

# **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**

IDBI BANK LIMITED  
UNITED BANK OF INDIA

## **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 67th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2014.

	2013 - 2014	2012 - 2013
	₹ in Lakhs	₹ in Lakhs
<b>FINANCIAL RESULTS</b>		
<b>Total Revenue</b>	<b>4,616.62</b>	<b>5,399.40</b>
<b>EBITDA</b>	<b>418.51</b>	<b>743.76</b>
Less :		
Finance Costs	163.96	128.46
Depreciation	174.00	172.70
Tax Expense	5.77	39.00
<b>Profit after Tax (PAT)</b>	<b>74.78</b>	<b>403.60</b>
Add : Opening Balance in Profit & Loss Account	(2,097.02)	(2,500.62)
<b>Closing Balance</b>	<b>(2,022.24)</b>	<b>(2,097.02)</b>

## COMPANY PERFORMANCE:

The economic growth in India continued to remain sluggish in the current financial year 2013-14 with the GDP growth rate remaining below 5% for the second consecutive year. In such a challenging economic scenario, your Company continued to perform and maintain positive margins, inspite of a decrease in its Revenues.

Its Profit after tax for the year was ₹ 74.78 Lakhs with a Total Revenue of ₹ 4,616.62 Lakhs which has reduced the Accumulated Losses of the Company as on year end to ₹ 2,022.24 Lakhs.

Your Company is hopeful of reviving back its growth and profitability margins in the year to come in view of the expected positive momentum in the Indian as well as Global Economy.

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.

## 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, Earth Moving and Mining Equipment, Power Plants, Pumps, Valves, Compressors and other Heavy Engineering Industries. It is also engaged in the manufacturing of Material Handling Equipments of varied nature required in Mines, Cement Plants, Power Plants and Other General Engineering Sectors. The Company has two manufacturing units located in Kolkata and Nagpur.

### B. REVIEW OF OPERATIONS & FUTURE PROSPECTS

The Company during the year continued to create New Products and Customers and improvements in quality of its Existing Products which has enabled it to maintain its margins and profitability.

The key operational highlights at both the Units were:-

#### ***Nagpur Unit***

- Development of Pump Casings in Super Duplex Stainless Steel grade.
- Impellers, Bowl and bell in CD4MCuN Grade developed.
- Development of 9.5 M/T single piece Discharge Bowl in Grey Cast Iron.
- Installation and operation of new VTL Machine.
- Development of Valve Bodies weighing 5M/T for BHEL Trichy.
- Increase in Line molding capacities by modification of existing line.
- Commencement of Fabrication work in the new machine shop.
- Erection of Pattern Storage Shed.

#### ***Kolkata Unit***

- Successful development of Creep Steel Castings
- Development of Duplex Stainless Steel Grade 5A Castings with the help of technology for Hot Knockout obtained from Manchester, UK which will reduce chances of rejections of castings due to cracks.
- Removal of Low Alloy and plain Carbon Steel Items so as to concentrate on making of only High Alloy Steel Castings (H.A.S.) with good margins.
- Getting good responses for H.A.S. Castings from several Pump, Valve and Steam Turbine Industries as delivery is being made in the shortest possible time.

The Company's strategy in the coming years is to focus on only specific Industries of Pumps, Valves and Turbines (both Steam and Hydro) as growth in these sectors over a long term is clearly visible and there is a big gap in demand and supply.

In addition to the domestic market, the Company's products also have a good Export Market.

### C. OPPORTUNITIES AND THREATS, RISKS AND CONCERNS

The Company sees opportunity in the development and supply of high contribution items.

Further, good opportunity also exists in catering of new export markets which needs to be aggressively tapped.

However, your Company is exposed to certain risks and areas of concern for it are:-

- (i) Demand for Company's highly sophisticated steel casting products in few critical segments only.
- (ii) Stagnancy in the Market Demand due to General Economic conditions.
- (iii) Heavy Dependence on Few Customers in the Export Market. Any change in their requirements will have a direct impact on the Exports of the Company. Hence, the Customer base needs to be widened.
- (iv) Currency Fluctuations in adverse direction.
- (v) Fluctuations in raw material prices can affect the bottomline as most of the orders are fixed price orders with no price variation clause.
- (vi) Pressure on Pricing.
- (vii) Increase in Prices of Power and other Manufacturing Overheads.

## **HINDUSTHAN UDYOG LTD.**

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### **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 procedures.

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.

### **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 2013-14 along with the Auditors' Certificate on its compliance in Annexure "B".

### **DIRECTORS:**

Mr. Prakash Agarwal, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

A Brief Resume of the above named 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, 2014, 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, 2014 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 in this regards. Accordingly, Shareholders approval will be sought at the ensuing Annual General Meeting of the Company to their re-appointment and remuneration payable to them.

### **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 a 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 2013-2014 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, suppliers, bankers, employees 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, 2014

# 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 control and 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) Bulk Production done through Induction Furnaces for melting 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 will ensure savings in the Company's Energy Consumption.

Even though the rates of Electricity have increased during the year under review, the same is comparable with the Industry Standards.

	POWER CONSUMPTION	For the year ended 31.03.2014	For the year ended 31.03.2013
1)	<b>Electricity</b> Units purchased (KWH in Lakhs) Total Amount (₹ In Lakhs) Rate/Unit (₹)	47.04 407.40 8.66	65.15 535.22 8.22
2)	<b>Light Diesel Oil</b> Units purchased (Ltrs. In Lakhs) Total Amount (₹ In Lakhs) Rate/Unit (₹)	2.08 91.44 43.96	2.57 117.89 45.87
3)	<b>Consumption/Unit of production</b> Product (Units): Steel, Alloy and Cast Iron Castings (MT) Electricity (KWH/MT) Light Diesel Oil (Ltrs./MT)	1,488 3,161 140	2,131 3,057 121

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

Research and Development is continuously carried on for improvement in the 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.

Expenditure on Research and Development are 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, 2013.

**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Foreign Exchange earned	₹ 1,255.17 Lakhs
Foreign Exchange used	₹ 4.04 Lakhs

FOR AND ON BEHALF OF THE BOARD

Place: Kolkata  
Date: 30th May, 2014

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, 2014 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 31.03.2014 the Company's Board consisted of Five Directors out of which two were Independent Directors who are eminent Professionals with experience and expertise in Business, Industry, Finance and Law.

The Composition of the Board as on 31.03.2014 are as follows:

Sl. No.	Category	No. of Directors	% of Total
1.	Executive Director & Promoter Managing Director	1	20.00
2.	Non-Executive Director & Promoter	2	40.00
3.	Independent Non-Executive Director	2	40.00
	<b>TOTAL</b>	<b>5</b>	<b>100.00</b>



## HINDUSTHAN UDYOG LTD.

The further details relating to the Composition of the Board as on 31.03.2014 are as follows :

Sl.	Name of the Board Members	Category	No. of other Directorships (including all Indian and Foreign Companies)	No. of other Board Committee(s) of which he/she is a Member	No. of other Board Committee(s) of which he/she is a Chairperson
1.	Mr. V. N. Agarwal	Managing Director & Promoter	14	7	2
2.	Mr. Prakash Agarwal	Non - Executive Director & Promoter	22	5	—
3.	Mrs. Ritu Agarwal	Non - Executive Director & Promoter	3	—	—
4.	Mr. Binaya Kapoor	Independent Non - Executive Director	2	2	—
5.	Mr. A.K. Ghosh	Independent Non - Executive Director	5	4	2

Mr. Prakash Agarwal is the son of Mr. V.N. Agarwal and husband of Mrs. Ritu Agarwal.

### 3) DETAILS OF BOARD MEETINGS AND ANNUAL GENERAL MEETING HELD AND ATTENDED BY THE DIRECTORS DURING THE FINANCIAL YEAR 2013-2014

(i) During the Financial Year 2013-14 Six Board Meetings were held on:-

13th May 13, 8th August 13, 20th September 13, 30th October 13, 30th January, 14 and 25th March 14.

(ii) Details of Attendance record of the Directors at the Board Meetings and the last Annual General Meeting are as follows:

Name of the Board Members	No. of Board Meetings Attended	Attendance at the last AGM held on 25th July, 2013
Mr. V.N. Agarwal	6	Yes
Mr. Prakash Agarwal	6	Yes
Mrs. Ritu Agarwal	6	Yes
Mr. Binaya Kapoor	4	Yes
Mr. A.K. Ghosh	6	Yes

### 4) BOARD MEETINGS

- i) The Company's Governance policy requires the Board to meet at least four times in a year with a time gap between any two Board Meetings not exceeding four months.
- ii) In terms of Company's Corporate Governance Policy, all statutory, significant and material information are placed before the Board to enable it to discharge its responsibility.
- iii) The Internal Guidelines for Board Meetings facilitate the decision making process at the Meeting of the Board in an informed and efficient manner.

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### **5) BOARD AGENDA**

Meetings are governed by structured Agenda. The Board Members in consultation with the Chairman may bring up any matter for the consideration of the Board.

### **6) INFORMATION PLACED BEFORE THE BOARD**

Apart from the items that are required to be placed before the Board for its approval, both under the statutes and the Governance policy, the following are also tabled for the Board's periodic review and information.

- i) Quality performance against plan
- ii) Treasury Policy
- iii) Internal Audit Findings
- iv) Status of business risk exposure and its management
- v) Write offs/disposals
- vi) Significant Court judgment and order
- vii) Terms of reference of Board Committees

### **7) BOARD PROCEDURE**

- (i) The Members of the Board have been provided with the requisite information as required by Annexure 1A to Clause 49 of the Listing Agreements well before the Board Meetings and the same were dealt with appropriately.
- (ii) All Directors who are in various committees are within the permissible limits as stipulated in Clause 49(IC) of the Listing Agreements. The Directors from time to time have intimated to the Company their Memberships/Chairmanships in various Committees in other Companies.

### **8) POST-MEETING FOLLOW UP SYSTEM**

The Governance process in the Company includes an effective post-meeting follow up, review and reporting process for action taken/pending on decision of the Board/Board Committees.

### **9) COMMITTEES OF THE BOARD**

Currently there are three Board Committees - the Audit Committee, Investors' Grievance Committee and Remuneration Committee. The Terms of reference of the Board Committees are determined by the Board from time to time. Meetings of each Board Committee are convened by the respective Committee Chairman. Signed Minutes of Board Committee Meetings are placed at the Board Meetings for the information of the Board.

#### **i) AUDIT COMMITTEE**

Audit Committee of the Board, inter alia provides re-assurance to the Board on the existence of an effective internal control environment that ensures:

- (a) Overseeing the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statements are correct, sufficient and credible.
- (b) Compliance with Listing and legal requirements concerning financial statements.
- (c) Recommending to the Board the appointment/re-appointment of Statutory Auditors, fixation of their Audit Fees and approving payments made for any other services rendered by them.
- (d) Reviewing with the Management the Quarterly and the Annual Financial Statements before submission to the Board for approval.
- (e) Reviewing with the management the performance of the Statutory Auditors and the adequacy of internal control function.
- (f) Discussion with the Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussions to ascertain any area of concern.