

ANNUAL REPORT 2003-04

Commitment to environment

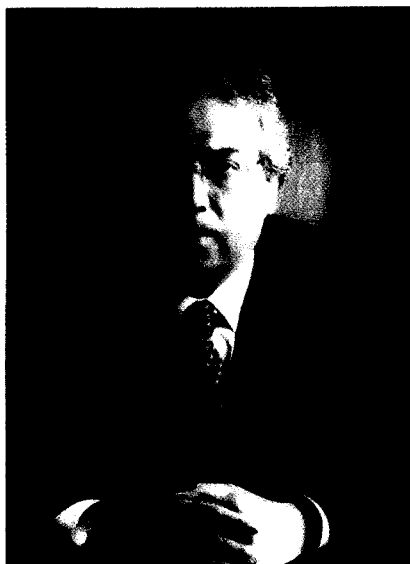
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REMEMBERING OUR FOUNDER



Mr. M R Chhabria

Founder, Jumbo Group

(1st March, 1946 - 6th April, 2002)

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He had the courage:

To translate his focussed vision.

And seize fleeting opportunities.

He had the commitment:

To grapple with challenges.

And face adversity undaunted.

He has gifted us a legacy:

To accelerate with enthusiasm.

And capture victory relentlessly.

BOARD OF DIRECTORS

(As on 16th June, 2004)

Ms. V. M. Chhabria	Chairperson
Mr. Suresh Dadlani	Managing Director
Ms. Komal C. Wazir	Director
Mr. Sudhinkumar Chandra	Director
Dr. H. R. Bhojwani	Director
Mr. H. N. Nanani	Director

COMPANY SECRETARY

Mr. K. Krishnamoorthy

AUDITORS

M/s. Lodha & Company

SOLICITORS AND ADVOCATES

Kanga & Co.
Crawford Bayley & Co.
Little & Co.

BANKERS

The United Western Bank Limited
Indian Overseas Bank
Bank of Baroda

REGISTERED OFFICE

Dorr-Oliver House, Chakala, Andheri (East), Mumbai-400 099.

WORKS

5/1/2, G.I.D.C., Vatwa, Ahmedabad-382 445.

REGISTRAR & SHARE TRANSFER AGENTS

M/s. Sharepro Services

Satam Estate, 3rd Floor, Above Bank of Baroda,
Cardinal Gracious Road, Chakala,
Andheri (E), Mumbai-400 099.
Tel. No.: 28215168, 28348218
Fax No.: 28375646

912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai-400 021.
Tel. No.: 22881568/69
Fax No.: 22825484



Ms. V. M. Chhabria
Chairperson

CHAIRPERSON'S REVIEW

Dear Shareholder:

The year 2003-04 was a mixed bag for the Indian industry. Certain sectors of the industry relevant to your company witnessed downturn while new opportunities sprang up elsewhere. Your company continued its forward march by tapping new opportunities, breaking fresh ground. Accordingly, net sales are up nine per cent.

Technology is the bedrock of Hindustan Dorr-Oliver (HDO). In that context, international alliances forged and nurtured by your company over the years assume critical importance. HDO continues its drive to forge new alliances with technological majors for sourcing the cutting edge technology. Your company has been able to fight the downturn and increased competition on account of its technological strengths and its ability to provide total engineering solutions in core competency areas.

Your company has adopted the policy of broad-basing its services across a wide spectrum of industries to overcome the periodical downturn in certain sectors. While pulp and paper, environment, mineral processing, oil and petroleum continue to be the mainstay for your company, new technologies are being sourced and adapted for targeting emerging areas. For instance, during the year under review your company has forged an alliance with EMO of France for sludge handling equipment, Granit of Switzerland for lignin removal from pulp effluents, Dorr-Oliver EIMCO Germany for design, manufacture and sale of Dorr-Oliver proprietary equipment and other well known names in oil and gas related areas.

These alliances will stand HDO in good stead in tapping emerging opportunities across a broad spectrum of industries like solid waste management, oil petroleum and fertilizers. In fact, the fertilizer sector is all set to look up in view of newfound thrust on agriculture by the central government. Energy is another promising sector and your company has already bagged some prestigious orders in that segment.

As exports come under pressure in view of uncertain conditions in major markets such as the Gulf countries and the Middle East, domestic market has started picking up. In particular, the environment management sector is opening up and is currently the second largest revenue grosser for your company after pulp and paper. Your company expects new projects as states begin to clear projects that have been held up for a long time.

Your company is shifting focus eastwards on account of export opportunities in China, Vietnam, Thailand, Malaysia etc. Moreover as the relations with neighbouring countries improve, new avenues are opening up in Sri Lanka and Pakistan.

Exposure to international markets entails certain degree of risk in view of changing situations. Your company has increased focus on timely delivery of orders and fast completion of projects so as to defray the risk. Cost savings and wastage control will help improve margins.

The HDO team deeply acknowledges your patronage support that has helped the company take on all challenges with confidence.

Thank You!

VM Chhabria



FINANCIAL HIGHLIGHTS

	31.03.2004	31.03.2003	31.03.2002	30.03.2001	31.03.2000
CAPITAL ACCOUNTS: (Rs. in '000)					
Net Worth* (including Revaluation Reserve)	575051	711152	701520	671188	647563
Borrowings	171652	171819	140556	130532	133718
Gross Block	463844	665772	662042	634097	535124
Net Block	265494	466399	472048	475801	440540
Net Current Assets	455558	343061	287916	263710	315322
REVENUE ACCOUNTS: (Rs. in '000)					
Sales	748622	683419	583428	544492	376327
Other Income	12445	24820	28091	23736	31726
Profit from Operations	121220	67757	51083	30605	- 33375
Interest	18192	18508	13783	7893	9846
Profit before tax	103028	49249	37300	38126	- 43221
Profit after tax	97342	32998	31968	35286	- 49952
Net Earning for Appropriations	101169	30489	20348	10924	- 15015
Dividend (excluding Dividend Tax)	5077	5077	5702	7128	—
Retained Earnings	85012	24762	14646	3069	—
SELECTED INDICATORS:					
Return on Capital Employed (%)	14.28	6.08	4.91	12.67	—
Unexecuted Orders on Hand (Rs. in crore)	142.27	63.69	236.00	42.13	21.64
Current Ratio	2.01:1	1.18:1	1.75:1	1.54:1	1.93:1
Borrowing/Shareholders' Funds	0.50:1	0.62:1	0.56:1	0.56:1	0.56:1
Sales/Shareholders' Funds (times)	2.18	2.46	2.33	2.34	1.58
Earning per share (Rupees)	17.87	3.50	4.01	7.42	—
Dividend per share (Rupees)	1.20	1.20	1.20	1.50	—
Book Value per share* (Rupees)	135.93	149.65	147.63	141.24	136.27
Market Value per share – High (Rupees)	48.90	34.95	30.85	17.90	42.00
– Low (Rupees)	13.75	13.50	5.00	9.90	15.00

* After Revaluation of Assets in the year 1989-90, 1992-93 and 1995-96.



NOTICE

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the Members of Hindustan Dorr-Oliver Limited will be held on Monday, the 20th day of September, 2004 at 3.00 p.m. at the Amar Gian Grover Auditorium, Lala Lajpat Rai College, Lala Lajpat Rai Marg, Haji Ali, Mumbai – 400 034 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sudhinkumar Chandra, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT subject to the approval of the Central Government and such other approvals, if any, as may be required, in partial modification of earlier resolutions passed by the Remuneration Committee, Board of Directors and the Shareholders in this behalf, approval be and is hereby accorded to the payment of remuneration to Mr. Suresh Dadlani, the Managing Director of the Company from 1st January, 2004 till the unexpired term of his appointment (i.e. from 1st January, 2004 to 21st June, 2005), as set out in the Explanatory Statement, annexed to this Notice, notwithstanding that such payment would exceed the limits in terms of Sections 198, 269, 309, 310 and Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of loss or absence or inadequacy of profits in any financial year during the said period, the Managing Director shall be entitled to the above remuneration as 'minimum remuneration' as per the provisions of Schedule XIII of the said Act, as in force and as amended from time to time.

By Order of the Board of Directors

K. Krishnamoorthy
Company Secretary

Registered Office :

'Dorr-Oliver House',
Chakala, Andheri (East),
Mumbai – 400 099.

Date : 16th June, 2004.

NOTES :

1. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is appended to the Notice.
2. In terms of Clause 49 VI.A of the Listing Agreement with the Stock Exchanges, the details of Mr. Sudhinkumar Chandra, Director who retires by rotation and being eligible offers himself for re-appointment, are furnished below:

Mr. Sudhinkumar Chandra, aged 64 years, is a Bachelor of Chemical Engineering. He is presently working as Chief Executive Officer (Beach Sand Mining) of Ardeshir B Cursetjee & Sons Limited . He has working experience of more than 43 years which includes his long association with various reputed organisations such as Bhabha Atomic Research Centre and India Rare Earths Limited.

Mr. Sudhinkumar Chandra is not a director in any other company and therefore provisions of Section 274(1)(g) of the Companies Act, 1956 read with the Companies (Disqualification of Directors under 274(1)(g) of the Companies Act, 1956) Rules, 2003 are not attracted.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 14th September, 2004 to Monday, 20th September, 2004 (both days inclusive).

NOTICE (Contd.)

4. The Dividend on equity shares as recommended by the Board of Directors of the Company, if declared at the Meeting, will be payable to those shareholders holding shares in physical form whose names shall appear in the Register of Members of the Company as on 20th September, 2004 and in respect of shares held in electronic form, the dividend will be payable to the beneficial owners of the shares on 20th September, 2004 as per the details furnished by the Depositories for this purpose.
5. Members are requested to furnish bank details in order to enable the Company to print the same on the dividend warrants. In respect of members holding shares in electronic form, bank details as furnished by the depositories to the Company will be printed on the dividend warrants.
6. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the dividend declared for the year ended 31st March, 1996 has been transferred to Investors Education and Protection Fund (IEPF) on 20th November, 2003. The dividend for following years remaining unclaimed for 7 years will be transferred by the Company to IEPF as per the schedule given below:

Sr. No.	Financial Year	Date of Declaration of Dividend	Due for transfer to IEPF in
1.	1996-97*	3 rd September, 1997	October, 2004
2.	1997-98	22 nd September, 1998	November, 2005
3.	1998-99	27 th September, 1999	November, 2006
4.	2000-01	29 th September, 2001	November, 2008
5.	2001-02	30 th September, 2002	November, 2009
6.	2002-03	13 th September, 2003	October, 2010

* Communication has been sent to the respective shareholders advising them to lodge their claims on or before 30th September, 2004 with respect to unclaimed dividend for the Financial Year 1996-97, which is due for transfer to IEPF in October, 2004.

7. Members are requested to notify any change in their addresses specifying full address in block letters with pin code quoting their Folio No. directly to the Company's Registrar & Share Transfer Agents - M/s. Sharepro Services, Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai - 400 099, Phone No.28348218, 28215168, Fax No.28375646.
8. M/s. Lodha & Company, Chartered Accountants, Mumbai the retiring Statutory Auditors, have vide their letter dated 15th June, 2004 signified their willingness to be re-appointed as Statutory Auditors at the ensuing Annual General Meeting and have confirmed that their reappointment, if made, will be in accordance with the limits specified in Section 224(1B) of the Companies Act, 1956.
9. Members desirous of obtaining any information pertaining to the Accounts may forward such queries in writing to the Chief Financial Officer at the Registered Office of the Company atleast 10 days prior to the meeting in order to keep the information ready to the extent possible.
10. Members or their Authorised Representatives / Proxies are requested to bring their copies of the Annual Report to the meeting.
11. Those members who have not yet dematerialised their shares are requested to get the same demated since trading in equity shares of the Company is permitted only in dematerialised form with effect from 26th December 2000 as per the Circular SMDRP/POLICY/CIR-23/2000 dated 29th May, 2000 issued by the Securities and Exchange Board of India.
12. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN HIS STEAD AND A PROXY NEED NOT BE A MEMBER. PROXY IN ORDER TO BE VALID SHALL BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE TIME OF THE MEETING.

NOTICE (Contd.)
EXPLANATORY STATEMENT

(Pursuant to Section 173 of The Companies Act, 1956 in respect of Item No. 5 of the accompanying Notice dated 16th June, 2004)

Item No. 5:

The members of the Company by a Resolution passed at the Annual General Meeting held on 29th September, 2000 had approved the appointment of Mr. Suresh Dadlani as the Managing Director of the Company for a period of 5 years with effect from 22nd June, 2000. The said resolution inter alia provided that in the absence or inadequacy of profits in any financial year during Mr. Dadlani's term of office, he shall be paid minimum remuneration as provided in Schedule XIII to the Companies Act, 1956 ('the Act'). Further, the Members of the Company at the Extraordinary General Meeting held on 8th June, 2001 have approved the payment of remuneration as approved by them at their Meeting held on 29th September, 2000, as minimum remuneration in the absence or inadequacy of profits.

Further, the Remuneration Committee and the Board of Directors of the Company at their Meetings held on 25th June, 2002 and the shareholders of the Company at the Annual General Meeting held on 30th September, 2002 have approved the revised terms and conditions of remuneration payable to Mr. Dadlani as per the amended Schedule XIII of the Act for a period of 3 years with effect from 1st April, 2002.

The proposed revised terms and conditions of remuneration including minimum remuneration payable to Mr. Dadlani with effect from 1st January, 2004 during the unexpired term of his appointment (i.e. from 1st January, 2004 to 21st June, 2005) as approved by the Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 30th January, 2004 are as under:

(i) Ad-hoc Performance Incentive / Bonus

Ad-hoc Performance Incentive / Bonus of Rs. 11 lakhs due and payable during the last quarter of the Financial Year 2003-04, in addition to the Performance Incentive / Bonus of Rs. 6 lakhs p.a. approved by the Members of the Company at the Annual General Meeting held on 30th September, 2002.

(ii) Revised remuneration during the unexpired term of appointment effective from 1st January, 2004 (i.e. from 1st January, 2004 to 21st June, 2005):
(i) Salary:

Consolidated salary : Rs. 1,40,000/- per month.

(ii) **Allowance** : Rs. 75,000/- per month.

(iii) Performance Incentive:

The Managing Director shall be entitled to Performance Incentive / Bonus not exceeding Rs.6.00 Lakhs for each financial year or part thereof as may be decided by the Remuneration Committee.

(iv) Perquisites:

1. The Company shall provide and maintain unfurnished residential accommodation to the Managing Director or House Rent Allowance of Rs. 60,000/- per month in lieu thereof.
2. Leave Travel Assistance for self and family subject to a maximum of Rs.1.30 Lakhs p.a.
3. Reimbursement of medical expenses for self and family upto Rs. 30,000/- p.a. and insurance coverage as per Company Scheme.
4. Gas & Electricity at actuals.
5. Monthly/Yearly subscription for Club Membership of any two clubs to be borne by the Company.
6. A telephone, fax, laptop and internet connection at residence for the purpose of business of the Company.
7. Use of Cellular Phone.

(v) Provident Fund, Superannuation and Gratuity benefits as per the rules of the Company.

(vi) Company maintained Car for use on Company's business with reimbursement of driver's salary.

(vii) Other Terms and Conditions:

- a. The Managing Director shall be entitled to leave as per Company's Rules.
- b. The Managing Director shall be entitled to encashment of earned leave at the end of his tenure as per Company's Rules.

NOTICE (Contd.)

Abstract of the modified terms and conditions of remuneration payable to Mr. Dadlani and the Memorandum of Interest pursuant to Section 302 of the Act has been mailed to the Members.

The Board recommends the resolution at Item No. 5 for approval by the Members.

None of the Directors of the Company except Mr. Dadlani is concerned or interested in the passing of the Resolution at Item No. 5.

Statement containing the information as per Part II, Section II, para 1 (C) of Schedule XIII to the Companies Act, 1956

I. General Information :
Nature of industry

- (1) The Company is engaged in engineering and manufacturing of high tech, state of the art process equipment for capital intensive industries such as pulp and paper, minerals beneficiation, sugar, chemical and water and waste water treatment, oil / refinery and food processing. The Company also undertakes turnkey projects for water and waste water treatment and minerals beneficiation, fertilizer and other industries.

- (2) Date or expected date of commencement of commercial production

Not applicable

- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.

Not applicable

- (4) Financial performance based on given indicators
(Financial year 31st March, 2004)

(a) Net Sales	Rs. 748,622 thousand
(b) Return on capital employed (%)	14.28 %
(c) Current Ratio	2.01:1
(d) Earning per share	Rs. 17.87
(e) Dividend per share	Rs. 1.20
(f) Book value per share (After revaluation of assets)	Rs. 135.93

- (5) Export performance and net foreign exchange collaborations

Foreign exchange earned for the year ended 31st March, 2004 was Rs. 213,982 thousand.

- (6) Foreign investments or collaborators, if any.

74.89% of the Equity Share Capital of the Company is held by Jumbo World Holdings Limited.

The Company had entered into alliances with technological leaders like Mackenzie Hydrocarbons of Australia for Oil and Gas systems, Virotec of Australia for soil beneficiation, EMO of France for sludge handling equipments, Granit of Switzerland for lignin removal from pulp effluents and other well known names in the field of technology for systems for Oil and Gas related areas.

The technological strength in the field of Water and Waste Water Treatment resulted in receipt of turnkey contracts from customers like Kolkata Metro, Telco, IIT and in the field of Effluent Treatment from prestigious refineries of IOCL, BPCL, etc.

Efforts are on to enter into such tie-ups with other leading players in other fields where the Company is engaged.

II. Information about the appointee :

- (1) **Background details**

Mr. Suresh Dadlani, aged 54 years, is a Bachelor of Engineering (B.E.) with Post Graduate Diploma in Management Studies from Bombay University . He has also attended the highest level Advanced Management Programme in Harvard Business School , U.S.A.

- (2) **Past remuneration**

Mr. Suresh Dadlani was appointed as the Managing Director of the Company on 22nd June, 2000 and the remuneration paid to him during the financial year 2000-01, 2001-02 and 2002-03 is as under :