

DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in submitting their 31st Annual Report and the audited Statement of Accounts for the year ended 31 March, 2006.

FINANCIAL RESULTS

(Rs. in '000)

	Year ended 31 March, 2006	Year ended 31 March, 2005
Net Sales	1,414,080	838,098
Other Income	24,690	29,765
Total Income	1,438,770	867,863
Gross profit before interest and depreciation / amortisation	87,283	45,055
Interest and finance charges (Net)	6,014	19,849
Depreciation / Amortisation	7,441	4,778
Profit before tax	73,828	20,428
Provision for taxation	15,089	9,261
Tax adjustments for earlier years	(6,001)	—
Profit after taxation	64,740	11,167
Balance brought forward from previous year	86,489	83,062
Balance available for appropriation	151,229	94,229
Appropriations		
Proposed dividend for the financial year at the rate of Rs. 0.40 per share	11,601	5,077
Corporate Dividend Tax	1,627	663
Transfer to General Reserve	20,000	2,000
Retained profits carried forward to Balance Sheet	118,001	86,489

PERFORMANCE

The Company achieved net sales of Rs.1,414,080 thousands for the year ended 31 March, 2006 as against the net sales of Rs. 838,098 thousands achieved in the previous year recording a growth rate of 69%. With close monitoring on costs and expenses, the year ended with a gross profit of Rs. 87,283 thousands (previous year Rs.45,055 thousands) and a pre-tax profit of Rs. 73,828 thousands (previous year Rs. 20,428 thousands).

The improvement in performance is mainly attributable to initiatives undertaken by the Company which helped secure increased order volume from esteemed customers. Further, the reduced cost of finance and savings in interest due to equity infused have contributed to improved results.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 0.40/- per Equity share of Rs. 2/- for the year ended 31 March, 2006. The consequent outflow will be Rs. 11,601 thousands. Your Board further proposes to transfer to General Reserve an amount of Rs. 20,000 thousands out of the profits.



DIRECTORS' REPORT Contd.

BONUS SHARES

In view of the commendable performance made by your company as explained above, your Directors are pleased to recommend issue of Bonus shares in the ratio of 1:5 (One Equity share of Rs. 2/- each as Bonus Share for every Five fully paid-up equity shares of Rs. 2/- each held on the record date)

CHANGE IN MANAGEMENT

During the year under report the Company's major shareholder, viz. Jumbo World Holdings Ltd. ("JWHL") along with its associates sold its controlling interest to the extent of 70% to IVRCL Infrastructures & Projects Ltd. ("IVRCL") effective mid September, 2005. IVRCL made an open offer under the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. Consequent to preferential allotment of 1,570,000 equity shares by the Company, IVRCL now holds 51.15% of the paid up share capital of your Company. The project execution skills of IVRCL are expected to be of great avail to your company complementing its technical strengths for achieving higher volumes of business.

FUTURE PROSPECTS

The Company continues to address a broad spectrum of industries where its technological prowess is of relevance. With recent boom in Indian manufacturing sector, most of the Industries, where Company has strong presence like Mineral Beneficiation, Pulp & Paper and Phosphate fertiliser are going in for new projects or major expansions. In Alumina and Steel Industries, projects with huge investments are presently on the drawing board or in an advanced stage of finalisation. Environmental Engineering sector is witnessing phenomenal growth, due to increased spending in Water & Waste Water treatment by Central and State Governments and funding by external agencies like World Bank and Asian Development Bank.

Your Company is in the process of signing Collaboration Agreements with Global manufacturers for meeting their requirements of equipments and design and engineering services.

Your Company has almost executed the prestigious orders valuing more than Rs. 100 crores from Vedanta Alumina Ltd. (a Sterlite Group Company) during the current year and a fresh order has been received from them for Causticizing Settler and Oxalate Removal System.

The company's negotiations with multinationals for their requirements of design, engineering, procurement and manufacturing are in an advanced stage and a long term contract to meet their requirements in the said areas is expected to be signed in the near future.

The Knowledge Process Outsourcing (KPO) business has already been initiated and it has been decided to have an engineering center at Chennai to support the Mumbai team and the above center will be operational by September, 2006.

In the field of Environmental Engineering, the Company has bagged orders from various alumina producers and has received enquiries from Bhabha Atomic Research Centre for projects related to water and waste water management. The Company is evaluating these business prospects.

Your Company is also planning to have full fledged Research & Development Centre at their Works in Vatva, Ahmedabad.

CHANGES IN CAPITAL STRUCTURE

The following changes in the structure of share capital are in the process of taking place, besides the Bonus Issue referred to earlier:

(i) Preferential allotment of shares

The Company made a Preferential Allotment of 1,570,000 equity shares of Rs. 10/- each at a premium of Rs. 310/- per share aggregating to Rs. 502,400 thousands. Further the capital reserves of your Company have increased by Rs. 486,700 thousands. This reflects the confidence reposed by the investors in the future prospects of the Company.

The Company is awaiting listing permission from Stock Exchanges for crediting the shares to the beneficiary accounts of the respective subscribers.

Consequent to sub-division of face value of shares into Rs. 2/- each, the above shares will also stand sub-divided into Rs. 2/- each.

(ii) Preferential allotment of warrants

The Company made Preferential allotment to IVRCL Infrastructures & Projects Ltd., the "Promoters" of the Company for all purposes, as per the amended Articles of Association of the company, of 200,000 warrants carrying an option to subscribe to the share capital of the Company, within 18 months, upto 200,000 equity shares of Rs.10/- each at a premium of Rs. 310/- per equity share as approved by the Members at the extraordinary general meeting held on 14 October, 2005.

Consequent to sub-division of face value of shares into Rs. 2/- each, the above shares will also stand sub-divided into Rs. 2/- each.

DIRECTORS' REPORT Contd.

(iii) Subdivision of shares

In order to create more liquidity for the Company's shares and also to attract small investors to become shareholders, each equity share of face value of Rs. 10/- has been sub-divided into 5 shares of Rs. 2/- each. As a consequence of the split, the present issued, subscribed and paid-up equity capital will be Rs. 58,004,840 consisting of 29,002,420 equity shares of Rs. 2/- each.

(iv) Employee Stock Option Scheme

The Company formulated HDO-ESOP:2005 scheme for issue of shares to its permanent employees in order to attract and retain qualified, talented and competent personnel. One lakh options are approved under this Scheme convertible into 100,000 equity shares at an exercise price of Rs.240/- per share. The options are yet to be granted to the employees.

As a result of sub-division of shares, each option shall carry a right of exercise of option for allotment of 5 shares of Rs. 2/- each at an exercise price of Rs. 48/- per share.

PROMOTION OF A WHOLLY OWNED SUBSIDIARY

Your Company has formed a wholly owned subsidiary by the name 'HDO Technologies Limited', which will be a Knowledge Process Outsourcing Company and will cater to engineering/process industries in the global market by providing engineering solutions through software technology on continuous basis, operate these plants through software technology and pass on the information through systems and ensure continuous operation and monitoring of the same.

PUBLIC DEPOSITS

The Company has discontinued acceptance/renewal of fixed deposits from public/shareholders with effect from 29 September, 2005 and has repaid existing deposits prematurely on 31 March, 2006 to reduce heavy interest burden on the Company. 54 depositors had not claimed their deposits amounting to Rs. 712 thousands as on 31 March, 2006.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are separately given in the Annual Report

The Company has complied with Clause 49 of the listing agreement in respect of the corporate governance requirements except that in the initial stages of takeover by the new management, there was slight deviation from the prescribed composition of the audit committee as pointed out by the Auditors in their certification. This was mainly due to the resignations of some directors related to the earlier management. The new management, which took control of the Company with effect from 9 September, 2005, was in the process of re-constituting the Board as well as Committees by identifying the independent Directors. The Committee was reconstituted subsequent to the meeting held on 29 October, 2005, to be in tune with Clause 49 of the listing agreement by addition of independent Directors.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the listing Agreement with the Stock Exchanges, Management Discussion & Analysis Report is given separately in the Annual Report.

DIRECTORATE

Mr. E.Sunil Reddy, Mr. K.H.K Prasad and Mr. Prabhakar Ram Tripathi were appointed Directors of the Company with effect from 29 October, 2005.

Mr. T. N. Chaturvedi was appointed Director of the Company with effect from 31 December, 2005. Mr. K.H.K. Prasad, Mr. T. N. Chaturvedi and Mr. Prabhakar Ram Tripathi are independent directors for purposes of and in accordance with Clause 49 of the Listing Agreement.

AUDITORS

M/s. Chaturvedi & Partners, Chartered Accountants, the Company's Auditors will retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment .

The Company has received a confirmation from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

INTERNAL AUDITORS



DIRECTORS' REPORT Contd.

M/s Aneja & Associates , Chartered Accountants, Mumbai have been appointed as Internal Auditors of the Company to monitor the internal control system of the Company at its works at Vatva, Ahmedabad and Mumbai office.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION ETC.

A statement showing particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, read with Section 217 (1)(e) of the Companies Act, 1956 is annexed to this report marked Annexure I.

PARTICULARS OF EMPLOYEES

A statement showing particulars as required by Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is annexed to this report marked Annexure II.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements 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 ended 31 March, 2006 and of the profit of the Company for that year;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS

The Company continued to have cordial and harmonious relations with its employees.

ACKNOWLEDGEMENTS

The Directors wish to express their appreciation of the support and co-operation received from the holding company, bankers, financial institutions, suppliers, associates and sub-contractors. The Board of Directors also thank all the employees for their contribution and continued co-operation throughout the year and is confident that new heights can be reached in improving the stakeholder value in the Company.

FOR AND ON BEHALF OF THE BOARD

E. Sudhir Reddy
Vice Chairman &
Managing Director

S. C. Sekaran
Executive Director

Hyderabad, July 31, 2006.

DIRECTORS' REPORT Contd.
ANNEXURE - I

Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

FORM A
(See Rule 2)

Form for disclosure of Particulars with respect to conservation of Energy

	Year ended 31 March, 2006	Year ended 31 March, 2005
A. Power and fuel consumption		
1. Electricity		
(a) Purchased		
Unit (in '000)	714KW	716KW
Total amount (Rs. in '000)	3456	3708
Rate/unit (Rs.)	4.84	5.18
(b) Own Generation	NIL	NIL
2. Coal (specify quality and where used)	NIL	NIL
3. Furnace oil	NIL	NIL
4. Others/internal generation	NIL	NIL
B. Consumption per unit of production		
Electricity (Per M.T.)	521.32KW	584.82KW
(Total Unit/total Production)		

FORM B
Research and Development
1. Specific areas in which R & D was carried out by the company.

Pilot scale effluent treatment plant for treating high strength nitrogen waste at BARC, Mumbai has been commissioned and is successfully running.

Basic process evaluation and test work was done in the area of mineral processing for alumina production from specific bauxite ores mined in India and abroad.

Extensive treatability studies on the effluent from a chemical manufacturing company were successfully completed.

Work on application of membrane technology for waste water management is in progress.

2. Benefits derived as a result of above R & D efforts

As a result of R & D efforts, the Company has bagged orders from various alumina producers and has received enquiries from Bhabha Atomic Research Centre for projects related to water and waste water management. Apart from this, small and large orders have been secured based on tests and technical support of R & D group.

3. Future Plan of action

The company plans to complete on-going projects as well as undertake laboratory and pilot scale studies for pretreatment of sea water prior to Desalination Plant.

4. Expenditure on R & D

Capital	:	Nil
Recurring	:	Rs. 2,623 thousands
Total	:	Rs. 2,623 thousands
Total R & D expenditure as		
Percentage of total turnover	:	0.19 %

Technology absorption, adaptation and innovation
1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

Apart from in-house R & D efforts, a collaboration has been signed with M/s. Flo Dry, New Zealand for technology of sludge drying and pelletization in the area of waste water treatment.

2. Benefits as a result of the above efforts

R & D Efforts along with new technology have helped the company to bid for projects in India as well as overseas.

DIRECTORS' REPORT Contd.
3. Particulars of imported technology

Technology Imported	Year of Import	Has technology been fully absorbed	If not absorbed, areas where the same has not taken place, reason therefore and future plan of action
Engg. Technology for manufacture of De-Salter Units	2000-01	Yes	N.A.
Advanced Technology for waste water treatment	2001-02	Yes	N.A.
Solid/Liquid Separation equipment.	2001-02	Yes	N.A.
Pulping technology			
Lignin Precipitation and Recovery Technology.	2001-02	Yes	N.A.
Sludge pelletisation and drying technology.	2005-06	In progress	N.A.

Foreing Exchange Earnings and Outgo

	2005-06	(Rs. in '000) 2004-05
(i) Foreign Exchange earned	92,622	20,648
(ii) Foreign Exchange used	163,540	50,611

FOR AND ON BEHALF OF THE BOARD
E. Sudhir Reddy
Vice Chairman &
Managing Director

S. C. Sekaran
Executive Director

Hyderabad, July 31, 2006.

ANNEXURE II
Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year 1 April, 2005 to 31 March, 2006

Name	Age (In Years)	Qualifications	Experience (In Years)	Date of Joining	Description & nature of duties	Gross Remuneration (Rs.)	Last Employment Held
Mr. Suresh Dadlani	55	B.E. (Hons.), D.M.S. A.M.P. (Harvard, U.S.A.)	35	22.06.2000	Managing Director (Ceased to be Managing Director with effect from 21 June, 2005)	1,597,053	Greaves Limited- President & Chief Operating Officer

Notes:

- Gross remuneration as shown above includes Salary, Performance Incentive, House Rent Allowance and other Allowances, Company's contribution to Provident Fund and Superannuation Scheme, Leave Travel Assistance, Medical Expenses reimbursed as per Contract.
- Other terms and conditions of employment including health and accident insurance benefits are as per agreement of service and rules of the Company.
- The nature of employment was contractual.
- Mr. Suresh Dadlani was not a relative of any Director of the Company.

FOR AND ON BEHALF OF THE BOARD
E. Sudhir Reddy
Vice Chairman &
Managing Director

S. C. Sekaran
Executive Director

Hyderabad, July 31, 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION

OVERVIEW

Continuing the trend of growing economy, 2004-2005 witnessed 8% growth in Indian economy. Following the similar trend, 2005-2006 continued to be a year of quantum growth for your company. Manufacturing, Mining and Infrastructure were the major contributing segments for the overall growth of your company. The robust economic performance of past three years in the global manufacturing sector is leading to rebound in investment that will further sustain the growth of your company. The growing demand of processed minerals and metals, such as Aluminum and Steel has led to increased investment plans in this sector, and your company benefited the most and recorded its highest turnover.

The outlook of your company continues to be bright. It is expected that growth in Mining, Mineral Processing, Pulp and Paper, and Environmental Infrastructure Projects will continue to contribute towards growth of your company in terms of volume and profitability.

With the growing demand for Metals like Aluminum and Steel, etc., there has been a significant increase in Mineral Process activities in respect of various Metals. Several new grass root projects are envisaged for production of aluminum, steel, coal etc.

In order to enhance Indian Environmental Infrastructure, various State Governments have been granted loans from Asian Development Bank, World Bank and Japanese Bank of International Commerce. Your company, being one of the leading technology and turnkey supplier in this area, stands bright prospects to receive its share of business from this huge market sector.

The growing need of improved quality paper has led to capacity expansions and quality enhancement for all the pulp and paper industries in India.

Your company, being a pioneer in providing the associated technologies expects niche business from the above sectors, far exceeding its expectations in terms of its own manufacturing. To meet this demand, your company has upgraded its manufacturing facility at Ahmedabad and has procured latest machinery to enhance the productivity and operational excellence.

The global manufacturing shift to Asia (China and India) heralds new opportunity for your company. Your company having refurbished its manufacturing facility is in discussion with various global manufacturing companies to outsource their manufacturing requirements from your company.

Currently, your company is engaged in an In-House transformation initiative to change the way it is doing business. Substantial resources are being invested in attaining operational excellence, focusing on cost, quality and on-time performance. This agenda of your company is being driven by independent project monitoring cell and MIS Reporting System. This is helping your company to come up with quicker decision making, increasing throughput, dispatch and commissioning schedules to match the changing requirements of the customer. Several proprietary products are being redesigned on the principle of "Value Engineering". The company is also adopting the root of global sourcing of raw materials and components.

Your company has recently launched its "Knowledge Process Outsourcing" Center in Mumbai, which is duly registered under STPI. This Center will be focusing on Design and Engineering Outsourcing work from various global companies. Your company has tied up with leading international consultants for this purpose and is expected to generate revenues in the next financial year.

In the International Business, your company is focusing on very selective markets and is in the process of finalizing various opportunities in Abu Dhabi, Japan, Sri Lanka, Kuwait and Singapore.

MINERALS & CHEMICALS

Your company has an excellent track record in the Mineral and Chemical Industries, which is one of its core business sector.

With the growing demand for Metals like Aluminum and Steel, etc., there has been a significant increase in Mineral Process activities in respect of various Metals. Several new grass root projects are envisaged for production of aluminum, steel, coal etc.

Your company has a strong hold on Mineral Processing Technology and techniques and has served almost all customers in Mineral Industry. Your company's largest single value EPC contract for Vedanta Aluminum is under final stage of completion. Your company has also made major contribution in the field of Uranium Recovery and has supplied equipment systems to Uranium Corporation of India for their new project in Turramidih. Three more such projects are in the anvil in Andhra Pradesh and Meghalaya, where your company expects to get a large share of their business.

Your company is also on the verge of concluding collaboration arrangements for equipment and technologies with well-known International companies for aiming a larger area of business in such projects.



MANAGEMENT DISCUSSION AND ANALYSIS Contd.

Your company has a unique track record of building almost 90% of phosphatic and fertilizer plants on turnkey basis. Many of the existing phosphatic fertilizer plants are under expansion and your company is already executing Expansion Orders for IFFCO at their Kandla and Paradeep units. More enquiries from other DAP/NPK plants are under various stages of discussion.

ENVIRONMENTAL MANAGEMENT

Your company is a pioneering company, in water & waste water treatment plant market in India. Your company has executed many Waste Water Treatment plant projects for most of the core sector industries like Refineries, Process Chemical, Steel, Fertilizer, Sugar, Pulp & Paper etc. In recent past your company has further strengthened its presence in this sector, by securing contracts from refineries and Government & semi Government organizations.

Water infrastructure market in India is consistently growing in last few years. Even today large section of population in India, do not have access to safe drinking water & safe treatment and disposal of sewage is still a distant reality for most of the semi urban & rural population in India. Government of India, has identified these needs & is taking steps to address this problem by increased funding through central government grants, NRCD etc. Many Municipal corporations & State Governments are planning projects with funding from international agencies like World Bank, Asian Development Bank, JBIC etc.

Growing water demand is forcing many Industries to look for effluent recycling option involving membrane separation technology. In States like Tamilnadu & Gujarat, sea water desalination projects are coming up in big way. Your company is aggressively pursuing this business, by technology tie ups / consortium bids with International companies. Many such projects are in advance planning stage and your company expects to get its potential share.

PULP & PAPER

The core strength of your company in the Pulp & Paper area is in the Fibre line equipments and Reausticizing plant in Recovery area and fibre recovery in the Machine side. Most of the Paper mills in India are based on Sulphate process of Paper making and invariably all these mills have our equipment. Without the Reausticizing plant the process of Paper making is not economically viable.

With the growing demand of Paper Globally, your company is poised to make headway in the Fibreline area. A recently concluded EPC contract for Yunus Emere Pulp & Paper Mill in, Ashgabat, Turkministan won us all round accolade in our capacity to execute such contract.

In the past, while small Paper Mills were successful in making paper out of Agro based pulp, your company promoted Special washers for such pulp handling and had the expertise to make it a grand success. Similarly, in the area of cooking Continuous digesters, are introduced which is gaining ground and will be an addition to the existing product line.

Since the Central Government pollution laws have become very stringent, many small mills have augmented their capacities and preferred to go for your Reausticizing plant, wherein the spent liquor from the system is recovered and reused preventing pollution and thereby abiding by environmental regulations.

Added to this, in the fibre line area, new technologies like Oxygen Delignification and the latest Ripple deck design washers have created considerable interest among our long chain of clientele.

HDO MANUFACTURING FACILITY

HDO Manufacturing Facility at Vatva started in the year 1977, and is located near Ahmedabad. The gigantic plot of 40906 sq. mtrs. is occupied with the factory area under EOT Cranes of 8656 sq. mtrs. The installed capacity is 2000 MT and licenced capacity is 4000 MT per annum. Your company's manufacturing facility is having prestigious 'U' Stamp certification from ASME, USA apart from its own ISO 9001 accreditation.

The manufacturing facility is complete with its own Power Generating Sets. The material preparation equipment consists of plate shearing machines, air plasma cutting machines, and gas cutting machines. A separate fabrication yard is equipped with all latest machineries, such as 3-roll plate bending machines and vertical milling lathe.

Our manufacturing facility is capable of manufacturing all types of industrial filters for Pulp & Paper Industry, Sugar Industry, Chemical Industry, Food & Pharmaceuticals and Minerals Industry. It also manufactures fabricated equipment for Petrochemical Refineries and Process Industries such as Pressure Vessels, Heat Exchangers (Shell & Tube and Air Cooled Type), Columns, Storage Tanks, Rotary Dryers, Gas Scrubbers, Granulators, LPG Bullets, Ammonia Storage Tanks, CO2 Tanks, Deaerators, Sulphur Condensers, Gas Incinerating Projects, Rotary Vacuum Filters, Pressure Filters, Desalter Vessels, Three / Two phase Separators, Water Bath Heaters, Emulsion Heater Treaters, Other Oil & Gas Processing Equipment.

Your company is looking at making this manufacturing facility state-of-art and hence, the same is being refurbished completely in order to make it independent operating facility which will cater to outsourced manufacturing requirements of global multinationals apart from Indian customers. Your company is already in discussion with such global multinationals for shifting their manufacturing base at HDO Works in India.

MANAGEMENT DISCUSSION AND ANALYSIS Contd.

INTERNATIONAL BUSINESS

Your company has dedicated International Business Group, which caters to global markets by providing electro-mechanical packages and EPC installations for its core business. Through its network of local business agents, your company keeps close coordination with its overseas customers and provides sales and service. Your company has developed long-term business association in Sri Lanka, South East Asia and the Middle East. Your company is closely associated in post-war construction work in Iraq and currently executing big Water Supply Project in Iraq. In the meanwhile, your company is in advanced stage of signing an MOU with global players for marketing and manufacturing. This is expected to open up new export opportunities for your company.

INTERNAL CONTROL SYSTEM

Your company has in place an adequate and appropriate system of internal control to ensure efficacy of operations and compliance with applicable legislation. Towards achieving the same, your company has in place the following mechanisms:

- » Monthly Business Reviews for each Division by Senior Management
- » Comprehensive Compliance Framework with reporting from accountability levels to the Division and onwards to Senior Management and the Board.
- » Comprehensive Internal Audit Plans and regular Internal Audits of the Division with concentration on review of audit findings by the Audit Committee in addition to other business areas
- » Regular reporting to the Board on investor related matter as well as fulfillment of SEBI, listing Agreements requirements and other corporate laws.

Your company is in the process of introducing SAP System on a single Server Platform for authenticity of data and management reporting.

RISK MANAGEMENT

The company recognizes that this is inevitable and believes in having an optimum, well-defined and integrated risk management strategy. It also believes that proper risk identification; evaluation and mitigation would help to achieve its target of sustainable growth and profitability. Your company operates in the sectors where business is of cyclic nature. While the project business has higher cyclical volatility, it is lower for the product business. The company's attempt at de-risking includes expansion in complete system solutions rather than focusing only on proprietary products. The company is also attempting to diversify into Cement and Coal business and is in discussion with leading technology providers for jointly participating in various projects.

Increase in raw material prices adversely affects profitability. Hence, the company constantly monitors raw material prices and accordingly, revises the selling price of its product. In case of large projects, normally the contracts do not provide for any input price link escalation. In such cases, the increase in raw material price can have substantial impact on profitability. To minimize this risk, the company has a system of obtaining back-to-back quotations from its suppliers and it also carries out price finalization with major vendors during the initial months of project commencement.

The company has robust and well-documented system in place for reporting, evaluating and monitoring project risks at regular intervals. The company faces various risks in the execution of large projects, which are monitored throughout the life cycle of projects from commencement to commissioning. Proper estimation and evaluation systems provide major risk management tools. During execution, cost and progress of the project are regularly monitored through well defined reporting system.

HUMAN RESOURCES

The company's HR Policies and Processes are aligned to effectively drive its expanding business and forays into emerging opportunities. This has been achieved by continuously investing in training and development programs, creating a compelling work environment, empowering employees at all levels and maintaining well structured reward and recognition mechanisms. The company helps employees build new skills and new competencies and promotes knowledge sharing and team building. During the year, the company added several new employees at all levels through recruitment. The company's recruitment practice ensures that suitable candidates with merit are recruited and provided with the right opportunities.

CAUTIONARY STATEMENT

Statements in this Management discussion and analysis describing the company's objectives, projections, estimates and expectations may constitute "Forward Looking Statements" within the meaning of applicable laws and regulations. Actual results might defer materially from those either expressed or implied.



MANAGEMENT DISCUSSION AND ANALYSIS Contd.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW :

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management of HDO accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the state of affairs on the Balance Sheet date and profits of the Company for the year ended on that date.

Fiscal 2006 was an eventful year for us. IVRCL Infrastructures & Projects Ltd., Hyderabad, a reputed infrastructure development company became our holding company w.e.f September 09, 2005 after they acquired over 70% of the total share capital from the Jumbo group.

Our total net sales increased to Rs. 1,414,080 thousands i.e. increased by 69% over fiscal 2005 and Net Profit (PAT) to Rs. 64,740 thousand, increased by 480% over fiscal 2005.

Our revenues have grown substantially and we have funded this growth through the reinvestment of profits, bank borrowings and capital market transactions.

Financial Performance:

The state of the financial position, presented in the Balance Sheet as at March 31, 2006 are discussed below:

1. SHARE CAPITAL

At present, the Company has only one class of shares – equity shares of par value of Rs. 10/- each. The authorized share capital of the Company consists of 10,000,000 equity shares of Rs. 10/- each amounting to Rs. 100,000 thousands.

During the year, the Company increased the equity share capital by Rs. 15,700 thousands. The total paid up share capital as at March 31, 2006 stood at Rs. 58,005 thousands.

A statement showing movement of share capital is given below:

	2006		2005	
	Equity Shares (Nos.)	(Rs. in '000)	Equity Shares (Nos.)	(Rs.in '000)
Balance at the beginning of the year	4,230,484	42,305	4,230,484	42,305
Shares issued - Private Placement	1,570,000	15,700	-	-
Balance at the end of the year	5,800,484	58,005	4,230,484	42,305

2. RESERVES AND SURPLUS

Securities Premium Account:

The addition to the security premium account of Rs. 475,613 thousands during the year is due to the premium received on issue of 1,570,000 shares by way of private placement as reduced by the expenses incurred on issue of Shares Rs. 11,087 thousands.

Revaluation Reserve:

The revaluation reserve amount of Rs. 225,790 thousands as on March 31, 2006 represents revaluation of some land and buildings carried out during 1989, 1993 and 1996 by certified valuers giving rise to addition of Rs. 285,347 thousands as reduced by depreciation on revalued portion of these assets up to March 31, 2006 Rs. 59,557 thousands.

General Reserve:

Out of the profits for the year Rs. 20,000 thousands has been transferred to general reserve and balance of Rs. 31,512 thousands (after providing for dividend) has been retained in the profit and loss account.

The total Shareholder funds of the Company stood at Rs. 1,115,881 thousands (excluding share application) as on March 31, 2006 as compared to Rs. 576,767 thousands as on March 31, 2005. The book value per share increased to Rs. 192.38 as of the year end compared to Rs. 136.33 as of the previous year end.