
HINDUSTHAN UDYOG LTD.

NOTICE OF ANNUAL GENERAL MEETING TO THE MEMBERS

NOTICE is hereby given that the Sixty-Fourth Annual General Meeting of the Members of **HINDUSTHAN UDYOG LIMITED** will be held on Friday, the 16th day of September, 2011 at 10.00 a.m. at the Registered Office of the Company at Trinity Plaza, 3rd Floor, 84/1A, Topsia Road (South), Kolkata-700046 to transact the following business :

ORDINARY BUSINESS :

- I. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the financial year ended on that date together with Directors' and Auditors' Reports thereon.
- II. To appoint a Director in place of Mrs. Ritu Agarwal, who retires by rotation at this Meeting and being eligible offers herself for re-appointment.
- III. To re-appoint Messrs S. Ghose & Co., Chartered Accountants, the retiring Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Registered Office:

Trinity Plaza, 3rd Floor,
84/1A, Topsia Road (South),
Kolkata - 700046

Date : 30th May, 2011

By Order Of The Board
For Hindusthan Udyog Limited

Shikha Bajaj
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING MAY APPOINT A PROXY TO ATTEND AND VOTE ON A POLL ON HIS/HER BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS WILL REMAIN CLOSED FROM 9TH SEPTEMBER, 2011 TO 16TH SEPTEMBER, 2011 BOTH DAYS INCLUSIVE.

HINDUSTHAN UDYOG LTD.

DISCLOSURE OF THE DETAILS OF DIRECTOR SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING REQUIRED PURSUANT TO CLAUSE 49 (IVG) OF THE LISTING AGREEMENT

| NAME OF THE DIRECTOR | MRS. RITU AGARWAL |
|---|---|
| Date of Birth | 31.03.1975 |
| Date of First Appointment | 30.05.2003 |
| Qualifications | Graduate |
| No. of shares held | NIL |
| Nature of Expertise | Having considerable experience in Business Management and Multinational Market |
| Other Directorships | <ol style="list-style-type: none">1. Asutosh Enterprises Limited2. Poysha Power Generation Private Limited3. Gas Supply Company Private Limited4. Live-Life Buildcon Private Limited5. Morgan Finvest Private Limited |
| Other Committee Memberships/Chairmanships | None |

HINDUSTHAN UDYOG LTD.

BOARD OF DIRECTORS

V. N. AGARWAL, Managing Director
PRAKASH AGARWAL
RITU AGARWAL
ASIM KUMAR GHOSH
BINAYA KAPOOR

COMPANY SECRETARY

SHIKHA BAJAJ

AUDITORS

S. GHOSE & CO.
Chartered Accountants
KOLKATA - 700 001

BANKERS

UNITED BANK OF INDIA
IDBI BANK LIMITED

REGISTERED OFFICE

TRINITY PLAZA, 3RD FLOOR
84/1A, TOPSIA ROAD (SOUTH)
KOLKATA - 700 046

CORPORATE OFFICE

TEMPLE CHAMBER
6, OLD POST OFFICE STREET
KOLKATA - 700 001

HINDUSTHAN UDYOG LTD.

DIRECTORS' REPORT

To
the Members,

Your Directors have pleasure in presenting their 64th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2011.

| | 2010 - 2011 | 2009 - 2010 |
|---|---------------------|---------------------|
| | Rs. in Lakhs | Rs. in Lakhs |
| FINANCIAL RESULTS | | |
| Total Income | 5,548.03 | 5,145.12 |
| Profit before Interest and Depreciation | 605.00 | 759.50 |
| Deduction : | | |
| Interest | 106.18 | 116.44 |
| Depreciation | 190.91 | 198.60 |
| Tax for Earlier Year | — | 6.18 |
| Net Profit after Tax | 307.91 | 438.28 |
| Add : Brought forward Profit/(Loss) | (3,066.49) | (3,504.77) |
| Balance carried forward to Balance Sheet | (2,758.58) | (3,066.49) |

COMPANY PERFORMANCE:

During the year under review, the Total Turnover of the Company increased from Rs. 5,145 Lakhs to Rs. 5,548 Lakhs resulting into a growth of 8%.

However, there was a marginal reduction in the Profits of the Company during the year compared to Previous Year because of adverse market conditions in view of Global Economic and Industrial Slowdown.

The Accumulated Losses of the Company reduced from Rs. 3,066 Lakhs to Rs. 2,758 Lakhs on adjustment of Current Year's Profits.

The Durgapur Unit continued to remain closed during the year.

DIVIDEND:

In view of the Brought forward unabsorbed accumulated losses, the Directors express their inability to recommend any dividend for the year under review.

LISTING OF NEW EQUITY SHARES WITH CALCUTTA STOCK EXCHANGE:

As reported in the last year's Annual Report, 8,49,625 New Equity Shares allotted to the Equity Shareholder of ACC-Nihon Castings Limited pursuant to the Scheme of Amalgamation were listed with the Bombay Stock Exchange.

The same were also listed with the Calcutta Stock Exchange during the year 2010-2011 with effect from 16th June, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review, as stipulated in clause 49 of the Listing Agreements with the Stock Exchanges is appended below :-

A. BUSINESS

The Company is engaged in the manufacturing of Alloy and Stainless Steel Castings with stringent quality requirements required in Turbines, Metal Shredding, Heavy Earth Equipment, Pumps, Valves and Compressors and other Heavy Engineering Industries. It is also engaged in the manufacturing of Material Handling Equipments of varied nature required in the Mines, Cement Plants, Power Plants and Other General Engineering Sectors. The manufacturing units are located in Kolkata and Nagpur.

B. REVIEW OF OPERATIONS & FUTURE PROSPECTS

The Two Induction Furnaces with dual track record at the Nagpur Unit, which were made fully operational during the last year, have enabled the Company to maintain its bottomline.

During the year 2010-2011 the Company was primarily focused on the development of different kinds of Castings under various grades so as to meet the requirements of its Customers.

In fact, the Company has decided to maintain the development of new varieties of Products as its primary motive in the coming year also.

It is also taking steps for major quality improvements which will enable it to meet the requirements of international regulations and procure bulk export orders from global engineering majors.

Most of the Industries dealing in Turbines, Power, Pumps, Compressors, Valves, Traction and Locomotives will be in need of components which we are manufacturing in substantial volumes in view of their expected expansion plans. Their need will benefit the growth of the Overall Foundry Industry and therefore the Future Prospects of the Industry in which we are operating seems bright and promising.

In view of above, your Company hopes to enhance its profitability in the coming years.

C. OPPORTUNITIES AND THREATS, RISKS AND CONCERNS

The Company sees opportunity in the development and supply of critical castings required in High Alloy Steel or Iron Segment. In addition to catering to the requirements of mostly the Ferrous Segments, the Company also sees the scope for growth in the Non-Ferrous Segment.

Further, good opportunity also exists for the Company to develop and cater new export markets.

For capturing the aforesaid opportunities, the Company is continuously carrying on improvement of its infrastructure and other facilities and workings which will enable it to yield better results in the near future.

However, the main causes of concern of your Company in the year to come are:-

- i) Demand for the Company's highly sophisticated steel casting products in few critical segments only.
- ii) Stagnancy in the Market Demand due to General Economic conditions.
- iii) Dependence on a few number of Customers in the Export Market. Any change in their requirements will have a direct impact on the Exports Volume of the Company.
- iv) Currency Fluctuations in adverse direction.
- v) Fluctuations in raw material prices on the fixed price orders which will have a consequential effect on the bottomline.

D. INTERNAL CONTROL SYSTEM

The Company has internal control procedures commensurate with the nature of its business and size of its operations. The objective of these procedures are to ensure efficient use and protection of the Company's resources, accuracy in financial reports and due compliance of statutes and Company policies and procedure.

The Internal Audit function is conducted by a Senior Management Team of the Company. The reports of such audit, the progress in implementation of recommendations contained in such reports and the adequacy of internal control systems are reviewed by the Audit Committee of the Board in its periodical meetings.

HINDUSTHAN UDYOG LTD.

E. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Industrial Relations were cordial during the year under review. At all levels, employees of the Company are fully committed to the growth of the Company and there was no loss of work due to any industrial relation problem during the year.

CORPORATE GOVERNANCE:

The principles of good Corporate Governance through professionalism, accountability, transparency, trusteeship and control have always been followed by your Company and it has complied with all the applicable provisions of Corporate Governance as per Clause 49 of the Listing Agreements with the Stock Exchanges.

A separate Report on Corporate Governance as prescribed by the Listing Agreement forms part of the Annual Report 2010 - 2011 along with the Auditors' Certificate on its compliance in Annexure "B".

DIRECTORS:

Mrs. Ritu Agarwal, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers herself for re-appointment.

A Brief Resume of the above mentioned Director seeking re-appointment is attached to the Notice of the ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors state as follows:-

- (i) That in the preparation of the Annual Accounts for the financial year ended 31st March, 2011, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your Company for that period.
- (iii) That the Directors had taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors had prepared the Annual Accounts for the financial year ended 31st March, 2011 on a "going concern" basis.

AUDITORS:

Messrs S. Ghose & Co., Chartered Accountants, Auditors of the Company, hold office till the conclusion of this Annual General Meeting. They have expressed their willingness to continue as the Auditors of the Company, if so re-appointed and have furnished to the Company the requisite certificate to the effect that their re-appointment, if effected, would be within the limits prescribed under section 224(1B) of the Companies Act, 1956. Accordingly, approval of the Shareholders will be sought at the ensuing Annual General Meeting of the Company to the re-appointment of and remuneration payable to Messrs S. Ghose & Co., Chartered Accountants as Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

FIXED DEPOSIT:

Your Company has not invited and/or accepted any deposits from the General Public under Sections 58A and 58AA of the Companies Act, 1956 and the Rules framed thereunder.

PARTICULARS OF EMPLOYEES

Information required to be given pursuant to the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to your Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, as required under section 217(1)(e) of The Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure "A".

CODE OF CONDUCT:

Your Company has formulated Code of Conduct which applies to Board Members and Senior Management Personnel of the Company. Confirmations towards adherence to the Code during the Financial Year 2010-2011 have been obtained from all the Board Members and Senior Management Personnel in terms of the requirements of Clause 49 of the Listing Agreement and a declaration relating to compliance of this code during the year under review by all Board Members and Senior Management Personnel has been given by the Managing Director of the Company which accompanies this report.

ACKNOWLEDGEMENTS:

Your Directors would like to thank shareholders, customers, dealers, suppliers, bankers, employees union and all other business associates for the continuous support given by them to the Company and their confidence in its management.

FOR AND ON BEHALF OF THE BOARD

V. N. AGARWAL
RITU AGARWAL
DIRECTORS

Place: Kolkata
Date: 30th May, 2011

HINDUSTHAN UDYOG LTD.

ANNEXURE – “A”

PARTICULARS 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

ENERGY CONSERVATION MEASURES TAKEN :

All Units of the Company continues the endeavor to reduce the energy consumption per unit of production.

Energy Conservation Measures taken at the Units located in Kolkata are :

- i) Replacement of motors/pumps/lighting with energy efficient models.
- ii) Optimization of electrical distribution system.
- iii) Improvements to reduce heat gain/cooling losses from building.

Energy Conservation Measures taken at the Unit located in Nagpur are :

- i) Installation of Induction Furnaces for melting and the bulk production is done through these Induction Furnaces instead of Electric ARC Furnace.
- ii) Rationalization of Pump Capacities and use in many areas of pumps with lower power ratings with the same efficiency.
- iii) Use of duplex billets instead of Loose Scrap for manufacturing of Duplex Steel Castings.

The above mentioned measures initiated across the Company's business have resulted in significant savings in Energy Consumption and has helped in partially offsetting the inflationary trend in Electricity Costs. The energy savings have also helped to reduce total Carbon Di-oxide emissions.

Even though the consumption of Electricity per MT of production has increased during the year under review the same is competitive when compared with the industry standards.

| | POWER CONSUMPTION | For the year ended 31.03.2011 | For the year ended 31.03.2010 |
|----|--|----------------------------------|----------------------------------|
| 1) | Electricity Units purchased (KWH in Lakhs) Total Amount (Rs. In Lakhs) Rate/Unit (Rs.) | 86.25 485.61 5.63 | 76.28 405.94 5.32 |
| 2) | Light Diesel Oil Units purchased (Ltrs. In Lakhs) Total Amount (Rs. In Lakhs) Rate/Unit (Rs.) | 3.45 113.23 32.82 | 4.42 133.42 30.19 |
| 3) | Consumption/Unit of production Product (Units) : Steel, Alloy and Cast Iron Castings (MT) Electricity (KWH/MT) Light Diesel Oil (Ltrs/MT) | 2783 3099 124 | 2580 2957 171 |

TECHNOLOGY ABSORPTION :**Research and Development (R&D) :**

Research and Development is continuously carried on for the improvement in quality of the existing products and production process so as to bring them in line with the requirements of Customers or Industry Standards and the Company has succeeded in making out the improvements in the quality and efficiency in production.

Areas in which R&D have been carried out by the Company are :

- a) Development of many new products at Nagpur Unit such as Pump Castings in SG D2, CF8M, Impellers and Bowls in Duplex Stainless Steel, Magnet Frame in Cast Steel, Pump Castings and end shields in Plain SG iron. The development of Pump Castings in duplex stainless steel and 4th stage DVMX Pump Casting by the said Unit is under process.
- b) Development of Big size D2 Casting Orders.
- c) Development of valves which are in demand in huge volumes by various Industries is being considered by the Company.

Expenditure on Research and Development has been charged under primary heads of accounts.

Technology absorption, adaptation and innovation

The Company has not imported any new technology during the last five years reckoned from the beginning of the Current Financial Year i.e. 1st April, 2010.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

| | |
|--------------------------------------|-------------------|
| Total Foreign Exchange earned | Rs. 1437.97 Lakhs |
| Total Foreign Exchange used | Rs. 266.70 Lakhs |

V. N. AGARWAL
RITU AGARWAL
DIRECTORS

ANNEXURE “B”

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance :

1) THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Good Governance practices stem from culture and mind set of the organization. As stakeholders across the country evidence keen interest in the practices and performance of Companies, Corporate Governance has emerged on the centre stage.

The Company has always believed in conducting its affairs in a fair and transparent manner and in maintaining the highest ethical standards in its dealings with all its constituents. It aims to constantly review its systems and procedures at all levels to achieve the highest level of Corporate Governance in the overall interest of all the Shareholders.

In terms of Clause 49 of the Listing Agreements with the Stock Exchanges, the details of compliances made by the Company for the year ended 31st March, 2011 are as follows:

2) BOARD OF DIRECTORS

The Board of Directors is the apex body constituted by the shareholders for overseeing the overall functioning of the Company. The Board provides and evaluates the strategic direction of the Company, management policies and their effectiveness and ensures that long term interests of the shareholders are being served.

The Company's policy is to maintain an optimum combination of Executive and Non-Executive Directors. As on 31.03.2011 the Company's Board consists of Five Directors out of which two are Independent Directors who are eminent professionals with experience and expertise in Business, Industry, Finance and Law.

Both the Independent Directors of the Company furnish a declaration at the time of their re-appointment as also annually that they qualify the conditions of their being independent as laid under Clause 49. All such declarations are placed before the Board. Mr. A.K. Ghosh and Mr. Binaya Kapoor are the Independent Directors.

The Composition of the Board and the category of Directors as on 31.03.2011 are as follows :

| Sl. No. | Categories of Directors | No. of Directors | % of Total No. of Directors |
|---------|---|------------------|-----------------------------|
| 1. | Executive Director & Promoter (Managing Director) | 1 | 20.00 |
| 2. | Non-Executive Director & Promoter | 2 | 40.00 |
| 3. | Non-Executive & Independent Director | 2 | 40.00 |
| | TOTAL | 5 | 100.00 |