

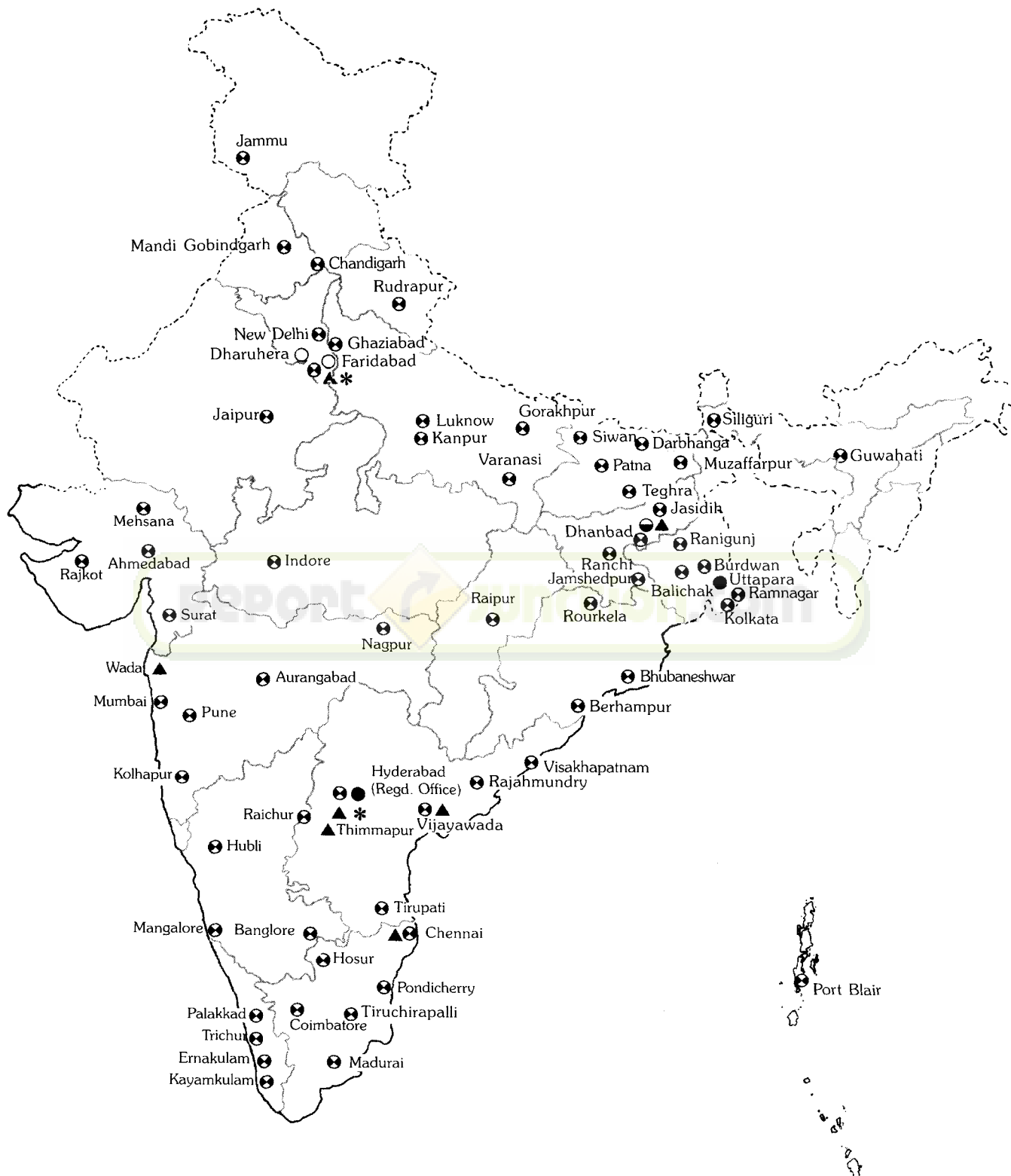
ANNUAL REPORT

2002-2003



HYDERABAD INDUSTRIES LIMITED

HYDERABAD INDUSTRIES NETWORK



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

Fifty-sixth Annual Report 2002-2003**HYDERABAD INDUSTRIES LIMITED****DIRECTORS**

Mr. C.K. Birla, *Chairman*
 Mr. Krishnagopal Maheshwari
 Mr. Shreegopal Daga
 Mrs. Sultana N. Alladin
 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

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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-sixth Annual General Meeting of Hyderabad Industries Limited will be held on Friday the 26th September, 2003 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 2003 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 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. Yash Paul, 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".

As Special Business

6. To consider and, if thought fit, to pass with or without modification, the following Resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198,269,387 & Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 read with Article 147 of the Articles of Association of the Company, 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 One Year effective from 27th June, 2003 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.1,00,000/- per month.

ii) **PERQUISITES AND ALLOWANCES**

- a) House Rent Allowance: Fifty percent of the Salary. Expenditure on furnishing, electricity, water, gas at actual 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 month's salary in the year.
- c) i) Leave Travel Concession: For the Manager and his family once in a year incurred in accordance with the rules framed by the Company.
- ii) Leave: In accordance with the rules framed by the Company.

**Item No. 6 of the Notice**

The Company is a leading manufacturer of building products namely Fibre Cement Sheets, Aerocon Panels and AAC Blocks. The Fibre Cement Sheets manufactured by the Company are marketed under the brand name "CHARMINAR" all over the country through well established dealer network. Apart from building products the Company has Heavy Engineering Division at Uttarpara in the State of West Bengal, where it carries on the manufacture of material handling, processing and equipment for ferrous and non-ferrous materials. The Company also manufactures Jointings and Thermal Insulation Products (Refractories).

During the year 2002-03, the Company has achieved a turnover of Rs.337.48 Crores as compared to Rs.315.03 Crores in the previous year registering a growth of 7 %. The Company's products such as Fibre Cement Sheets, Aerocon Panels, AAC Blocks and Plant & Machinery are exported to Middle East, Asian, Far East and African countries. The Company during the year 2002-03, has exported a Fibre Cement Sheet Plant & Machinery to North America. The foreign exchange earnings of the Company during the previous year were Rs.9.29 Crores.

Despite the fact that the turnover of the Company has risen, the Company has incurred loss which was mainly due to the continued sluggishness in the core sector industrial activity affecting the performance of the Heavy Engineering Division adversely.

The Company has initiated and implemented various measures to reduce cost with an aim to improve the over all performance of the Company and that of the Heavy Engineering Division in particular. The Company is also exploring further avenues to strengthen its marketing network of building products which continues to make a positive contribution despite over supply position in the market. The Company, through the efforts of its R & D is also exploring alternate applications of Company's products and also for use of cost effective raw-material in its process. In addition, the Company has also reduced its man power cost by implementing Voluntary Early Retirement Scheme (VERS) at its units.

As a result of the above initiatives implemented by the management, the Company is able to achieve cash profit during the year 2002-03. The endeavour of the Company is to explore and encash further avenues in this direction to sustain the growth.

Mr.R.Khemka, a Science Graduate, joined the Company in the year 1958 and has worked since then in various capacities and had contributed to the growth of the Company. Since 1985 the overall management of the Company was looked after by him as President. He is highly experienced and has travelled extensively all over the World and possesses in-depth knowledge of management. Mr.R.Khemka with his vast experience and international exposure is presently elected as Vice-Chairman of Governing Council of Asbestos International Association, USA.

During the past 5 years, the Company has expanded its capacities and has set-up another unit to manufacture Fibre Cement Sheets at Wada in the State of Maharashtra being a strategic location. The Company's Unit at Vijayawada (Andhra Pradesh) has been awarded "BEST MANAGED UNIT" award by the Government of Andhra Pradesh during the year 2002-03.

Keeping all the factors in view, the Board of Directors of the Company at its meeting held on 23rd May, 2003 has, on the approval and recommendation of Remuneration Committee of the Company, considered that the services of Mr.R.Khemka with his vast experience and managerial skills are required for the Company and has appointed him as Manager designated as President for a period of One Year effective from 27th June, 2003 on monthly remuneration as set out in the Resolution under Item No.6 of the subjoined notice subject to approval of the Shareholders of the Company in general meeting. In the previous year, the total remuneration paid to Mr.R.Khemka was in a sum of Rs.24,87,382/-.

The proposed remuneration to the appointee is in line with the remuneration comparable to the size of the Company and also that of the industry and of the position and person.

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

- 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 Insurance: Premium not to exceed Rs.4,000/- per 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 month's 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/ personal use 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 for the year.

"RESOLVED FURTHER THAT the remuneration specified above be paid to Mr.R.Khemka as a Minimum Remuneration notwithstanding the loss or inadequacy of profit of the Company during the tenure of his office."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that pursuant to the provisions of Sections 78, 100 and other applicable provisions, if any, of the Companies Act, 1956, read with Article 15 of the Articles of Association of the Company and subject to the confirmation of the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad, an amount not exceeding Rs.115.30 lacs out of the amount standing to the credit of Share Premium Account of the Company be utilised for the adjustment against permanent loss in value of investment in shares of Nepal Metal Company Limited as at March 31, 2003."

"RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution, the Board of Directors of the Company or a Committee of Directors, be and is hereby authorised to do and perform all acts, deeds, matters and things and take all such actions as may be considered necessary and desirable to give effect to the same."

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.

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

As per the terms of appointment approved by the shareholders of the Company at their Fifty-first Annual General Meeting held on 31st July, 1998, Mr.R.Khemka holds the office of Manager upto 26th June, 2003. 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 One Year effective from 27th June, 2003.

Mr.R.Khemka will exercise the management control over the affairs of the Company under the control, superintendence and direction of the Board of Directors. Mr.R.Khemka does not have any pecuniary relationship directly or indirectly with the Company or any relationship with the managerial person as disclosed.

The re-appointment and remuneration payable to Mr.R.Khemka as Manager designated as President require the approval of the shareholders in general meeting by way of Special Resolution in terms of Clause (c) (ii) of Part I and Section II of paragraph 1 (B) of Part II of Schedule XIII of the Companies Act, 1956.

The Board of Directors recommends 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 23rd May, 2003 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 10.00A.M. to 12 Noon on any working day upto the date of the meeting.

Item No.7 of the Notice

The Company has made an investment of Rs.115.30 lacs in Nepal Metal Company Limited (NMCL), a company promoted by the Company in Nepal jointly with His Majesty's Government of Nepal and others. Owing to various concerns about the economic viability of the project being put up by NMCL, the pace of work in the said project has slowed down. The Company proposes to disinvest its shareholding favouring the present promoters and/or their associates at a mutually acceptable price. However, the Company considers it prudent to align the investment to reflect their true and fair value.

The Company proposes to set off the above amount against Share Premium Account. With the said adjustment the Company's accounting method in respect of investments would fall in line with Accounting Standards of Institute of Chartered Accountants of India and represent true shareholder value. The set off will not cause any prejudice to the creditors of the Company. The reduction of capital does not involve either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital.

This resolution is subject to the confirmation of the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad.

The Directors recommend the resolution for the approval of Members.

None of the directors is interested in the above resolution.

By Order of the Board
For Hyderabad Industries Limited

Registered Office:
Sanatnagar
Hyderabad - 500 018
Dated: 23rd May, 2003

D.S. Rao
Secretary

Notice (contd.)**HYDERABAD INDUSTRIES LIMITED****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 15th September, 2003 to 26th September, 2003 (both days inclusive).
- iii) M/s. VENTURE CAPITAL AND CORPORATE INVESTMENTS LTD., 6-2-913/ 914, 3rd Floor, Progressive Towers, Khairatabad, Hyderabad - 500 004 has been appointed as Share Transfer Agents (STA) of the Company. All communications in respect of share transfers and change in the address of the members may be communicated to them.
- iv) 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 STA/Company.
- v) 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.

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.

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, 2003.

FINANCIAL RESULTS

Rs. in lacs
2002-2003 2001-2002

Profit before Interest, Depreciation and Tax	1675.81	1976.53
Less: Interest	1634.23	1931.18
Depreciation	827.57	692.92
Loss before Tax	785.99	647.57
Deferred Tax Assets (Net)	505.42	493.79
Loss after Tax	280.57	153.78
Add: Tax Credit for earlier years	—	0.28
Debenture Redemption		
Reserve Written back	225.00	27.50
Transfer from General Reserve	61.01	165.87
Balance as per last year	44.27	4.40
Balance carried to Balance Sheet	49.71	44.27

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

PERFORMANCE

The sales and production of Fibre Cement Sheets, during the year under review, were 389718 MT. and 391674 MT. as against 372279 MT. and 375680 MT. respectively in the previous year.

During the year under review, the Building Products Division of the Company has continued its positive contribution despite the pressure on the margins due to continued over supply position in the market. The sales of this division were affected during the last quarter due to the prevailing drought conditions in major parts of the country. Efforts are being continued to reduce the operating costs.

Government of Andhra Pradesh has awarded "Best Managed Unit" Award to the Company's Unit at Vijayawada, Andhra Pradesh.

The sales volume of AAC Blocks increased during the year under review, due to focus on technical and operational product support services in addition to inherent advantages of these blocks such as quality, strength and thermal insulation properties. The Company has also identified alternative application of the product. The performance of Aerocon Panels was satisfactory during the year under review.

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

During the year under review, the Company has exported Fibre Cement Sheet plant to North America.

Due to continued sluggishness in the core sector industrial activity, the performance of the Heavy Engineering Division was affected adversely during the year under review. The Company has initiated various measures to reduce the costs with an aim to improve the performance of the division. The division has completed the Design, Manufacture, Supply, Erection & Load trials of Main Technology Package Plant for expansion of Rock Phosphate Benefication Plant of Rajasthan State Mines and Minerals Limited.

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 (iv) to this Report.

DISINVESTMENT IN HINDUSTAN POWERPLUS LIMITED

Caterpillar Commercial S.A., a co-promoter of Hindustan Powerplus Limited (HPL) had made an open offer to acquire the equity shares of HPL @Rs.32/- per equity share. In view of the above open offer, the Company has dis-invested 40,59,600 equity shares of Rs.10/- each in HPL, held as Investments, during the current year.

RESEARCH AND DEVELOPMENT (R&D)

R&D facilities of the Company are recognised 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 Australia. This is in addition to the patent already obtained in India, UK & Pakistan. The emphasis on extensive R&D continued during the year under review. R & D activities were directed towards new process development, modernisation and technical innovation, development of value added products, alternative application of the existing products, exploring new avenues for indigenisation and import substitution, with an aim to improve operating efficiency and meet customer needs. The R&D activities were also focussed towards usage of cost-effective raw materials, optimising energy consumption with a view to reduce production costs and enhance product quality.

DIRECTORS

Mr.Siddharth C. Shriram has resigned as a director of the Company with effect from April 3, 2003. The Board placed on record its sincere appreciation for the valuable services

Directors' Report (Contd.)**HYDERABAD INDUSTRIES LIMITED**

rendered by him during his tenure as a director of the Company.

Mr. Krishnagopal Maheshwari, Mrs. Sultana N. Alladin and Mr. Yash Paul, 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 Act, 1956, are given in the Annexure (i) attached hereto and forms part of this report.

CORPORATE GOVERNANCE

The Company has complied with the requirements of 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

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 annexure (iii) attached hereto and forms part of this Report.

ACKNOWLEDGEMENTS

The Directors place on record their appreciation for the unstinted co-operation and support from Financial Institutions, Consortium of Commercial Banks, Customers, Business Associates, Shareholders & Debenture Holders. The Directors also place on record their deep sense of appreciation for dedication and commitment of the Employees at all levels.

On behalf of the Board of Directors

New Delhi, 23rd May, 2003

C.K. BIRLA
Chairman