

**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 & CEO*

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)
 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)
 Sathariya, SIDA, Jaunpur Dist., - 222 022(UP)
 Thrissur, Mulangunnathukavu P.O., - 680 581(Kerala)

**TO THE SHAREHOLDERS**

Notice is hereby given that the Sixtieth Annual General Meeting of Hyderabad Industries Limited will be held on Friday, the 27th day of July, 2007, at 3.00 P.M. at Asbestos Centre, 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 2007 and the Directors' Report and Auditors' Report thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Mr.C.K.Birla, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Mr.Shreegopal Daga, who retires by rotation and being eligible offers himself for re-election.
5. 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.



By Order of the Board
For Hyderabad Industries Limited

Registered Office:
Sanatnagar
Hyderabad - 500 018
Dated: 27th April, 2007

R.S. Garg
CFO & 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 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 21-07-2007 to 27-07-2007 (both days inclusive).
- iii) M/s.VENTURE CAPITAL AND CORPORATE INVESTMENTS LTD., 6-2-913/ 914, 3RD Floor, Progressive Towers, Khairatabad, Hyderabad - 500 004 is the Share Transfer Agent (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 Share Transfer Agent/Company.
- v) Members holding shares in physical form are informed to furnish their bank account details to the Company / STA to have printed the same on the dividend warrants so as to avoid possibility of misuse of dividend warrants by others.
- vi) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/ unpaid dividends upto the financial year ended 31st March, 1999 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 2004-2005 & 2005-2006, are requested to make their claims to the Company without any delay.



TO THE SHAREHOLDERS

The Directors have pleasure in presenting their Report and the Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

	Rs. in lacs	
	2006-07	2005-06
Profit before Interest, Depreciation, Exceptional Item and Taxation	3957.27	7426.76
Less : Interest	440.08	349.54
Depreciation	955.55	810.85
Profit before Exceptional Items & Taxation	2561.64	6266.37
Exceptional Items	(327.84)	(257.72)
Profit after Exceptional Items	2233.80	6008.65
Deferred Tax (Charge)	(189.52)	(2010.24)
Income Tax/ Fringe Benefit Tax	(530.00)	(232.60)
Tax for earlier years	(117.00)	—
Tax Credit for earlier years	0.13	2.99
Profit after Tax	1397.41	3768.80
Balance as per last year	932.01	587.53
Debenture Redemption Reserve Written Back	187.50	468.75
Surplus Balance transferred from P&L A/c. of MBPL as on April 1, 2005	—	132.39
AVAILABLE FOR APPROPRIATION	2516.92	4957.47
APPROPRIATION		
General Reserve	500.00	3600.00
Proposed Dividend on Equity Shares	373.13	373.13
Corporate Dividend Tax	63.41	52.33
Balance carried to Balance Sheet	1580.38	932.01

DIVIDEND

The Directors recommends, for consideration of the shareholders, at the ensuing Annual General Meeting, payment of dividend, on the Equity Share of Rs.10/- each @ Rs.5/- per Equity Share.

PERFORMANCE

The sale and production of Fibre Cement Sheets during the year 2006-07 were as follows:

Year	Sales M.T.	Increase over previous year	Production M.T.	Increase over previous year
2006-07	544721	(1%)	594548	12%
2005-06	551406	10%	531697	8%

During the period under review it is estimated that the national demand for the Fibre Cement Sheets has grown by about 15% over the previous year. However, the Company could not participate in this growth because of (i) non availability of adequate stocks in the peak season of April-June 2006 and (ii) the requirement of achieving balance between price and volume. Going forward, the Company is confident that it will be able to grow as its products enjoy brand preference in the market and has an efficient distribution net work.

Both, Autoclaved Aerated Concrete Blocks and Aerocon panels have found wider acceptance amongst end users and the specifiers. This is reflected in terms of increase in orders and enquiries received for these products. Recognising the growth potential the Company is planning to further augment production capacities for these products.

Production and Sales of Thermal Insulation products have registered healthy growth. It is proposed to develop new applications for these products and augment production capacity to cater to the growing demand.

NEW PROJECTS

New Fibre Cement Sheet Plant set up at Sathariya Industrial Development Area, Jaunpur (U.P) commenced commercial production from 3rd July 2006. This is amongst the most modern plants in the country with state of the art process automation and pollution control equipment. Operations in this plant have fully stabilized and availability of supply from this plant would enable the company to retain its market share in the Northern belt.

During the year under review the Company has acquired 20 acres of land at Balasore in the state of Orissa to set up a sheeting plant with an initial capacity of 125000 tonnes per annum. This plant is likely to commence commercial production in the second half of 2007-08.

The Company is also in the process to set up an Autoclaved Aerated Concrete Blocks plant in Western part of the country. Substantial progress has taken place in this project. However, due to longer delivery period for imported machinery, commercial production from this plant is expected only by 2008-09.

**EMPLOYEE RELATIONS**

People are the backbone of our operations. It is a matter of great satisfaction for our Company that our employees have been very supportive of the Company's plans. By far the employee relations have been cordial except for few instances in some of our plants where differences with the representative unions resulted in some production loss.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A report on Management Discussion & Analysis is appended as annexure (iv) to this report as per the requirements of Listing Agreement with the Stock Exchanges.

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.

CORPORATE GOVERNANCE

The Company has been making every endeavor to further improve transparency in the conduct of business. As per the requirements of Listing Agreement with the Stock Exchanges a compliance report on Corporate Governance for the year 2006-2007 and a Certificate from the Auditors of the Company are furnished as part of this 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.

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 Board expresses its appreciation for the co-operation and support extended by the financial institutions and banks, Customers, Business Associates, Shareholders and Debenture holders in achieving the goals of the Company. The Directors also place on record their appreciation for the commitment and contribution made by the employees at all levels.

On behalf of the Board of Directors

New Delhi, 27th April, 2007.

C.K.BIRLA
Chairman

**(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, 2007 all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India have been followed.
- B. That the Directors have adopted such accounting policies and applied them consistently except those stated in Note No.2(b) of Schedule 22 of the Accounts and made judgments 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 profit 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.





FORM B

Form for disclosure of particulars with respect to Technology Absorption:

Research and Development (R&D)

1. Specific areas in which R&D is carried out by the Company:
 - a. Process Improvement as an on-going basis.
 - b. Development of ancillary products for AEROCON blocks for fast track construction.
 - c. Development of new products.
2. Benefits derived as a result of the above R&D
 - a. Increase in productivity.
 - b. Cost Reduction.
 - c. Quality Improvement.
 - d. Wastage Reduction.
 - e. Enhanced Customer Satisfaction.

3. Future Plan of Action

Continuation of work in areas specified at S.No.1 to further improve results and benefits.

4. Expenditure on R&D

2006-07
(Rs. In lacs)

a. Capital	—
b. Recurring	83.13
c. Total	83.13
d. Total R&D expenditure as a percentage of total turnover (%)	0.17%

Annexure II

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

Conservation of Energy

Measures were taken to conserve energy by installation of energy efficient equipment and improve productivity from the existing plants by increasing plant availability through improved maintenance practices, reducing down time, increasing meantime between two maintenance cycles and by process improvements. Emphasis has been on increasing productivity by process cycle time reduction, addition of Vth VAT on machines, reduction of sheet formation time and improving efficiencies of the related equipment. Fly ash and Cement handling systems have been upgraded to make them energy efficient and pollution free. Steam curing process has been implemented in all the plants in place of conventional water curing process for reduction in water consumption resulting in optimum utilization of electric power.

FORM A

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

(A) Power and Fuel Consumption

2006-07 2005-06

1. Electricity		
a. Purchased		
Units (lacs Kwh)	15.16	14.61
Total amount (Rs. in lacs)	63.11	58.68
Rate/Unit (Rs./Kwh)	4.16	4.02
b. Own Generation		
i) Through Diesel Generator		
Units (lacs Kwh)	9.81	7.00
Units per Ltr. of Diesel Oil	3.37	3.51
Cost/Unit (Rs.)	9.36	8.25
ii) Through Steam Turbine/Generator	—	—
2. Coal	—	—
3. Furnace Oil/ LDHS		
Qty. (K.Ltrs.)	1132	1011
Total amount (Rs. in lacs)	190.27	157.11
Average Rate (Rs./K.Ltrs.)	16809	15543
4. Others / Internal generation	—	—

(B) Consumption per unit of production

Thermal Insulation Products (Refractories)		
Electricity (Kwh/MT.)	702	737
Furnace Oil/ LDHS (Ltrs./MT.)	679	686
Coal	—	—



Technology Absorption, Adaptation and Innovation

1. Emphasis for development of new process technology and automation of the existing processes and up-grading are the main R&D goals of the Company. R&D is also focused on identifying various new devices/ systems to reduce energy consumption and cost of production. The Company has achieved good results in some areas through its efforts of the R&D and thereby achieved reduction in cost of production, power consumption and improving technical efficiencies.
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

Efforts to identify export opportunities for the products of the Company continued during the year under review. In the pursuit to explore the overseas markets the Company has received orders for its products as well as plant & machinery for manufacturing fibre cement sheets. Some more export orders for plant & machinery are in the pipe-line. Identifying new export markets and increasing exports continues to be one of the major initiatives for the Company.

Total Foreign Exchange used and earned:

	2006-07
A Foreign Exchange Earned	Rs.in lacs
Export of Goods (FOB)	634.89
Others	63.14
Total	698.03
B Foreign Exchange Used	
Raw Materials, Components, Spares and Capital Goods (CIF)	10183.08
Royalty (Net of Tax)	1.05
Other matters	10.38
Total	10194.51

(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, 2007

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.O.P.Jagetiya (57)	Managing Director & CEO	66.30 lakhs	B.E.(Hons.) MBA, MIE	33	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 Funds and Performance Bonus for the year 2006-07.
2. Nature of appointment - The appointment is on contractual basis.
3. Other terms and conditions - As per the resolution of general meeting dt.3-3-04 & rules of the Company.
4. He is not a relative of any Director of the Company.

**(iv) Management Discussion and Analysis Report****Operating Results of the Company**

During the year under review the Company has recorded a Net sales turnover of Rs.439.70 crores and PBIDT of Rs.39.57 crores as against Rs.450.29 crores and Rs. 74.27 crores in the previous year.

Outlook for the Company

The Company's business consists of the following product lines:

- 1) Fibre Cement Sheets (Asbestos as well as Non Asbestos)
- 2) Autoclaved Aerated Concrete Blocks (Light Bricks)
- 3) Aerocon Panels
- 4) Industrial Products (Thermal Insulation Products, Jointings and Engineering Divn.)

Fibre Cement Sheets contributed about 87% of the total revenue during the year under review. The Company with 10 manufacturing lines continues to be the largest producer of Fibre Cement Sheets in the country. With these plants and an extensive dealer network the company has the market reach in all parts of the country.

With the boom in the construction sector and also general growth predictions quite a few new units have come up in sheeting industry. The overall demand growth is very healthy at about 15% but the industry is currently facing a situation of over supply. However, because of the excellent CHARMINAR brand image company's products find preferential acceptance.

The Company believes, demand in this sector will continue to grow as there is no rationally acceptable alternative to Fibre Cement Sheets. The prices of the substitute products, mainly GI sheets, the strength, life and insulation properties continue to provide economic rationale for use of Fibre Cement Sheets.

With this optimistic out look the Company has set up a green field sheet manufacturing plant at Sathariya Industrial Development Area, Jaunpur, U.P which commenced commercial production from 3rd July 2006. With this addition company's production capability has risen to about 7 lac tonnes per annum. Efforts to enhance production and productivity at the existing plants are continuing. The Company is also exploring possibilities of establishing new plants at different locations in the country.

The new generation building products AAC Blocks and Aerocon Panels now find greater acceptance amongst the Architects and Builders. Additional capacities will be planned to capitalise on the expected growth of demand in these product lines.

Risks

The Company has established a formal Risk Management Plan. A Corporate Risk Management Committee has been constituted which goes in to the process of risk assessment, its mitigation and monitoring and reporting. Implementation and review of the risk management initiatives are periodically reported to the Board.

Spurt in prices of raw materials like Chrysotile Asbestos Fibre and Cement has posed a major challenge. Another major cause of concern is that of transport cost which is sensitive to diesel prices. Over a period of time Company has established good relations with reputed Chrysotile Asbestos Fibre suppliers which helps to avoid uncertainty in supply and also reasonable stability of prices. The Company avoids spot purchases of fibres.

Ban or restrictions on use of Asbestos, including Chrysotile, though a distinct possibility continues to remain a perceived risk. Company is fully satisfied that the available scientific evidence clearly establishes that Chrysotile variety of Asbestos does not pose unacceptable environmental or health hazards. Anti Asbestos groups are actively pursuing to secure ban on use of white asbestos as well. Scientific evidence however, is against their propaganda.



The Asbestos Information Centre and Asbestos Cement Products Manufacturing Association, bodies promoted by Indian Manufacturers have been promoting awareness programmes and campaigns to highlight the differences between white (Chrysotile Asbestos) and other (blue and brown) types of asbestos. The education campaigns by these bodies have resulted in better appreciation of scientific facts amongst the decision makers. The possibility of restriction of use of Chrysotile Asbestos is therefore rather remote.

The Company has installed best possible equipment to handle asbestos fibre at the work place. The automated handling practices ensure no exposure for employees in the plants.

BUSINESS SEGMENT ANALYSIS:

The Company's business can broadly be classified into two segments i.e. Building Products and Other Business. The Heavy Engineering business located at Kolkata has already been disposed off.

BUILDING PRODUCT SEGMENT:

This segment consists of Fibre Cement Sheets, Autoclaved Aerated Cement Blocks, Aerocon Panels, Fibre Cement Boards etc. Fibre Cement Sheet is the main product line accounting for about 87% of Company's sales.

Production and sale of Fibre Cement Sheets during the year under review have been 594465 MT and 544721 MT respectively. Growth in quantitative sales could not be achieved during the year due to over supply in the industry by other manufacturers and our own necessity to balance price and volumes.

During the year the operations of erstwhile Malabar Building Products Ltd. got integrated with the Company which resulted in rationalisation of distribution and administrative costs.

The new Fibre Sheet Plant set up at Sathariya Dist. Jaunpur U.P. Commenced commercial production from 3rd July, 2006. The product available from this facility has helped to reduce freight cost and also service the northern and eastern markets more effectively.

The Company has decided to set up a new Plant with an initial capacity of 125,000 MT per annum in Orissa. Major part of Plant and Machinery required for this plant has already been manufactured in-house by Engineering Division. Orders for other bought outs, construction and erection have already been placed or finalised. It is expected that this plant will get commissioned in 2nd half of 2007-08.

Given the current availability of production capacity in the country in relation to the demand, the pressure on prices will continue. The Company believes that due to inherent advantages offered by the product over the substitutes the demand growth will be healthy in double digit. With the marketing infrastructure in place and excellent brand image of Charminar, the Company is confident of gaining a respectful share in this future growth.

The Autoclaved Aerated Cement Blocks and Aerocon Panels have gained popular acceptances. It is proposed to enhance capacities by expansion at existing sites and bringing up new plants. A New Plant for AAC Blocks is proposed to be established in Western India. Commercial production from this facility is likely to be in 2008-09.

OTHER BUSINESS:

Thermal Insulation Products and Jointings are other products which service the industrial segments.

Thermal Insulation Products however offer opportunities for growth and the same will be pursued. Due to consistency and superior properties, company's products are preferred over those of competitors. Efforts will continue for new applications to expand the market size.