

HYDERABAD INDUSTRIES LIMITED

ANNUAL REPORT
2000-2001.

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Fifty-fourth Annual Report 2000-2001



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. Yash Paul

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.

SOLICITORS

Khaitan & Co.

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Page No.**REGISTERED OFFICE**

Sanatnagar
 Hyderabad - 500 018
 (Andhra Pradesh)

WORKS

Hyderabad (Andhra Pradesh)
 Faridabad (Haryana)
 Jasidih (Jharkhand)
 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-fourth Annual General Meeting of Hyderabad Industries Limited will be held on Friday, the 28th September, 2001 at 4.00 P.M. at Asbestos Center, 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 2001 and the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Krishnagopal Maheshwari, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Mr. Siddharth C. Shriram, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Mrs. Sultana N. Alladin, who retires by rotation and being eligible offers herself for re-election.
5. 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, be and are hereby re-appointed as 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 of the Company be and is hereby authorised to fix their remuneration for the said period".

As Special Business

6. 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 other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and is hereby altered in the following manner:

- a) Article 1

The existing Article being the Article dealing with Definitions, the following sub-clauses be inserted/amended.

- (vi) "Register of Members" means the Register of Shareholders or Members to be kept pursuant to Section 150, 151 and 152A of the Act.
- (xvi) "Depository" means as defined under The Depositories Act, 1996.
- (xvii) "Beneficial Owner" means a person whose name is recorded as such with a Depository.
- (xviii) "SEBI" means the Securities and Exchange Board of India established under Section 3 of the Securities Exchange Board of India Act, 1992.
- (xix) "Bye-Laws" means bye-laws made by a Depository under Section 26 of the Depositories Act, 1996.
- (xx) "Participant" means a person registered as such under sub-sec. (1-A) of Section 12 of the Securities and Exchange Board of India Act, 1992.
- (xxi) "Security" includes share and debenture.

- b) Article 10

The Company shall cause to be kept a Register of Members in accordance with Section 150, 151 and 152A of the said Act.

Notice (contd.)



HYDERABAD INDUSTRIES LIMITED

c) To insert the following Article as Article 50A along with marginal notes:

Company to recognise interest in dematerialised securities under Depositories Act

1) Either the Company or the member may exercise an option to issue, deal in, the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, as amended from time to time or any statutory modifications thereto or re-enactment thereof.

Dematerialisation of Securities

2) Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialise its existing securities, re-materialise its securities held in the depositories and/or offer its fresh securities in a dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any.

Options to receive security certificate or hold securities with a Depository

3) Every person subscribing to or holding securities of the Company, shall have the option to receive security certificate or to hold the securities with a Depository. If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.

Rights of Depositories and Beneficial Owners

- 4) a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer to ownership of security on behalf of the Beneficial Owner.
- b) Save as otherwise provided in (a) above, the Depository, as the registered owner of the securities, shall not have any voting rights or any other rights in respect of the security held by it.
- c) Every person, holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository, shall be deemed to be a member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by Depository.

Beneficial Owner deemed as Absolute Owner

5) Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner. Accordingly, the Company shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any security, or (except only as is by these Articles otherwise expressly provided) any right in respect of a security other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof. But the Board shall be at their sole discretion to register any security in the joint names of any two or more persons or the survivor or survivors of them.

Cancellation of certificates upon surrender by a person

6) Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the

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

- Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.
- | | |
|--|---|
| Option to opt out in respect of any security | 7) If a Beneficial Owner seeks to opt out of a Depository in respect of any security the Beneficial Owner shall inform the Depository accordingly. The Depository shall, on receipt of information as above make appropriate entries in its records and inform the Company accordingly. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified under the Regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be. |
| Service of Documents | 8) Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs. |
| Provisions of Articles to apply to shares held in Depository | 9) Except as specifically provided in this Article, the provisions relating to joint holders of securities, calls, lien on securities, forfeiture of securities and transfer and transmission of securities shall be applicable to securities held in Depository so far as they apply to securities held in physical form subject to the provisions of the Depositories Act. |
| Allotment of Securities dealt with in a Depository | 10) Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities. |
| Distinctive numbers of Securities held in a Depository | 11) The securities shall be numbered progressively. However, the provision relating to progressive numbering shall not apply to the securities of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Every forfeited or surrendered security held in physical form shall continue to bear the number by which the same was originally distinguished. |
| Overriding effect of this Article | 12) Provisions of this Article will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Article or these presents. |
- d) To insert the following Article as Article 57A:
- Notwithstanding anything to the contrary contained in these Articles every holder(s) of securities of the Company, holding either singly or jointly, may at any time, nominate a person in the prescribed manner to whom the securities of the Company shall vest in the event of his/her/their death. Such holder may revoke or vary his/her/their nomination, at any time, by notifying the same to the Company to that effect. Such nomination shall be governed by the provisions of Section 109A and 109B of the Act or such other Regulations governing the matter from time to time."

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956:

Item No. 5 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, Central or State Governments or their body Corporates etc., the appointment or re-appointment of an Auditor(s) of that Company has to be made by a Special Resolution as per the provisions of Section 224A of the Companies Act, 1956. Hence, the re-appointment of the Auditors is to be made by a Special Resolution.

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

The present Auditors Messrs. S.R. Batliboi & Company, Chartered Accountants have expressed their willingness to continue in office. Certificate has been obtained from 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.

Item No. 6 of the Notice

On introduction of the Depository system, some of the provisions of the Companies Act relating to the issue, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the new system. In order to bring the Company's Articles of Association in line with the Depositories Act, 1996 and the amendments made to the Companies Act, 1956, certain changes are required to be made in the Articles of Association of the Company.

For the benefit of share and debenture holders, the facility of nomination has been introduced by the Companies (Amendment) Act, 1999, consequent to which it is required to incorporate a specific Article for the purpose in the Articles of Association of the Company.

According to the provisions of Section 31 of the Companies Act, 1956 alteration of Articles of Association requires special consent of the members of the Company. Therefore, the Board of Directors recommend the Resolution for your approval.

None of the Directors of the Company is concerned or is interested in the above Resolutions.

Registered Office:
Sanatnagar
Hyderabad - 500 018
Dated: 22nd May, 2001

By Order of the Board
for Hyderabad Industries Limited

D.S. Rao
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 10th September, 2001 to 15th September, 2001 (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 Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividend up-to the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet en-cashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No. II to the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to:-

The Registrar of Companies
IInd Floor, Kendriya Sadan
Sultan Bazar, Koti
HYDERABAD - 500 195

Consequent upon the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund to be set up by the Government of India and no payment shall be made in respect of any such claims by the Fund.

Members who have not yet en-cashed their dividend warrant(s) for the financial years 1995-96 to 1998-99, are requested to make their claims to the Company without any delay.

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, 2001.

FINANCIAL RESULTS

| | Rs. in lacs | |
|--|--------------------|------------------|
| | 2000-2001 | 1999-2000 |
| Profit before Interest, Depreciation and Tax | 2064.04 | 1108.80 |
| Less: Interest | 1917.51 | 1813.33 |
| Depreciation | 798.76 | 650.17 |
| Loss before Tax | 652.23 | 1354.70 |
| Less: Provision for Income Tax | — | 0.72 |
| Loss after Tax | 652.23 | 1355.42 |
| Add: Tax Credit for earlier years | 3.27 | — |
| Debtenture Redemption Reserve | | |
| Written back | 27.50 | 77.50 |
| Transfer from General Reserve | 600.00 | 900.00 |
| Balance as per last year | 25.86 | 403.78 |
| Balance carried to Balance Sheet | 4.40 | 25.86 |

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 maintain its sales and production levels of Building Products during the year under review in spite of continued over supply position in the fibre cement industry. The sales and production was 303137 MT. and 311734 MT. as against 299242 MT. and 306543 MT. respectively.

During the year under review, the Building Products Division of the Company continued its positive contribution despite pressure on margins resulting from demand supply imbalance. To overcome the challenges posed by the market conditions, efforts are focussed on reducing operating costs and setting up new fibre cement sheet plants at strategic locations. Pursuing the same strategy, a new plant at Wada, Maharashtra was set up which commenced commercial production from February 19, 2001 onwards. The new unit enjoys locational advantages with respect to utilities, transportation and market vicinities.

Aerocon Blocks and Aerocon Panels showed satisfactory response during the year under review. With enhanced focus on technical and operational product support services, the Company earned customer confidence leading to improved sales volumes. Due to its inherent attributes, Aerocon Panels could withstand the recent earthquake in parts of Gujarat. These businesses are slated to contribute significantly to the overall performance of the Company in the coming years.

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 under review. The Division has received an order from Rajasthan State Mines and Minerals Limited, Udaipur for expansion of the Rock Phosphate Benefication Plant of approximately Rs. 20 crores. The Division has also received orders for infrastructure jobs. With this, the performance of the Division is expected to improve during the current year.

FINANCE

The Company continued its policy of effective working capital management and resource utilisation during the year under review. However, interest charges were high due to new term loans.

DISINVESTMENT IN INDIA GYPSUM LIMITED

During the year under review, the Company disinvested 51,00,000 Equity Shares of Rs. 10 each in India Gypsum Limited (IGL), held as Investments, aggregating to Rs. 1912.50 lacs to BPB Holding India Private Limited (BPB). Further, in terms of Escrow Agreement, entered into with BPB, the Company has agreed to sell its balance investments in IGL (9,00,000 Equity Shares) to BPB @ Rs. 37.50 per Equity Share on completion of all relevant formalities.

COMPULSORY TRADING OF COMPANY'S SHARES IN DEMATERIALISED FORM

As per the directions of Securities Exchange Board of India, the shares of the Company be traded under the dematerialised form from August 28, 2000 onwards. As informed earlier, the Company has made necessary arrangements with the Central Depository Services (India) Limited and National Securities Depository Limited for dematerialisation of Company's shares.

RESEARCH AND DEVELOPMENT

The product Aerocon Panels, developed by Company's Research & Development (R&D) Centre, received DSIR National Award for R&D Efforts in Industry (2000) in the Area of New Materials from Government of India, Ministry of Science & Technology, Department of Scientific and Industrial Research. The emphasis on extensive R&D continued during the year under review. The Company has obtained a patent for Aerocon Panels in India and Pakistan. Patent applications in UK and the USA are under process. The R&D activities were directed towards development and commercialisation of value added products, exploring new avenues for import substitution with an aim to reduce production costs. R&D of non-asbestos building products was undertaken to cater to changing needs of customer segments and Export promotion.

Directors' Report (contd.)**HYDERABAD INDUSTRIES LIMITED****CORPORATE GOVERNANCE**

The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability. Directors fully support basic tenets of Corporate Governance, as the prudent exercise of management rights in the best interests of all stakeholders in a company, in particular its shareholders, creditors, the state and its employees. Directors are fully committed to implement all requirements of Clause 49 of the Listing Agreement by next Financial Year.

Directors' Responsibility Statement

Directors' Responsibility Statement as required under Section 217 (2AA) of the Companies (Amendment Act), 2000, are given in the annexure (i) attached hereto and forms part of this Report.

Audit Committee

Pursuant to the provisions of Section 292A of the Companies Act, 1956 (as mentioned), the Board of Directors of the Company has constituted a Committee of Board of Directors known as Audit Committee consisting of Mr. P. Vaman Rao, Mr. Shreegopal Daga and Mr. Yash Paul as its members. The Committee reviews the efficacy of the internal control mechanism and monitors the risk management policies of the Company. The Committee reviews reports furnished by the internal and statutory Auditors and ensures that suitable follow-up action is taken. The Committee examines accountancy, taxation and disclosure aspects of all significant transactions.

Investors' Relations Committee

The Board of Directors of the Company has also constituted an Investors' Relations Committee, as per Clause 49 of Listing Agreement, to periodically look into the grievances of investors.

DIRECTORS

During the year, Mr. A.V. Ganapathy, resigned as a Director of the Company. The Board placed on record its appreciation of the services rendered by him during his tenure.

Mr. Yash Paul, retired Executive Director of Life Insurance Corporation of India, has been co-opted as a Director of the Company, in place of Mr. A.V. Ganapathy, pursuant to Article 115 of the Articles of Association of the Company. Mr. Krishnagopal Maheshwari, Mr. Siddharth C. Shriram and Mrs. Sultana N. Alladin, 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., the present Auditors of the Company retire and are eligible for re-appointment. 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 (ii) attached hereto and forms part of this Report.

PERSONNEL

The Company recognises the need for continued development of its human resources. Training and development programmes are regularly conducted at all the units of the Company. The Directors wishes to place on record its appreciation of the hard work and dedication of the employees at all levels. The industrial relations at all the units of the Company continue to be cordial.

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 place on record their appreciation for the co-operation and assistance from Financial Institutions, Consortium of Commercial Banks, Customers, Shareholders and Debentureholders.

On behalf of the Board of Directors,

New Delhi, 22nd May, 2001

C.K. BIRLA
Chairman

**(i) Directors' Responsibility Statement**

The Board of Directors confirms:

- A. That in the preparation of the annual accounts, for the year ended 31st March, 2001, all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India have been followed, except the following accounting standards as stated below :

Accounting Standard 2 — Valuation of Inventories

The Company, in view of the provisions of Section 145A of the Income Tax Act, 1961 continues to follow the Cenvat inclusive method of accounting in respect of purchases, inventories, consumption etc. as referred to in Note No.10(a) of Schedule 20 to the Accounts.

Accounting Standard 13 — Accounting for Investments

Pending disinvestment in Nepal Metal Company Limited, the amount of diminution in the value of investment is not ascertainable at this stage, as referred to in Note No. 10 (b) of Schedule 20 to the Accounts.

Accounting Standard 15 — Accounting for Retirement Benefits

The practice being followed by the Company in respect of accounting for leave liability, contribution towards meeting gratuity liability have been referred to in Notes 10(c) and 10(d) respectively, of Schedule 20 to the Accounts.

- B. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the financial year.
- C. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- D. That the Directors have prepared the Annual Accounts on a going concern basis.

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

Measures aimed at conservation and optimisation of usage of energy continued during the year under review. Some of the initiatives under implementation for conservation of energy include use of energy efficient motors and lesser HP electric drive, improvement in power factor by providing capacitors, optimum usage of compressed air by decentralisation of compressors on each plant, use of high efficiency lighting systems and optimizing running time of drives during work cycle. Continuous monitoring and evaluation of energy consumption is being done to optimise usage of energy.