cash Earnings per Share (Rs.)	13.61	11.19	20.71	25.17	16.75
Earnings per Share (Rs.)	5.92	4.21	15.57	20.61	11.74

Notes

Figures for the previous years have been regrouped wherever necessary to make them comparable to those of the previous year.

* Excludes Revaluation Reserve.

** Excludes Revaluation Reserve & Miscellaneous Expenditure (to the extent not written off).