

ANNUAL REPORT

2003-2004

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HYDERABAD INDUSTRIES LIMITED

Redefining building dynamics for the changing times

Times are changing and change is the only constant in man's quest for a better life. At Hyderabad Industries, we've grown with the times. Providing roofing for low cost housing and for industrial, commercial and public utilities for over 50 years.

With the largest market share, our Charminar brand A.C. Roofing is India's No. 1 and today covers a vast swathe of India.

CHARMINAR
Revolutionary Ideas for the Building Industry

The Charminar brand now embraces a spectrum of value added products for the building industry. From partitions to panelling, false ceiling to mezzanine flooring and high quality building blocks for walls to India's first ever thermal roofing to bring weather under control.

A member of the CK Birla Group, Hyderabad Industries today is leveraging its unique R&D strengths, marketing insights and a vast distribution network to meet the challenge of the changing times. And to be a part of the resurgent India in the post 2000 era.

Call us or visit our website..



HYDERABAD INDUSTRIES LIMITED
www.hydlind.com

**DIRECTORS**

Mr. C.K. Birla, *Chairman*
 Mr. Krishnagopal Maheshwari
 Mr. Shreegopal Daga
 Mrs. Sultana N. Alladin
 Mr. P. Vaman Rao
 Mr. Yash Paul
 Mr. O.P. Jagetiya, *Managing Director*

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, Sanatnagar - 500 018 (AP)
 Faridabad, Sector-25 - 121 004 (Haryana)
 Jasidih, Industrial Area - 814 142 (Jharkhand)
 Dharuhera, Plot No.31, Rewari Dist. - 122 106 (Haryana)
 Uttarapara, Hindmotor - 712 233 (West Bengal)
 Thimmapur, Mahboobnagar Dist. - 509 325 (AP)
 Vijayawada, Plot No.289, IDA, Kondapalli - 521 228 (AP)
 Chennai, Kannigaiper Vil., Tiruvallur Dist., - 601 102 (TN)
 Wada, Musarane Vil., Thane Dist., - 421 312 (Maharashtra)



TO THE SHAREHOLDERS

Notice is hereby given that the Fifty-seventh Annual General Meeting of Hyderabad Industries Limited will be held on Wednesday the 29th day of September, 2004 at 4.00 P.M. at Asbestos Center, Road No.13, Banjara Hills, Hyderabad, Andhra Pradesh to transact the following business:

Ordinary Business

1. To receive and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March 2004 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 M/s.S.R.Batliboi & Co. Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

Special Business

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

"RESOLVED THAT, in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities Exchange Board of India (Delisting of Securities) Guidelines 2003, or any amendment or modification thereof, and subject to such other approvals, permissions as may be necessary and such other conditions as may be prescribed or imposed by any Authority while approving such delisting which may be agreed to by the Board of Directors of the Company, consent be and is hereby accorded to delist the Company's Equity Shares from The Calcutta Stock Exchange Association Limited, Kolkata and The Hyderabad Stock Exchange Limited, Hyderabad.

"RESOLVED FURTHER THAT the authority be and is hereby accorded to the Board of Directors of the Company to settle all questions, difficulties etc., that may arise in this regard and to do all such other acts, deeds, matters and things that are necessary, expedient and desirable for the purpose of giving effect to this Resolution."

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

Item No.5

At present the Company's equity shares are listed on BSE, NSE, Hyderabad Stock Exchange and Calcutta Stock Exchange. With the networking facilities provided by the NSE and BSE all over the country the investors are able to reach the online trading facilities in securities listed with the respective stock exchange from every nook and corner of the country. In view of this extensive trading network the trading at other stock exchanges has come to standstill.

It is observed since last 3 to 4 years almost all trading transactions in the equity shares of the Company are taking place on NSE & BSE. Therefore, it is proposed to get equity shares of the Company voluntarily de-

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

listed from The Calcutta Stock Exchange Association Limited, Kolkata, and The Hyderabad Stock Exchange Limited, Hyderabad as the shareholders are not deriving any benefit and to reduce needless expenses and compliance work.

In accordance with the provisions of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Board of Directors of the Company has approved the voluntarily delisting of its equity shares from above stock exchanges and now commend your approval.

None of the director is interested in this resolution.

By Order of the Board
For Hyderabad Industries Limited

Registered Office:
Sanatnagar
Hyderabad - 500 018
Dated: 26th May, 2004

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 20-9-2004 to 29-9-2004 (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 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 Share Transfer Agent/Company.
- v) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1996 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 1996-97 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, 2004.

FINANCIAL RESULTS

	Rs. in lacs	
	2003-2004	2002-2003
Profit before Interest,		
Depreciation and Tax	1714.86	1675.81
Less : Interest	1355.98	1634.23
Depreciation	805.66	827.57
Loss before Tax	446.78	785.99
Tax Credit for earlier years	25.83	—
Deferred Tax Assets (Net)	338.36	505.42
Loss after Tax	82.59	280.57
Debt Redemption		
Reserve Written back	—	225.00
Transfer from General Reserve	32.88	61.01
Balance as per last year	49.71	44.27
Balance carried to Balance Sheet	—	49.71

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

PERFORMANCE

The fibre cement industry continued to face challenges on account of over supply position due to capacity additions. This has led to pressure on the margins of the Fibre Cement Sheets. The production and sales of Fibre Cement Sheets was higher at 428713 MT. and 417116 MT. as compared to 391674 MT. and 389718 MT. respectively during the previous year. The lower per unit realisation (as compared to the previous year) was off-set by the higher volume which helped the Company to maintain its contribution from the core business activity of fibre cement products. The prevailing economic conditions are conducive to healthy growth of demand for fibre cement sheets during the current year. The pressure on margins however, will continue due to excess availability.

Aerocon Panels and Autoclaved Aerated Blocks (AAC Blocks) are receiving encouraging response from the market due to the efforts made by the Company. Targeted dissemination of information of various uses, alternate applications and inherent advantages of these products as cost effective and time saving products have been the highlights of our marketing thrust in 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 the operating cost and optimize use of inputs.

The performance of the Heavy Engineering Division has been affected adversely due to lower sales. Restructuring of the Division and cost reduction initiatives continued during the year under review. As part of restructuring of operations the Division is taking-up the execution of turn key projects and general engineering. Efforts are continuing to reduce costs and turn around the Division.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A report on Management Discussion & Analysis is appended as Annexure (IV) to this report as per the Clause 49 of the Listing Agreement with the Stock Exchanges.

DISINVESTMENT IN HINDUSTAN POWERPLUS LIMITED

During the year under review, the Company has disinvested 40,59,600 Equity Shares of Rs.10/- each in Hindustan Powerplus Limited (HPL), held as Investments, aggregating to Rs.1299.07 lacs in the open offer of Caterpillar Commercial S.A., a co-promoter of HPL, @ Rs.32/- per equity share.

RESEARCH AND DEVELOPMENT (R&D)

The R&D facilities of the Company are recognised by the Department of Scientific and Industrial Research, Government of India. The R&D activities were oriented 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 to global standards. The R&D activities were also directed towards development and commercialization 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

Mr.C.K. Birla and Mr. Shreegopal Daga, 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, is given in the Annexure (I) attached hereto and forms part of this report.

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

The Company has fully complied with the requirements of Clause 49 of the Listing Agreement 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

The present Statutory Auditors, M/s.S.R.Batliboi & Co., retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received the certificate U/s.224(1B) of the Companies Act, 1956 from M/s.S.R.Batliboi & Co. that their appointment, if made, would be in compliance with the provisions of said section.

The observations made by the Auditors in their Report have been clarified in the relevant notes forming part of the Accounts, which 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 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

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report and is given in Annexure (III) of this Report.

ACKNOWLEDGEMENTS

The Directors place on record their appreciation for the co-operation of and support from Consortium of Banks, Financial Institutions, Business Associates, Shareholders, Debenture holder and Employees.

On behalf of the Board of Directors

New Delhi, 26 May, 2004.

C.K.BIRLA
Chairman



Annexure I

Directors' Responsibility Statement

On the basis of compliance certificate received from the executives of the Company and subject to disclosures in the Annual Accounts, as also on the basis of the discussion with the Statutory Auditors of the Company from time to time, the Board of Directors states:

- A. That in preparation of the annual accounts, for the year ended 31st March, 2004 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 13 - Accounting for Investments

No provision has been made for diminution in the value of long term investment in a joint venture company since the Company has filed a petition with Hon'ble High Court of Andhra Pradesh for confirmation to set off the aforesaid diminution against the share premium account as referred to in Note No.11(a) of Schedule 23 to the Accounts.

Accounting Standard 15 - Accounting for Retirement Benefits

The practice being followed by the Company in respect of accounting for contribution towards meeting gratuity liability has been referred to in Note No.11(b) of Schedule 23 to the Accounts.

- B. That the Directors have selected such accounting policies and applied them consistently except change of method of accounting for Leave Liability and Future Installments Payable under Voluntary Early Retirement Scheme as referred to in Note Nos.2(b)(i) and 2(b)(ii) respectively of Schedule 23 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.

Annexures to the Directors' Report (Contd.)



HYDERABAD INDUSTRIES LIMITED

Annexure II

FORM B

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. 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, optimizing running time of drives during work cycle and optimization of load at units in reduction of maximum demand. Energy efficient lighting system and modernised mechanical devices/systems were installed for optimum usage of power. Further areas of improvement are being constantly perused as part of on going programme to optimise usage of energy.

FORM A

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

(A) Power and Fuel Consumption

	2003-2004	2002-2003
1. Electricity		
a. Purchased		
Units (lacs Kwh)	12.53	17.02
Total amount (Rs. in lacs)	50.34	67.11
Rate/Unit (Rs./Kwh)	4.02	3.94
b. Own Generation		
i) Through Diesel Generator		
Units (lacs Kwh)	1.20	2.87
Units per Ltr. of Diesel Oil	3.56	3.36
Cost/Unit (Rs.)	5.99	4.99
ii) Through Steam Turbine/Generator	—	—
2. Coal	—	—
3. Furnace Oil/ LDHS		
Qty. (K.Ltrs.)	1067	1510
Total amount (Rs. in lacs)	150.41	194.59
Average Rate (Rs./K.Ltrs.)	14097	12887
4. Others / Internal generation	—	—

(B) Consumption per unit of production

Thermal Insulation Products (Refractories)		
Electricity (Kwh/MT.)	819	1045
Furnace Oil/LDHS (Ltrs./MT.)	637	804
Coal	—	—

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 of value added products.
 - Developing new mix of raw materials.
 - Developing alternate applications for Company's Products.
 - Use of cost effective raw materials and indigenisation.
 - Effective utilisation of resources like water, energy and waste materials.
- 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

	2003-2004 (Rs. In lacs)
a. Capital	0.03
b. Recurring	121.88
c. Total	121.91
d. Total R&D expenditure as a percentage of total turnover (%)	0.38



Technology Absorption, Adaptation and Innovation

1. The Company is continuously endeavouring to upgrade its technology from time to time in all aspects through in-house R&D primarily aiming at reduction of cost of production and improving the quality of the product. The Company has successfully achieved results in reduction of costs and improving technical efficiencies. The Company has been implementing innovations suggested by suggestion schemes, task forces and quality improvement teams.
2. Particulars of imported technology (imported during the last 5 years reckoned from the beginning of the financial year): None

Foreign Exchange Earnings and Outgo

The Company has been identifying the export markets and exporting its products particularly Fibre Cement Sheets, AAC Blocks and Aerocon Panels. During the year under review the products of the Company were exported to the Gulf Countries and Maldives. The Company is continuing its endeavours to identify new export markets and increase its exports.

Total Foreign Exchange used and earned:

	2003-2004
A. Foreign Exchange Earned	Rs.in lacs
Export of Goods (FOB)	311.37
Dividend	3.00
Total	314.37
B. Foreign Exchange Used	
Raw Materials, Components, Spares and Capital Goods (CIF)	5691.89
Royalty (Net of Tax)	19.58
Other matters	58.68
Total	5770.15

Annexure III

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2004

EMPLOYED PART OF THE YEAR

Name & Age (Years)	Designation/ Nature of Duties	Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Joining	Particulars of last Employment Name of Employer	Designation	Period of Service
Mr. R. Khemka (74)	Senior President	30,93,899	B.Sc. (Hons.)	50	4-4-58	Sirsilk Ltd.	Executive	9 Months
Mr.O.P.Jagetiya (54)	Managing Director	17,76,297	B.E.(Hons.) MBA, MIE	30	9-9-03	Nagarjuna Fertilizer & Chemicals Ltd.	Whole-Time Director	1 Year

NOTES:

1. Remuneration includes actual payment and/or taxable value of perquisites and Company's contribution to Provident and Other Funds.
2. Nature of appointment - The appointment is on contractual basis.
3. Other terms and conditions - As per rules of the Company.
4. None of the above employees is a relative of any Director of the Company.