

Committed to safety, Always



ANNUAL REPORT 2009-2010



CAPEXIL

Certificate of Export Recognition

Certificate of Merit

Presented to

M/s. Hindustan Composites Limited, Mumbai

in recognition of their export achievement in respect of

Asbestos jointing sheets and brake linings

for the year 2008-2009

Chairman
CAPEXIL

(Sponsored by Ministry of Commerce & Industry, Govt. of India)
Vaniya Bhavan
1/1, Wood Street, Kolkata-700016

Date : 27th November, 2009



**CAPEXIL, Chairman Presents
Export Performance Award 2008-09 to our Company official.**

BOARD OF DIRECTORS

Raghu Mody	Chairman
P. K. Choudhary	Managing Director
Vinay Sarin	Executive Director
V. D. Ingle	Executive Director
Varunn Mody	
K. M. Robinson	
D. L. Lyon	
V. B. Haribhakti	
A. B. Vaidya	
Lt. Gen. (Retd.) K.S.Brar	
Haigreve Khaitan	Alternative Director to Mr. K. M. Robinson
Amit Goenka	G. M. Finance & Company Secretary

AUDITORS

Lodha & Co.

SOLICITORS

Khaitan & Co.

BANKERSBank of Baroda
Union Bank of India**REGISTERED OFFICE**B-11, Paragon Condominium,
Pandurang Budhkar Marg, Worli,
Mumbai - 400 013.**REGISTRAR & TRANSFER AGENTS**Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (W), Mumbai - 400 076.**WORKS**

Paithan	: D-2/1, MIDC Industrial Area.
Bhandara	: C-10/1, Bhandara Indl. Area, Gadegaon.
Jalna	: C-11, Addl, Jalna Indl. Area.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Sixth Annual General Meeting of the Company will be held at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai 400 018 at 4.00 p.m. on Tuesday, 7th day of September 2010 to transact the following business:

ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet as at 31st March 2010 and Profit and Loss Account for the year ended 31st March 2010 together with the reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2010.
3. To appoint a Director in place of Mr. Raghu Mody, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. M. Robinson, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors 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:

6. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the re-appointment of Mr. Vinay Sarin as Executive Director - Marketing of the Company for a further period of 1 (one) year w.e.f. 9th August 2009, on the terms and conditions as set out in the Explanatory Statement attached to this Notice, be and is hereby approved, with liberty to the Board of Directors to revise the terms with regard to remuneration, from time to time, within the limits provided for in the Schedule XIII or any amendment thereto for the time being in force.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the currency of tenure of Mr. Vinay Sarin as Executive Director - Marketing of the Company, the payment of salary, perquisites and other allowances as approved by this resolution shall be payable as minimum remuneration to him.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts and deeds as may be necessary to give effect to the above resolution."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other

applicable provisions, if any, of the Companies Act, 1956, the re-appointment of Mr. V. D. Ingle as Executive Director - Manufacturing of the Company for a further period of 1 (one) year w.e.f. 1st April 2010, on the terms and conditions as set out in the Explanatory Statement attached to this Notice, be and is hereby approved, with the liberty to the Board of Directors to revise the terms with regard to remuneration from time to time, within the limits provided for in the said Schedule XIII or any amendment thereto for the time being in force.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the currency of tenure of Mr. V. D. Ingle as Executive Director - Manufacturing of the Company, the payment of salary, perquisites and other allowances as approved by this resolution shall be payable as minimum remuneration to him.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts and deeds as may be necessary to give effect to the above resolution."

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 the revision in remuneration payable to Mr. P. K. Choudhary, Managing Director of the Company for the remaining period of his tenure with effect from 1st April 2010 on the terms and conditions as set out in the Explanatory Statement attached to this Notice, be and is hereby approved, with the liberty to the Board of Directors to revise the terms with regard to remuneration from time to time, within the limits provided for in the said Schedule XIII or any amendment thereto for the time being in force.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the currency of tenure of Mr. P. K. Choudhary as Managing Director of the Company, the payment of salary, perquisites and other allowances as approved by this resolution shall be payable as minimum remuneration to him.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts and deeds as may be necessary to give effect to the above resolution."

By order of the Board of Directors

Place: Mumbai
Date: 20th May 2010

Amit Goenka
G. M. Finance & Company Secretary

Regd. Office :
B-11, Paragon Condominium,
P. B. Marg, Worli, Mumbai 400 013

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 3rd September 2010 to 7th September 2010 (both days inclusive).
3. The shares of the Company are listed on Bombay Stock Exchange Ltd., National Stock Exchange of India Ltd., and The Kolkata Stock Exchange Association Limited. Listing fees for the financial year 2010-11 has been paid to all the stock exchanges except The Kolkata Stock Exchange Association Limited, where the company has applied for de-listing.
4. Members are requested to bring their copies of the Annual Report to the Meeting.
5. Members who hold shares in dematerialized form are requested to bring their client ID and DPID numbers for easier identification of attendance at the meeting.
6. As required under Section 205A and 205C of the Companies Act 1956, unclaimed dividend for the financial years ended up 31st March 2002 has been transferred to the Investor Education and Protection Fund (IEPF). The balance amount lying in unpaid dividend account for the financial year 2002-2003 is due for transfer to the Investors Education and Protection Fund by 25th September 2010. The shareholders whose dividend is unclaimed for the aforesaid financial year are requested to claim it immediately from the Company, otherwise no claim shall lie against the said Fund or the Company in respect of any amounts which remained unclaimed for a period of seven years from the date it becomes first due for payment and no payment shall be made in respect of any such claim.
7. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the replies can be made available at the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Information of Directors being proposed for re-appointment (as required under Clause 49(IV)(G) of the Listing Agreement)**

Mr. Raghu Mody, aged 71 years, is Chairman of the Company since 1987. He is a leading industrialist with several years of extensive and varied experience. He is also the Chairman of J. L. Morison (India) Ltd., Rasoi Ltd., and Director of many other companies. He does not hold any shares in the Company.

Mr. Mody has wide experience in setting up an operating Business in Edible oil, Health care products, Cosmetics, Auto Components and other Industrial Products. He has successfully collaborated with world renowned Companies of Germany, U.K., Switzerland etc. to bring the new generation technologies in India.

Mr. K. M. Robinson, aged 62 years, is a leading lawyer based in the United Kingdom. Mr. Robinson is associated with the Company for

last 15 years as a Director. Mr. Robinson possesses rich experience in Mergers & Acquisitions, International Taxation and Trade Laws.

He does not hold any shares in the Company.

Mr. Vinay Sarin, aged 62 years, a Post Graduate in Management from Jamnalal Bajaj Institute of Management Studies, Mumbai is associated with the Company for last 22 years having a total experience of 39 years in Automobile Industry. He does not hold directorship in any other company and does not hold any shares in the Company.

Mr. V. D. Ingle, aged 63 years, is a Science Graduate, associated with the Company for last 36 years and has considerable experience in the manufacturing function of the Company. He does not hold directorship in any other company and does not hold any shares in the Company.

Item No. 6

Mr. Vinay Sarin was re-appointed as Executive Director Marketing of the Company for a further period of 1 (one) year w.e.f. 9th August, 2009 on the following terms and conditions:

1.	Salary	Rs. 41,000/- per month, and Special Allowance of Rs. 40,000/- per month with an increase which may be decided by the Board of Directors from time to time within limits, specified in Schedule XIII of the Companies Act, 1956.
2.	Accommodation	Free furnished accommodation with reimbursement of the cost of electricity, water, gas and maintenance in the premises etc., not exceeding Rs. 3,600/- per month. In case no accommodation is provided, the payment of HRA subject to the ceiling of sixty percent of salary.
3.	Conveyance / Motor Car	Provision of motor car with driver or Rs. 20,000/- per month.
4.	Medical	Reimbursement of medical expenses and insurance premium for self, spouse and dependant children, not exceeding Rs. 15,000/- per annum.
5.	Leave Travel Concession	As per rules of the Company's Scheme not exceeding Rs. 70,000/- per annum.
6.	Provident and other funds including superannuation and gratuity	As per rules of the Company's Scheme.
7.	Personal Accident Insurance	As per rules of the Company's Scheme.
8.	Club subscription	Reimbursement of club subscription fee of one club.
9.	Leave encashment	Encashment of leave accumulation as per the rules of the Company.

The above remuneration to be paid as minimum remuneration in the absence or inadequacy of profits, subject to the provision of Part II of Schedule XIII of the Companies Act, 1956.

In view of considerable gain to the Company by the re-appointment of Mr. Vinay Sarin through his expertise and experience, the Directors recommend the Ordinary Resolution for approval of the members.

Except Mr. Vinay Sarin, none of the Directors are interested in this resolution.

Item No. 7

Mr. V. D. Ingle was re-appointed as Executive Director Manufacturing of the Company for a further period of 1 (one) year from 1st April 2010 on the following terms and conditions:

1.	Salary	Rs. 41,000/- per month, and Special Allowance of Rs. 40,000/- per month with an increase which may be decided by the Board of Directors from time to time within limits, specified in Schedule XIII of the Companies Act, 1956.
2.	Accommodation	Free furnished accommodation with reimbursement of the cost of electricity, water, gas and maintenance in the premises etc., not exceeding Rs. 3,600/- per month. In case no accommodation is provided, the payment of HRA subject to the ceiling of sixty percent of salary.
3.	Conveyance / Motor Car	Provision of motor car with driver or Rs. 20,000/- per month.
4.	Medical	Reimbursement of medical expenses and insurance premium for self, spouse and dependant children, not exceeding Rs. 15,000/- per annum.
5.	Leave Travel Concession	As per rules of the Company's Scheme not exceeding Rs. 70,000/- per annum.
6.	Provident and other funds including superannuation and gratuity	As per rules of the Company's Scheme.
7.	Personal Accident Insurance	As per rules of the Company's Scheme.
8.	Club subscription	Reimbursement of club subscription fee of one club.
9.	Leave encashment	Encashment of leave accumulation as per the rules of the Company.

The above remuneration to be paid as minimum remuneration in the absence or inadequacy of profits, subject to the provision of Part II of Schedule XIII of the Companies Act, 1956.

In view of considerable gain to the Company by the re-appointment of Mr. V. D. Ingle through his expertise and experience, the Directors recommend the Ordinary Resolution for approval of the members.

Except Mr. V. D. Ingle, none of the Directors are interested in this resolution.

Item No. 8

The Board of Directors of the Company has revised the remuneration payable to Mr. P. K. Choudhary Managing Director of the Company for the remaining period of his tenure w.e.f. 1st April 2010 as follows:

1.	Salary	Rs. 70,000/- per month and special allowance of Rs. 70,000/- per month with an increase which may be decided by the Board of Directors from time to time within the limits, as specified in Schedule XIII to the Companies Act, 1956.
2.	Accommodation	Free furnished accommodation with reimbursement of the cost of electricity, water, gas and maintenance in the premises etc. not exceeding Rs. 9,000/- per month. In case no accommodation is provided, the payment of HRA subject to the ceiling of sixty percent of the salary.
3.	Conveyance/ Motor Car	Provision of motor car with driver or Rs. 25,000/- per month.
4.	Medical	Reimbursement of medical expenses and insurance premium for self, spouse and dependant children, not exceeding Rs. 40,000/- per annum.
5.	Servant Allowance	Provision for Servant Allowance Rs. 6,000/- p.m.
6.	Leave Travel Concession	As per rules of the Company, not exceeding Rs. 75,000/- per annum.
7.	Provident and other funds Including Superannuation and gratuity	As per rules of the Company's Scheme.
8.	Personal accident insurance	As per rules of the Company's Scheme.
9.	Club subscription	Reimbursement of club subscription fees of one club.
10.	Leave encashment	Encashment of leave accumulation as per the rules of the Company.

The above remuneration to be paid as minimum remuneration in the absence or inadequacy of profits, subject to the provision of Part II of Schedule XIII of the Companies Act, 1956.

The Directors recommend the Ordinary Resolution for approval of the members.

Except Mr. P. K. Choudhary, none of the Directors are interested in this resolution.

By order of the Board of Directors

Place: Mumbai
Date: 20th May 2010

Amit Goenka
G. M. Finance & Company Secretary

Regd. Office :
B-11, Paragon Condominium,
P. B. Marg, Worli, Mumbai 400 013

DIRECTORS' REPORT

Your Directors present their Forty Sixth Annual Report together with the Audited Accounts for the year ended 31st March 2010.

1. FINANCIAL RESULTS

	Rs./Lacs Year ended 31st March 2010	Rs./Lacs Year ended 31st March 2009
Net Sales	8990	7731
Other Income	549	306
Profit before Interest, Depreciation and Exceptional item	1471	1124
Interest	(193)	(283)
Depreciation (Net)	(382)	(350)
Profit before Exceptional items and tax	896	491
Profit on sale of Land & Building at Ghatkopar	56703	-
Employees separation cost	(309)	(346)
Profit before tax	57290	145
Provision for Taxes	9769	104
Profit after taxation	47521	41
Profit available for appropriation	47562	41
Appropriations		
Proposed Dividend	550	-
Corporate Dividend Tax	93	-
Transfer to General Reserve	46800	-
Surplus carried to Balance Sheet	119	41

2. DIVIDEND

The Directors are pleased to recommend a dividend of Rs. 10 per share being 100% of the paid-up equity capital of company, for the year ended 31st March, 2010. The Corporate Dividend Tax of Rs. 0.93 Crores will be payable on total dividend amount of Rs. 5.50 Crores.

3. PERFORMANCE

The Company's performance for the year 2009-10 displayed higher sales and improved profitability.

Your Directors are pleased to state that during the year under review, the Company successfully sold its Land & Buildings at Ghatkopar with a realisation of Rs. 571 Crores. The entire consideration was received on 18th January, 2010, upon execution of necessary documents. This has laid to unlocking of large unutilised resources of the Company, which can hitherto be employed towards Company's expansion plan, to take advantage of the current business opportunities.

The turnover of the Company increased by 16% to Rs. 89.90 Crores from Rs. 77.31 Crores in the previous year. This growth was achieved with a focus on the Railway and Trade segments. The gross profit also increased to Rs. 14.71 Crores from Rs. 11.24 Crores. After considering interest and depreciation, the profit before exceptional items was much higher at Rs. 8.96 Crores, as against Rs. 4.91 Crores. There was a one time profit of Rs. 567.03 Crores on the sale of the Ghatkopar Land & Buildings. After considering this and cost towards employees separation of Rs. 3.09 Crores, the Profit before Tax was Rs. 572.90 Crores, as against Rs. 1.45 Crores. Profit after taxation was much higher at Rs. 475.21 Crores as against Rs. 0.41 Crores in the previous year.

With the achievement of planned production, the performance at the Company's Paithan Unit was satisfactory. The Management entered into a productivity linked agreement with the Union for a period of 3 years, during the year under review.

The Performance of the Bhandara Unit was also satisfactory with increased production of Clutch Facings and Industrial Brake Linings.

The Performance of the Jalna Unit was not upto the expectations, mainly due to stiff competition from the unorganized sector. Specific steps are being undertaken in order to increase the productivity and reduce the cost.

The Company participated in the "Auto Expo 2010" at Pragati Maidan, New Delhi, which is rated as the largest Automobile Exhibition in Asia. This would improve the Company's visibility to present and potential customers leading to increased business.

With the present improved economic business outlook specially in the Automotive & Industrial sectors, the Company is poised for future growth, in order to fully take advantage of new business opportunities. With the substantial funds now available, the Company is now exploring various avenues for business expansion. In the meanwhile, the surplus funds available with the Company are being judiciously employed to maximise returns in a prudent and efficient manner.

4. PUBLIC DEPOSITS

There were no deposits at the beginning of the year and the Company did not accept any deposits from the public during the year.

5. PERSONNEL

The information required under Section 217 (2A) of the Companies Act, 1956 is not given as none of the employee was in receipt of remuneration in excess of the limits specified there under.

6 CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

Particulars required under Section 217 (1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption are given in an Annexure to this Report

7. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange earning from exports amounted to Rs 772 Lacs, on FOB value basis whilst the outgo for raw materials, components and spares amounted to Rs. 962 Lacs.

8. DIRECTORS

The Board of Directors re-appointed Mr. Vinay Sarin as Executive Director Marketing for a period of one year w.e.f. 9th August, 2009 and Mr. V. D. Ingle as Executive Director Manufacturing, for a period of one year w.e.f. 1st April, 2010, subject to approval at the forthcoming Annual General Meeting.

Mr. Raghu Mody and Mr. K. M. Robinson, Directors, retire by rotation and, being eligible, offer themselves for reappointment.

9. AUDITORS

M/s Lodha & Co., the Auditors of your Company who hold office until the conclusion of the forthcoming Annual General Meeting, being eligible, offer themselves for re-appointment.

10. CORPORATE GOVERNANCE

As required by the Listing Agreement, the Corporate Governance Report, including Management Discussion and Analysis Report and the Certificate of Compliance from the Auditors, is attached and forms part of this Report.

11. DIRECTORS' RESPONSIBILITY STATEMENT

On the basis of information placed before them, the Directors state that

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- (ii) appropriate accounting policies have been selected and applied consistently 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 or loss of the Company for that period;
- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the annual accounts have been prepared on a going concern basis.

12. ACKNOWLEDGEMENT

The Directors gratefully acknowledges the support and co-operation given by all dealers, distributors, employees, shareholders and bankers and look forward to their continued support.

For and on behalf of the Board of Directors

Raghu Mody
Chairman

Place: Mumbai
Date : 20th May, 2010

ANNEXURE TO DIRECTORS' REPORT

CONSERVATION OF ENERGY

- (1) Major design changes in Dry-Mix Dies from individual sets to Composite dies has resulted in power saving of 7% .
- (2) Replacement of hermetically sealed compressor on chill water plant has resulted into power saving 25% on the chill water plant.
- (3) Specific checks and balances have been implemented to maintain the power factor at unity in all three plants.

R & D

- (1) Specific areas where R&D being carried out by the Company.
 - High performance Commercial Vehicle Brake Lining.
 - Development of Disc Brake Pads for LHB Coaches for Railways.

- (2) Benefit of the above :

Additional business of OEM and Railway.

- (3) Future Plan of Action:

Development of Noise free Disc Brake Pads and Drum Brake Linings for Passenger Car / 2-3 wheelers.

- (4) Expenditure :

4.1 Capital	-	Rs. 2 Lacs
4.2 Recurring	-	Rs. 57 Lacs
4.3 Total	-	Rs. 59 Lacs
4.4 Total as a % of Turnover	-	0.66 %

TECHNICAL ABSORPTION, ADAPTATION & INNOVATION

Association with the overseas consultancy firm for technical know-how continues.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW

The slow-down which impacted the Indian Economy in the last year, showed signs of recovery in the later part of the current year, especially on account of higher industrial output. Stimulus package unveiled by the Government comprising of various monetary and fiscal measures, gave the desired results. Despite the deficient monsoon, leading to decreased agricultural output, the Indian Economy has been upbeat with higher than expected GDP growth of over 7%. There was buoyancy in the automobile industry with Commercial Vehicle, Car and 2 Wheeler sales shown a remarkable recovery.

PRODUCTION RANGE

Our Company is engaged in the manufacturing and marketing of fibre based composite materials, consisting of Friction and Sealing products. Friction Materials include Brake Liners, Roll Linings, Clutch Facings, Disc Brake Pads used in Heavy and Light Trucks, Passenger Cars, 2 / 3 wheelers, off-road-vehicles, Construction & Mining equipment. Composition Brake Blocks are also used by the Railways. Sealing materials include Jointings, Textile and Insulation Board used in automobiles and other industries.

OPPORTUNITIES AND THREATS

With increased demand from automotive segment both in O.E. / Trade coupled with high demand from Railway, the company foresee the better business opportunities. Upgradation in technology, improvement in manufacturing process will continue to be a driving force for the Company. However, high inflation both in food and other commodities is posing a threat, towards increase in production cost. The recent sovereign crisis, in few European countries may dampen the recovery spirit. This threat may not impact us much since we foresee the robust local demand.

BUSINESS OUTLOOK

Although, market conditions remains competitive during the current year, the Company expect improved results with better order book in all its product segment. The Company will continuous to focus its efforts on upgradation of process technology, improvement in productivity and cost reduction.

With availability of large surplus fund, the company is exploring various business opportunities in Auto Component and Industrial segment including putting up a new state of art Asbestos-free manufacturing facility. Company will also deploy its surplus fund in various high growth investment, which will considerably improve the profitability.

RISKS AND CONCERNS

The Asbestos based products are being replaced with Asbestos-Free products internationally as well as by major customers in India. The Government is also putting stricter control on manufacture and usage of Asbestos based products. While the Company is systematically displacing Asbestos based production with Asbestos-free production, a complete transition can be only in a phased manner.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The Company believes that Internal Control is a necessary concomitant of governance. The Company has effective internal control systems under which Management Reports on key performance indicators and variance analysis are made. Regular Management Committee Meetings are held, where these reports and variance analysis are discussed and action plan initiated with proper follow-up. The Internal Audit function also reviews the execution of all operations to ensure controls are adequate. Operational Reports are tabled at Board Meetings after being discussed in Audit Committee Meetings.

HRD / INDUSTRIAL RELATIONS

The thrust of the Company's human resource development is to create a responsive and market-driven organization with emphasis on performance. Continuous appraisal of the competencies of the personnel in line with job requirements are carried out to provide for necessary training to personnel thereby facilitating higher levels of output and productivity. The relations at Paithan, Bhandara & Jalna are satisfactory.

COMPANY'S FINANCIAL PERFORMANCE AND ANALYSIS

The Company's financial performance and analysis is already discussed in detail in the Directors' Report which forms part of the Annual Report.

CAUTIONARY STATEMENT

The statement in the Management Discussion and Analysis Report cannot be construed as holding out any forecasts, projections, expectations, invitations, offers, etc. within the meaning of applicable securities, laws and regulations. This Report basically seeks to furnish information, as laid down within the different headings to meet the Listing Agreement requirements.

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

1. A brief statement on Company's philosophy on code of governance.

The Company believes in transparency, professionalism and accountability, which are basic principles of corporate governance and would constantly endeavor to improve on these aspects.

2. Corporate Ethics.

The Company adheres to the highest standards of business ethics, compliance with statutory and legal requirements and commitment to transparency in business dealings.

2.1 Code of Conduct of Board Members and Senior Management.

The Board of Directors of the Company adopted the Code of Conduct for its members and Senior Management at their meeting held on 5th September 2005 and it is reviewed periodically. The Code highlights Corporate Governance as the cornerstone for sustained management performance and for serving all the stakeholders and for instilling pride of association. The code has been posted on the website of the Company i.e www.hindcompo.com.

2.2 Code of Conduct for Prevention of Insider Trading.

The Company has adopted a Code of Conduct for Prevention of Insider Trading for its management, staff and directors. The Code lays down guidelines and procedures to be followed and disclosures to be made by directors, top level executives and staff whilst dealing in shares. The Company Secretary has been appointed as the Compliance Officer and is responsible for adherence to the Code.

2.3 Whistle Blower Mechanism.

The Company encourages all employees, officers and directors to report any suspected violations promptly and intend to investigate any good faith report of violations.

2.4 SHE (Safety, Health & Environment) System.

The Company has adopted Safety, Health and Environment (SHE) System with a commitment to provide a safe and healthy working environment.

3. Secretary's Responsibility Statement.

The Company Secretary confirms that the Company has:

- Maintained all the Statutory Registers required to be maintained under the Companies Act, 1956 ("the Act") and the rules made thereunder.
- Filed all the forms and returns and furnished necessary particulars in time to the Registrar of Companies (ROC), Ministry of Company Affairs (MCA) and/ or Authorities as required under the Act.
- Issued all notices as required to be given for convening the meeting of the Board of Directors and General Meetings of the shareholders within the time limit prescribed by law.
- Conducted the meetings of the Board of Directors and Annual General Meeting as per the provisions of the Act.
- Complied with all the requirements relating to the minutes of the proceedings of the meeting of the Directors and the shareholders.
- Made due disclosures under the requirements of the Act including the requirements in pursuance to the disclosures made by the Directors.
- Obtained necessary approvals of the directors, shareholders, Central Government and other authorities as per the statutory requirements.
- Given loans and made investments in accordance with the requirements of the Act.
- Not exceeded the borrowing powers of the Company.
- Registered all the particulars relating to the creation, modification and satisfaction of the charges with the Registrar of Companies.
- Effected share transfers and despatched the certificates within the time prescribed under the Act and the rules made thereunder.
- Complied with all the requirements of the Listing Agreement entered into with the Stock Exchanges wherever the Company's shares are listed.

The Company has also complied with the requirements prescribed by Securities and Exchange Board of India (SEBI) and other statutory authorities and also the requirements under the Act and related statutes in force.