

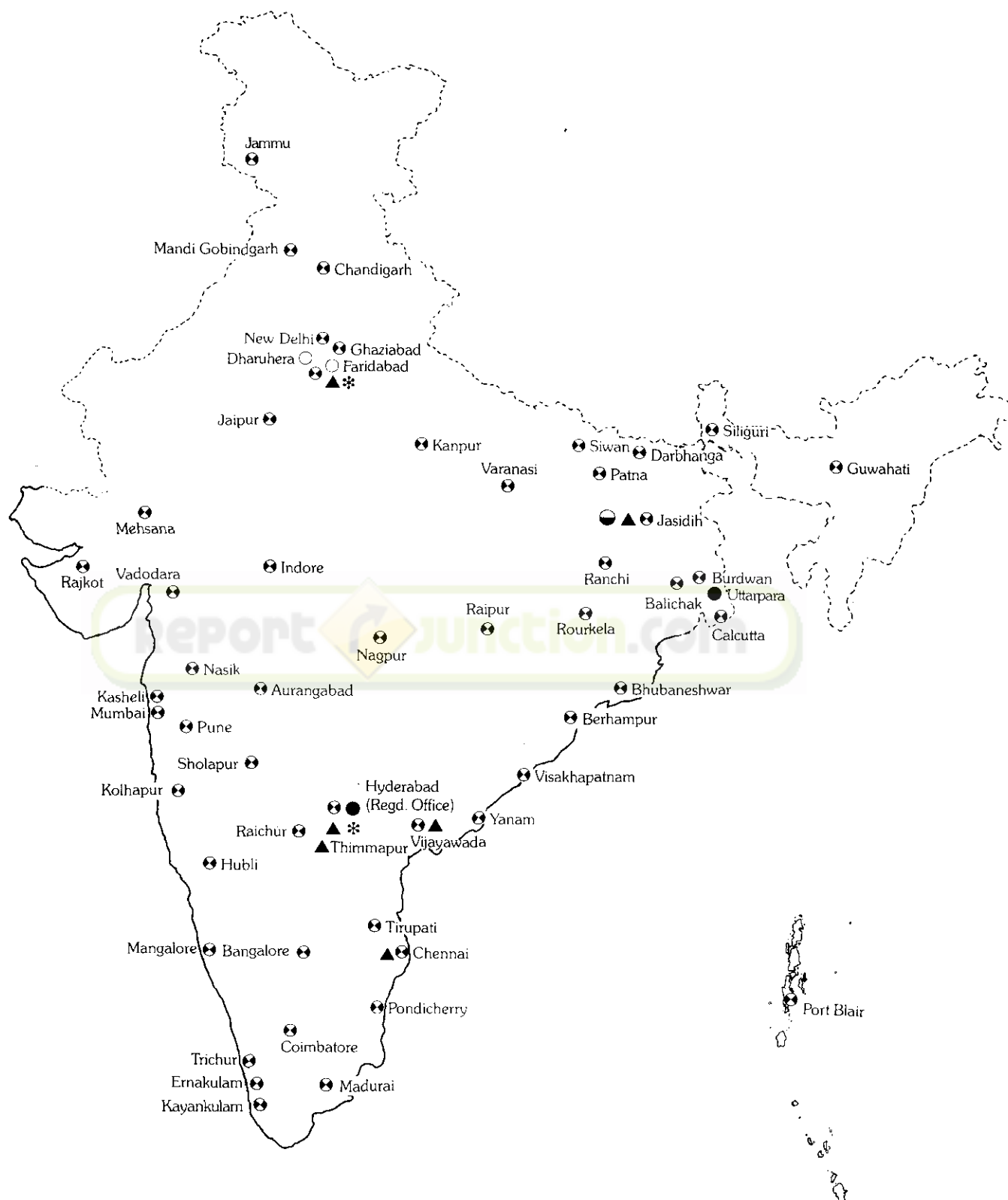
ANNUAL REPORT 1999-2000

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HYDERABAD INDUSTRIES LIMITED

HYDERABAD INDUSTRIES NETWORK



FACTORIES : ▲ Building Products ● Engineering
 ○ Industrial Products ◐ Cement
 ● SALES OFFICES/DEPOTS * R & D CENTRES

Fifty-third Annual Report 1999-2000**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.

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Page No.**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)
 Wada (Maharashtra)

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

Notice is hereby given that the Fifty-third Annual General Meeting of Hyderabad Industries Limited will be held on Thursday, 28th September, 2000 at 4.00 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 2000 and the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. C. K. Birla, who retires by rotation and being eligible, offers himself for re-election.
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. A. V. Ganapathy, who retires by rotation and being eligible, offers himself for re-election.
5. To appoint Auditor 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, be and are hereby re-appointed as Auditor 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 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 an auditor(s) of that Company has to be made by a Special Resolution.

The provisions of Section 224 A of the said Act is 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. Messrs. S.R. Batliboi & Company have expressed their willingness to continue in office but Messrs. S.G. Dastgir & Company have expressed their unwillingness to continue in office. Certificate has been obtained from Messrs. S.R. Batliboi and Company 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: 1st June, 2000

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 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 11th September, 2000 to 16th September, 2000 (both days inclusive).
- iii) 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.
- iv) Members are requested to notify immediately any change in their address to the Company.

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

The Directors present their Report and the Audited Accounts of the Company for the year ended 31st March, 2000.

FINANCIAL RESULTS

	Rs. in lacs	
	1999-2000	1998-1999
Profit before Interest,		
Depreciation and Tax	1108.80	2794.40
Less: Interest	1813.33	1731.99
Depreciation	650.17	549.83
Profit/(Loss) before Tax	(1354.70)	512.58
Less: Provision for Income Tax	0.72	89.24
Profit/(Loss) after Tax	(1355.42)	423.34
Add: Tax Credit for earlier years	—	0.71
Debt Redemption		
Reserve Written back	77.50	192.00
Transfer from General Reserve	900.00	—
Balance as per last year	403.78	300.58
Balance available for appropriation	25.86	916.63

APPROPRIATIONS

Debt Redemption Reserve	—	264.50
General Reserve	—	50.00
Proposed Dividend	—	178.69
Corporate Dividend Tax	—	19.66
Balance carried to Balance Sheet	25.86	403.78
	25.86	916.63

In view of the loss incurred, the Directors do not recommend any dividend for the year under review.

PERFORMANCE

The Company has been able to improve its sales and production of Building Products during the year under review. The sales and production was 299242 MT. and 306543 MT. as against 279345 MT. and 275036 MT. respectively. The new fibre cement sheet plant at Vijayawada achieved full capacity utilisation during the year under review.

The over supply position continued during the year under review leading to pressure on the margins of the Building Products Division of the Company. Despite lower margins, this Division continued its positive contribution to the Company. Efforts are continuing to further reduce the operating costs.

During the year under review, Aerocon Blocks and Aerocon Panels showed satisfactory response. With the initiatives taken to strengthen the marketing and distribution network, the sales of these products is expected to substantially improve during the current year.

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

The performance of Heavy Engineering Division was affected adversely during the year under review due to sluggishness in core sector industrial activity. Restructuring of the Division and cost reduction initiatives continued during the year with an aim to facilitate the Division to turn the corner.

FINANCE

The Company continued its thrust on effective working capital management during the year under review. However, interest charges were high due to term loans for new projects.

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

DEPOSITORY SYSTEM

During the year, the Company has entered into an arrangement with the Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) for dematerialisation of Company's securities in accordance with the provisions of the Depositories Act, 1995, which are now fully operational and members may avail of such facilities. With this, the members have the option/discretion to hold their demat shares in the Company through the CDSL or NSDL.

EXPANSION AND DIVERSIFICATION

The Company has taken steps to set up a fibre cement sheets project at Wada, Maharashtra and the plant is expected to be commissioned by June, 2000. Due to its locational advantage, this plant will further improve the competitive position of the Company.

Y2K COMPLIANCE

In view of various initiatives taken to address Y2K related issues, the Company managed flawless transition to the new millennium without any disruption to its business operations.

RESEARCH AND DEVELOPMENT

The Department of Scientific and Industrial Research, Government of India renewed the recognition of Company's Research and Development (R & D) Centres for a period of three years. The emphasis on extensive R&D continued during the year under review. The R&D activities were directed towards modernisation, automation and technological innovation, development and commercialisation of value added products, exploring new avenues for import substitution with an aim to reduce production costs.

Directors' Report (contd.)**HYDERABAD INDUSTRIES LIMITED****DIRECTORS**

Mr. C.K. Birla, Mr. Shreegopal Daga 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. However, M/s. S.G. Dastgir & Co. have expressed their unwillingness to be re-appointed. Hence, the Directors propose to re-appoint M/s. S.R. Batliboi & Co. as the sole Auditor of the Company. The re-appointment of the Auditor will have to be made by a Special Resolution pursuant to Section 224A of the Companies Act, 1956.

The Notes on Accounts, referred to in the Auditors' Report, are self explanatory and hence do not call for any further comments under Section 217(3) of the Companies Act, 1956.

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. During the year under review, a

Voluntary Retirement Scheme was announced at Company's Hyderabad unit and the response was satisfactory. The Directors wishes to place on record its appreciation of the hard work and dedication of the employees at all levels. 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 express their appreciation for the assistance and co-operation from Financial Institutions, Consortium of Commercial Banks, Shareholders and Debentureholders.

On behalf of the Board of Directors,

C.K. BIRLA
Chairman

Calcutta, 1st June, 2000.

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**

Energy conservation measures received high priority during the year under review. Use of high efficiency lighting system, minimization of energy requirement in Flex-O-Board production by optimizing autoclave pressures, replacement of power intensive equipment with energy efficient equipment, optimizing running time of drives during work cycle, replacing electric heaters with oil fired heating system were some of the measures in the ongoing programme for energy conservation. Continuous monitoring and evaluation of energy consumption is being done 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

	1999-2000	1998-1999
1. Electricity		
a. Purchased		
Units (lacs Kwh)	10.50	12.21
Total amount (Rs. in lacs)	40.70	47.84
Rate/Unit (Rs./Kwh)	4.05	3.92
b. Own Generation		
i) Through Diesel Generator		
Units (lacs Kwh)	7.45	6.08
Units per Ltr. of Diesel Oil	3.28	3.40
Cost/Unit (Rs.)	3.43	2.66
ii) Through Steam Turbine/Generator	—	—
2. Coal	—	—
3. Furnace Oil/ LDHS		
Qty. (K.Ltrs.)	1264	1153
Total amount (Rs. in lacs)	105.94	76.03
Average Rate (Rs./K.Ltrs.)	8381	6594
4. Others / Internal generation	—	—

(B) Consumption per unit of production

Thermal Insulation Products (Refractories)		
Electricity (Kwh/MT.)	1236	1736
Furnace Oil/LDHS (Ltrs./MT.)	892	1123
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
 - Development and commercialisation of new products like access floor, pressed products and non-asbestos jointing material.
 - Emphasis on automation, simplification of process, quality improvement, cost reduction and indigenisation.
 - Absorption of imported technical know-how for commercialisation of Autoclaved Aerated Concrete Blocks.
- Benefits derived as a result of the above R&D
 - Usage of cost effective raw materials resulted in cost savings.
 - Process automation resulting in quality improvement.
 - Achieved zero wastage at Thimmapur plant and wastage is minimised in other plants.
- Future Plan of Action

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

	1999-2000
	(Rs. in lacs)
a. Capital	8.58
b. Recurring	163.37
c. Total	171.95
d. Total R&D expenditure as a percentage of total turnover (%)	0.63

Annexure to the Directors' Report (contd.)



HYDERABAD INDUSTRIES LIMITED

Technology Absorption, Adaptation and Innovation

1. The Company aims to upgrade its manufacturing technology through in-house R&D to manufacture new and value added products for discerning buyers and improve technical efficiencies. This has resulted in reduction in costs, import substitution and is providing competitive edge in the market. Innovation is encouraged and suggestions received through suggestion schemes, task forces and quality improvement teams are implemented and rewarded wherever possible.
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-135S)	1994	Being absorbed
ii) Slurry Pumps	1994	Absorbed
iii) Sizers, Screens, Divergators and auxiliary equipment	1994	Absorbed
iv) Size Separation Equipment	1995	Absorbed
v) Hydraulic Excavators (Model H-95)	1995	Being absorbed
vi) Hydraulic Excavators (Model H-85 & H-121)	1995	Partially absorbed
vii) Prefabricated Building Panel & accessories	1995	Implemented
viii) Steel Moulds	1995	Implemented
ix) Autoclaved Aerated Concrete Blocks	1996	Implemented
x) Jointings	1996	Implemented

Foreign Exchange Earnings and Outgo

The Company is exporting its own products such as Building Products, Aerocon Blocks & Panels, Plant and Machinery, 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:

1999-2000

Rs. in lacs

a. Foreign Exchange Earned

Export of Goods (FOB)	917.24
Technical Know-how and Service Fee	53.78
Dividend	3.41
Others	0.35

Total

974.78

b. Foreign Exchange Used

Raw Material, Components, Spares and Capital Goods (CIF)	5628.88
Royalty (Net of Tax)	7.29
Technical Know-how Fee (Net of Tax)	4.48
Other matters	139.54

Total

5780.19

Auditors' Report**HYDERABAD INDUSTRIES LIMITED**

TO THE MEMBERS OF
HYDERABAD INDUSTRIES LIMITED

We have audited the attached Balance Sheet of Hyderabad Industries Limited as at 31st March, 2000 and the attached Profit and Loss Account for the year ended on that date. We report that in our opinion and as per the information and explanations furnished to us and the books and records examined by us in the normal course of audit:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Management carries out physical verification once in three years and accordingly, the physical verification of fixed assets was carried out during the year. No material discrepancies have been noticed on such verification as compared to book records. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
2. None of the Fixed Assets of the Company have been revalued during the year.
3.
 - a. The stocks of finished goods, stores, spare parts, raw materials and components, except those lying with outside parties, have been physically verified by the Management at reasonable intervals during the year.
 - b. The discrepancies between physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
 - c. The procedures followed by the Management for such physical verification are, in our opinion, *reasonable and adequate in relation to the size of the Company and the nature of its business.*
 - d. In our opinion the valuation of above stocks, subject to Note No.10(c) of Schedule 20, is fair and proper in accordance with the normally accepted accounting principles and subject to Note No.16 of Schedule 20, is on the same basis as followed in the previous year.
4. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties as listed in the Register maintained under Section 301 of the Companies Act, 1956.
5. The terms and conditions of the unsecured loans given to a company as listed in the Register maintained under Section 301 of the Companies Act, 1956 are not *prima facie* prejudicial to the interest of the Company.
6. Advances in the nature of loans given to employees and others are generally being realised as per stipulations, wherever made, along with interest, wherever applicable.
7. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores and spares, raw materials, components, plant and machinery, equipment and other assets and for sale of goods.
8. The transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which, in our opinion, are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which similar transactions have been made with other parties, as the case may be.
9. As explained to us, unserviceable or damaged stores, raw materials, components and finished goods including goods purchased for resale have been determined by the Management and adequate provision for the loss arising on such items has been made in the accounts.
10. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the rules framed thereunder.
11. The Company has maintained reasonable records for the sale and disposal of its realisable scrap and by-product, where significant.
12. The Company has an adequate internal audit system commensurate with the size and the nature of its business.
13. We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and the rules made thereunder in respect of the products to which the said rules are made applicable and are of the opinion that, *prima facie*, the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.
14. The Company has been regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
15. There are no undisputed amounts payable in respect of Income tax, Wealth tax, Sales tax, Customs duty and Excise duty outstanding as at 31st March, 2000 for a period exceeding six months from the date they became payable.