

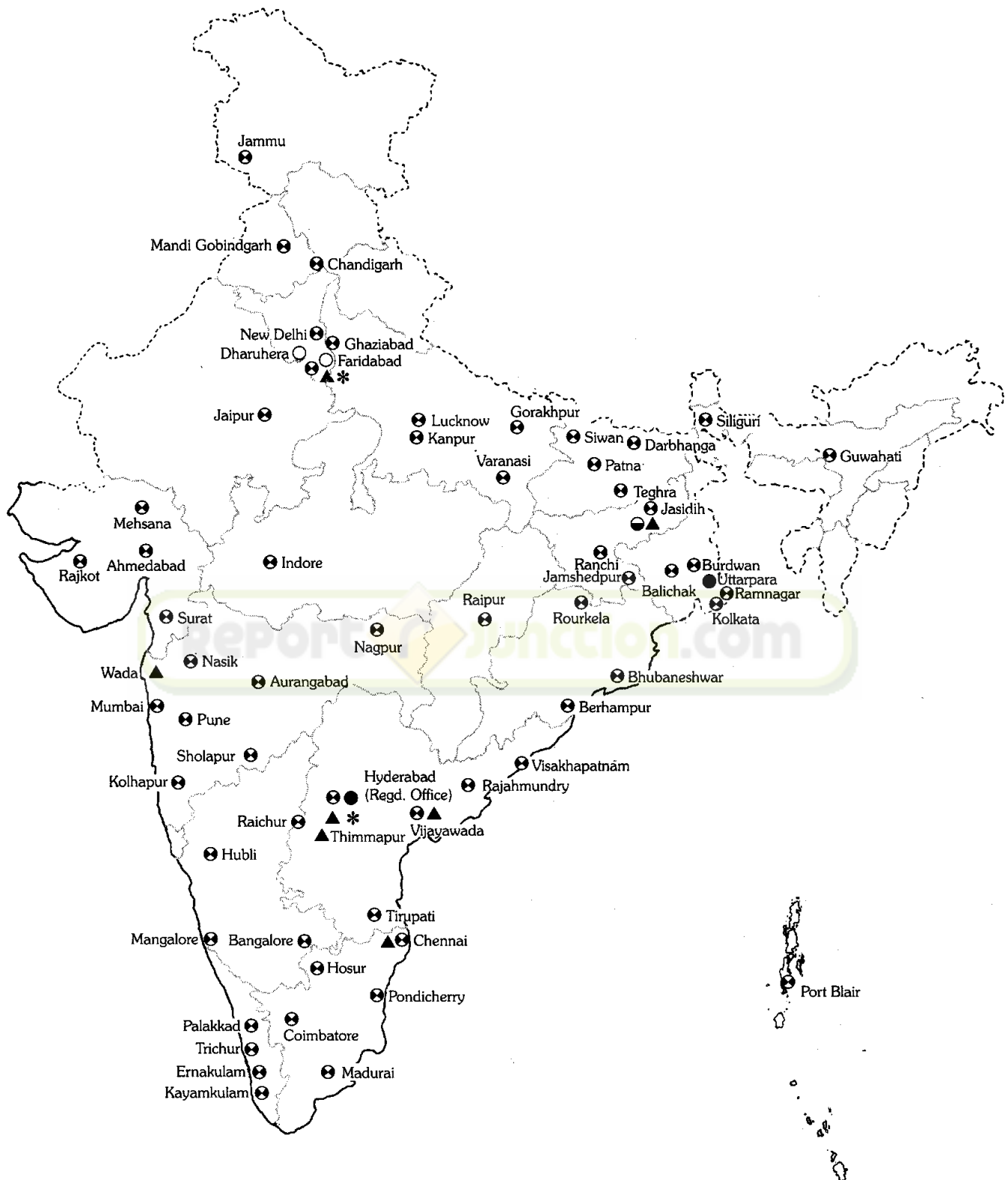
ANNUAL REPORT 2001-2002

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HYDERABAD INDUSTRIES LIMITED

HYDERABAD INDUSTRIES NETWORK



**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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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-fifth Annual General Meeting of Hyderabad Industries Limited will be held on Friday the 27th September, 2002 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 2002 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. P. Vaman Rao, who retires by rotation and being eligible offers himself for re-election.
5. To appoint Auditors to hold office from the conclusion of this 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 M/s. S.R. Batliboi & Co., 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".

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.

The present Auditors M/s. S.R. Batliboi & Co., 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.

Registered Office:
Sanatnagar
Hyderabad - 500 018
Dated: 22nd May, 2002

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 16th September, 2002 to 27th September, 2002 (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.

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

- iv) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed 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
II Floor, Kendriya Sadan, CPWD Building
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 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 encashed 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.

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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, 2002.

FINANCIAL RESULTS

| | Rs. in lacs | |
|-----------------------------------|--------------------|------------------|
| | 2001-2002 | 2000-2001 |
| Profit before Interest, | | |
| Depreciation and Tax | 1976.53 | 2064.04 |
| Less: Interest | 1931.18 | 1917.51 |
| Depreciation | 692.92 | 798.76 |
| Loss before Tax | 647.57 | 652.23 |
| Deferred Tax Assets (Net) | 493.79 | — |
| Loss after Tax | 153.78 | 652.23 |
| Add: Tax Credit for earlier years | 0.28 | 3.27 |
| Debenture Redemption | | |
| Reserve Written back | 27.50 | 27.50 |
| Transfer from General Reserve | 165.87 | 600.00 |
| Balance as per last year | 4.40 | 25.86 |
| Balance carried to Balance Sheet | 44.27 | 4.40 |

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

PERFORMANCE

The Company has improved its sales and production of Building Products during the year under review. The sales and production were 372279 MT. and 375680 MT. as against 303137 MT. and 311734 MT. respectively, in the previous year. Operations of new fibre cement sheet plant at Wada, Maharashtra have stabilised during the year under review.

The over supply position has continued during the year leading to pressure on margins of the Building Products Division of the Company. Despite lower margins, the Division continued its positive contribution to the Company.

Response from the market is encouraging for AAC Blocks and Aerocon Panels due to their inherent quality and strength. These products are gaining customer confidence due to their advantages against other substitutes. Company is also identifying alternative application of these products.

The production and sales of Jointings, Thermal Insulation Products (Refractories) and Process Plant and Machinery were satisfactory during the year under review.

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 was affected adversely during the year under review due to sluggishness in

the core sector industrial activity. Despite this, during the year, the Division has received an order for Fabricated Fly-Over Structures for Park Street (Kolkata) Fly-Over of approximately Rs. 12 crores. Efforts are further being made to reduce costs and optimise use of inputs, with an aim to improve the performance of this Division. Restructuring of the Division and cost reduction initiatives continued during the year under review.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis Report is appended as Annexure (iii) to this Report.

DISINVESTMENT IN INDIA GYPSUM LIMITED

During the year under review, the Company disinvested balance 9,00,000 Equity Shares of Rs. 10/- each in India Gypsum Limited, held as Investments, @ Rs.37.50 per share in terms of the Escrow Agreement, entered into with BPB Holding India Private Limited.

RESEARCH AND DEVELOPMENT

The recognition of the Company's Research & Development Centres (R&D) has been renewed for a period of three years with effect from April, 2002 by the Department of Scientific and Industrial Research, Government of India.

The Company, during the year under review, has obtained patent for the Aerocon Panels in UK in addition to the patent already obtained in India & Pakistan. Patent applications in the USA and Australia are under process. The Company has also obtained a patent in the USA for Apparatus for Producing Plurality of Panels. The emphasis on extensive R&D continued during the year under review, with an aim to develop value added building products and industrial products. The R&D activities were also focussed towards usage of cost-effective raw materials, optimising energy consumption, modernisation and technological innovation with a view to reduce production costs and enhance product quality.

DIRECTORS

Mr. C.K. Birla, Mr. Shreegopal Daga 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.

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.



CORPORATE GOVERNANCE

During the year under review, the Company has started implementing the requirements of Corporate Governance prescribed under the Clause 49 of the Listing Agreements with the Stock Exchanges. A Report on Corporate Governance and a Certificate from the Auditors of the Company are furnished as a part of the Annual Report.

AUDITORS

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

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 has 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.

PARTICULARS OF EMPLOYEES

None of the Employees were paid remuneration in excess of the limits as specified under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

ACKNOWLEDGEMENTS

The Directors place on record their appreciation for the cooperation and support from Financial Institutions, Consortium of Commercial Banks, Customers, Shareholders, Debentureholders and Employees.

On behalf of the Board of Directors

New Delhi, 22nd May, 2002

Chairman

**(i) Directors' Responsibility Statement**

The Board of Directors confirms:

- A. That in preparation of the annual accounts, for the year ended 31st March, 2002, 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 except change of method during the year in respect of depreciation on Furniture, Fittings and Office equipment and Vehicles from written down value method to straight line method with retrospective effect to follow uniform method of providing depreciation on all fixed assets as referred to in Note No. 7 of Schedule 20 to the Accounts 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**

The Company continues to accord high priority to energy conservation. Power intensive equipment is being identified to replace them with energy efficient equipment. The Company has installed energy efficient vacuum pumps, cooling towers and automation of boiler for optimising power consumption besides improvement in power factor by providing capacitors, use of high efficiency lighting systems and optimising 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.

Annexures to the Directors' Report (contd.)



HYDERABAD INDUSTRIES LIMITED

FORM A

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

(A) Power and Fuel Consumption**2001-2002** 2000-2001

| | | |
|-------------------------------------|---------------|--------|
| 1. Electricity | | |
| A Purchased | | |
| Units (lacs Kwh) | 17.90 | 10.06 |
| Total amount (Rs. in lacs) | 74.62 | 42.58 |
| Rate/Unit (Rs./Kwh) | 4.17 | 4.23 |
| B Own Generation | | |
| i) Through Diesel Generator | | |
| Units (lacs Kwh) | 2.91 | 5.86 |
| Units per Ltr. Of Diesel Oil | 3.41 | 3.36 |
| Cost/Unit (Rs.) | 4.69 | 4.19 |
| ii) Through Steam Turbine/Generator | — | — |
| 2. Coal | — | — |
| 3. Furnace Oil/ LDHS | | |
| Qty. (K. Ltrs.) | 1544 | 1236 |
| Total amount (Rs. in lacs) | 160.33 | 150.60 |
| Average Rate (Rs./K.Ltrs.) | 10384 | 12184 |
| 4. Others / Internal generation | — | — |

(B) Consumption per unit of production

| | | |
|--|-------------|------|
| Thermal Insulation Products (Refractories) | | |
| Electricity (Kwh/MT.) | 1096 | 1051 |
| Furnace Oil/LDHS (Ltrs./MT.) | 820 | 816 |
| 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:
 - Thrust on automation, cost reduction and indigenisation.
 - Application of systems for products.
 - Increasing cost effectiveness of products through productivity improvement, usage of cost effective raw materials.
 - Effective utilisation of resources like energy and waste materials.
 - Development of value added products.
- Benefits derived as a result of the above R&D
 - Usage of cost effective raw materials resulted in cost savings.
 - Introduction of value added products to increase customer base.
- Future Plan of Action
Continuation of work in areas specified at S.No. 1 to improve the results and benefits.
- Expenditure on R&D

2001-2002
(Rs. in lacs)

| | |
|--|---------------|
| a. Capital | 22.73 |
| b. Recurring | 175.32 |
| c. Total | 198.05 |
| d. Total R&D expenditure as a Percentage of total turnover (%) | 0.63 |

Technology Absorption, Adaptation and Innovation

1. The Company is continuously endeavoring to upgrade its manufacturing technology to improve technical efficiencies and quality of the products through in-house R&D. This has resulted in reduction of costs, and is providing competitive edge in the market. Innovation is encouraged and rewarded.
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) Autoclaved Aerated Concrete Blocks | 1996 | Implemented |
| ii) Jointings | 1996 | Implemented |

Foreign Exchange Earnings and Outgo

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

| | 2001-2002 |
|---|----------------|
| A Foreign Exchange Earned | Rs. in lacs |
| Export of Goods (FOB) | 464.91 |
| Technical Know-how and Service Fee | 22.54 |
| Dividend | 2.38 |
| Others | 3.27 |
| Total | 493.10 |
| B Foreign Exchange Used | |
| Raw Materials, Components, Spares and Capital Goods (CIF) | 6243.46 |
| Royalty (Net of Tax) | 37.99 |
| Technical Know-how Fee (Net of Tax) | 5.37 |
| Other matters | 41.87 |
| Total | 6328.69 |