

DORR-OLIVER
HINDUSTAN DORR-OLIVER LIMITED
Annual Report 2006-07

Report  junction.com



Engineering & Technology nurtures growth

HDO TEAM



Coming Together,
Sharing Together,
Working Together,
Succeeding Together !

BOARD OF DIRECTORS

(As on May 28, 2007)

Mr. Prabhakar Ram Tripathi	Chairman
Mr. E. Sudhir Reddy	Vice-Chairman
Mr. E. Sunil Reddy	Managing Director
Mr. S. C. Sekaran	Executive Director
Mr. R. Balarami Reddy	Director
Mr. K. H. K. Prasad	Director
Mr. T. N. Chaturvedi	Director

Auditors

M/s Chaturvedi & Partners

Internal Auditors

M/s Aneja & Associates

Registrar and Transfer Agents

M/s. Karvy Computershare Pvt. Ltd.
 Karvy House, 46, Avenue 4,
 Street No. 1, Banjara Hills,
 Hyderabad – 500034

Registered Office

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

Solicitors & Advocates

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

Works

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

Bankers

Bank of India

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CHAIRMAN'S MESSAGE

Dear Shareholders,

The year 2007 has been a truly momentous year for your Company as we continued to see robust growth across all the markets in existing and new businesses in Knowledge Process Outsourcing.

The world in which we are operating has been undergoing rapid and seismic change. The world is witnessing an unprecedented search of prosperity and Asia is emerging as the center of economic growth. The Indian Government is also keen on developing the Infrastructure and manufacturing sectors which is expected to accelerate industrial growth.

Your Company is among the leading engineering solution provider and continues to retain its leadership position in the Indian EPC organizations and is a preferred engineering execution partner for growth/expansion activities of renowned Vedanta group. Your Company is fully equipped with the state of art manufacturing facility at Ahmedabad and is undergoing expansion to enhance production capacity. The Company is also looking at setting up a manufacturing centre in South India to explore the emerging global opportunities in manufacturing of process plant equipments.

The foundations that we have laid on by investing in Research & Development and leveraging our domain knowledge across industry verticals, excellence in technology and strong systems and processes, continue to drive growth in your Company's business, providing a strong momentum for a secure future.

It was a year of progress on all the perspectives and we plan to build upon this success. Your Company achieved an impressive revenue growth of 47% during the year 2006-07 over last year and has an impressive order book as on June 30, 2007.

We have systematically and proactively identified opportunities for growth. The new era of Knowledge Process Outsourcing has been engaging the Company and with your Company's advantage of domain knowledge and engineering capabilities we see growing demand for our solutions and services.

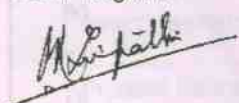
Looking ahead we are well positioned to deliver better results. We are geared up not only to meet present challenges but also the future challenges. We are in the process of adding capacities to meet demand and continue to explore and develop new markets and technologies.

We are intensely focused on delivering results and I thank all the investors, employees, customers and all stakeholders for the trust and confidence that you have showed in HDO. The HDO Team will strive together to compete vigorously to be a leader in each of our areas.

We look forward to our investors, employees, customers and all stakeholders for their continued support in all our endeavours.

A new chapter is unfolding in HDO; let us together make it an unforgettable one!

Warm Regards



Prabhakar Ram Tripathi

VICE- CHAIRMAN'S MESSAGE

Dear Shareholders,

An excellent year for your Company!

This year saw your Company scaling new heights marked by many prestigious orders in Environment and Mineral Beneficiation business which is evident from the Company's all -time high revenues and profits. Your Company's turnover grew by 47% and Net profit after tax registered a growth of 137% over last fiscal.

We at HDO see the source of our competitive strength as lying in our Research & Development, technology, innovation and investments that we undertake to move even further ahead in that direction. Your Company's continued investments in innovation and Research & Development have enabled it to undertake Pilot Plant Projects with BARC, DCW, UCIL with a view to commercialize the technology into large scale plants.

Your Company has made major contributions in the field of Uranium Ore Processing and Extraction Plants in India by supplying equipment & systems to 3000 TPD capacity Greenfield project for Uranium Corporation of India Limited at Jharkand and is also pursuing to contribute for their upcoming Greenfield projects at Andhra Pradesh & Meghalaya as EPC contractors.

One of core business of your Company is Environment which caters to the needs of all sections of society namely treatment of raw water, sewage water and all industrial effluents from refineries, pulp & paper industry etc. Your Company has bagged prestigious order for large scale effluent treatment plant from IOCL for their Haldia site and other orders are in the pipeline.

During 2007, your Company devoted itself to exploring new geographies and fresh markets. Focused efforts during the fiscal have enabled us to acquire new client accounts and grow into high value relationship while laying a strong foundation for future. The efforts aimed at moving beyond the traditional strongholds and for the first time we have executed order for manufacture of Heat Exchangers & Pressure Vessels for our client in USA.

The Knowledge Process Outsourcing market is growing at a rapid pace and we expect this to strengthen and intensify further in the coming fiscal. Your Company is focused on this area and HDO Technologies Limited – wholly owned subsidiary of your Company has become operational both at Chennai & Mumbai centers during the year. This Company has 50 Engineers at Chennai and 125 at Mumbai of all disciplines working aggressively towards providing engineering solutions of global standards incorporating features of quick delivery, world class quality at competitive price.

Your Company is renowned for its cutting edge technologies that best serve our customers. Our mission is to excel and be the best in what we do. The pursuit of customer satisfaction is not only a goal for everyone at HDO, but it is a value that is deeply ingrained in our minds. I wish to reiterate the commitment of my team and myself to make HDO a world class leader in creation of shareholder value in the Engineering industry.

The road ahead is exciting and challenging. But challenge is what rekindles our passion to build a world class Company.

We sincerely thank you for your unstinted support and assure that we as a Company, will always live upto your expectations.

Best Wishes



E. Sudhir Reddy.



FINANCIAL HIGHLIGHTS

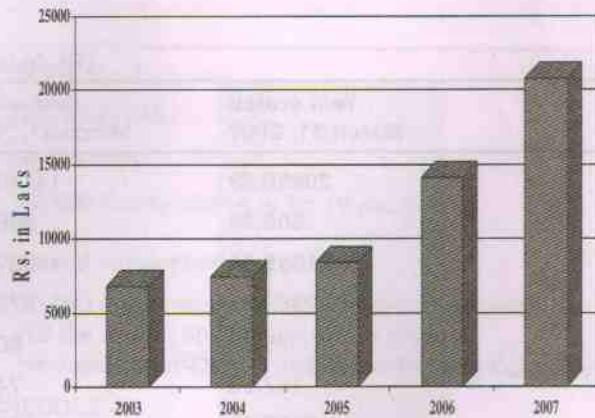
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
CAPITAL ACCOUNTS: (Rs.in Lacs)					
Net Worth* (including Revaluation Reserve)	12,970.72	11,222.81	5,767.67	5,750.51	7,111.52
Borrowings	-	3,415.40	1,336.95	1,716.52	1,718.19
Gross Block	5,382.55	4,992.57	4,662.67	4,638.44	6,657.72
Net Block	3,533.00	3,188.72	2,595.87	2,654.94	4,663.99
Net Current Assets	9,205.41	11,198.48	4,254.85	4,555.58	3,430.61
REVENUE ACCOUNTS: (Rs. in Lacs)					
Sales	20,850.99	14,140.80	8,380.98	7,486.22	6,834.19
Other Income	508.65	246.90	297.65	124.45	248.20
Profit from Operations	2,212.25	798.42	402.77	1,212.20	677.57
Interest	75.36	60.14	198.49	181.92	185.08
Profit before tax	2,136.89	738.28	204.28	1,030.28	492.49
Profit after tax	1,535.32	647.40	111.67	973.42	329.98
Net Earning for Appropriations	2,715.33	1,512.29	942.29	1,011.69	304.89
Dividend (Excluding Corporate Dividend Tax)	180.01	116.01	50.77	50.77	50.77
Retained Earnings	2,504.73	1,380.01	884.89	850.12	247.62
SELECTED INDICATORS:					
Return on Capital Employed (%)	16.78	5.13	2.98	14.29	6.08
Current Ratio	1.58:1	2.82:1	1.65:1	2.01:1	1.18:1
Borrowing/Shareholders' Funds	0.0:1	0.38:1	0.38:1	0.50:1	0.62:1
Sales/Shareholders' Funds (times)	1.92	1.58	2.41	2.18	2.46
Earning per share (Rupees)**	4.32	2.61	0.53	3.57	0.70
Dividend per share (Rupees)**	0.50	0.40	0.24	0.24	0.24
Book Value per share* (Rupees)**	36.03	38.48	27.27	27.19	29.93
Market Value per share - High (Rupees)**	200.83	179.54	22.00	9.78	6.99
- Low (Rupees)**	57.00	22.21	4.55	2.75	2.70

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

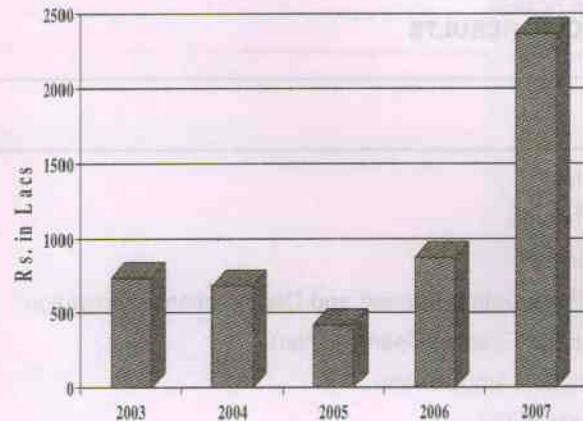
** Adjusted to the face Value of Rs. 2/- each.

PERFORMANCE INDICATORS

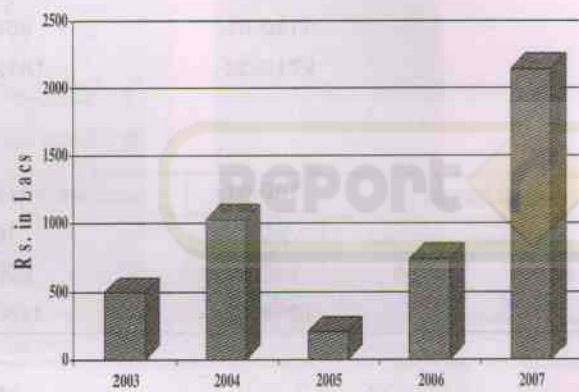
NET SALES



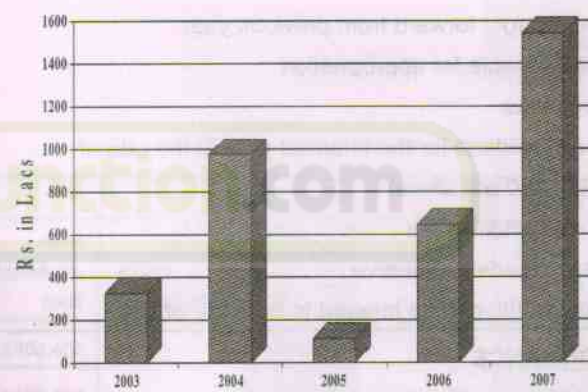
EBIDTA



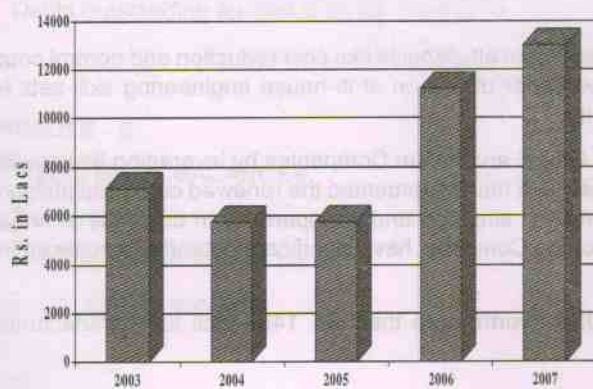
PROFIT BEFORE TAX



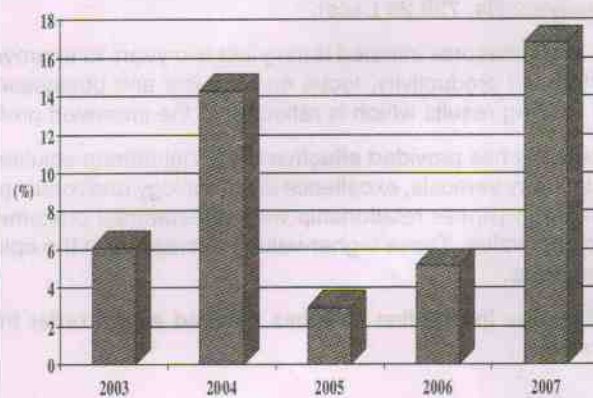
PROFIT AFTER TAX



NET WORTH



RETURN ON CAPITAL EMPLOYED(%)



DIRECTORS' REPORT

TO THE MEMBERS,

Your Directors have pleasure in submitting their 32nd Annual Report and the audited Statement of Accounts for the year ended March 31, 2007.

FINANCIAL RESULTS

(Rs. in Lacs)

	Year ended March 31, 2007	Year ended March 31, 2006
Net Sales	20850.99	14140.80
Other Income	508.65	246.90
Total Income	21359.64	14387.70
Gross Profit before Interest and Depreciation/amortisation	2369.81	872.83
Interest and Finance Charges (Net)	75.36	60.14
Depreciation/Amortisation	157.56	74.41
Profit before Tax	2136.89	738.28
Provision for Taxation	689.29	150.89
Tax adjustments for earlier years	(87.72)	(60.01)
Profit after Taxation	1535.32	647.40
Balance brought forward from previous year	1180.01	864.89
Balance available for appropriation	2715.33	1512.29
Appropriations		
Proposed Dividend for the financial year at the rate of 25% (Rs. 0.50 per share)	180.01	116.01
Corporate Dividend Tax	30.59	16.27
Transfer to General Reserve	700.00	200.00
Retained profits carried forward to Balance Sheet	1804.73	1180.01

PERFORMANCE

The Company continued to see strong and profitable growth in the financial year 2006-07 across core areas driven by good performance.

The Company achieved net sales of Rs. 20850.99 Lacs for the year ended March 31, 2007 as against the net sales of Rs. 14140.80 Lacs achieved in the previous year recording a growth rate of 47%. With close monitoring on costs and expenses, the year ended with a gross profit of Rs 2369.81 Lacs (previous year Rs 872.83 Lacs) and a pre-tax profit of Rs. 2136.89 Lacs (previous year Rs. 738.28 Lacs).

The various measures initiated during last two years to improve operational efficiencies like cost reduction and control coupled with enhanced productivity, focus on products and businesses and better utilisation of in-house engineering skill sets have started yielding results which is reflected in the improved profitability.

The Company has provided effective total engineering solutions to Global and Indian Companies by leveraging its knowledge across industry verticals, excellence in technology and robust processes. It has implemented the renewed corporate philosophy of long-term business relationship with all esteemed customers, win-win situation and transparency in business to enhance stakeholders value. These higher-value businesses, in the opinion of the Company, have significant potential to scale up in the next few years.

Your Company for the first time has secured export order from USA, worth more than Rs. 1400 lacs for manufacturing of evaporators.

DIRECTORS' REPORT Contd.

DIVIDEND

The Company's dividend policy is based on the need to balance the twin objectives of appropriately rewarding the shareholders with cash dividend and of retaining capital to meet the Company's investment needs. Keeping in view the overall performance of your Company, your Directors are pleased to recommend a dividend of 25% i.e. Rs 0.50/- per Equity Share of Rs.2/- each for the year 2006-07 (2005-06: 20%).

TRANSFER TO RESERVES

The Company proposes to transfer Rs. 700 lacs to the General Reserve out of the amount available for appropriations.

FUTURE PROSPECTS

The Company continues to address a broad spectrum of Industries where its technological competence is of relevance and offers tremendous opportunity for growth. The Company views the year ahead with optimism.

The Company has consolidated its position and strength as a provider of total engineering solution in its chosen fields. This has been the result of concerted and systematic efforts and initiatives in several areas such as restructuring and reorganisation, upgradation of technology, strategic business alliances, enhancement of operational efficiencies through IT, bench marking of quality processes, cost reduction measures, quality product development, aggressive marketing efforts and brand building.

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 Aluminium & Steel Industries, projects with huge investments are in advanced stage of finalisation.

Environmental Engineering sector is witnessing phenomenal growth due to increased spending in Water & Waste Water Treatment by Central & State Governments and funding by external agencies like World Bank and Asian Development Bank. Your Company is in final stages of bagging mega orders for a Grass root ETP Plant at IOCL – Haldia and other similar orders are in the pipeline. Your Company has secured order for 25 MLD Sewage Treatment Plant at CIDCO, Navi Mumbai and in association with GE Water Infrastructure Ltd, is executing a sea water desalination project in Gujarat.

Your Company is strengthening its leadership position in Mineral beneficiation market. Alumina refinery & Steel Industry are experiencing an exponential growth. Projects with huge capital expenditure are on the anvil. The Company with its core in-house expertise and technology tie ups with various global multinationals is offering complete EPC solutions. Your Company has secured new order from Vedanta Alumina Limited worth more than Rs. 20000 lacs for Fume Extraction Plant and Water Treatment in association with Chalico GAMI.

The global manufacturing shift to Asia, China & India in particular heralds a new opportunity for the Company. Your Company is in the process of signing Collaboration Agreements with Global manufacturers for meeting their requirements of equipments and design and engineering services.

With the Manufacturing facility at Ahmedabad factory refurbished with state of art engineering machineries and more focus on quality management prospects of conversion to a global manufacturing base are brighter.

SUBSIDIARIES

As reported in the last year Annual Report, HDO Technologies Limited, a wholly owned subsidiary of your Company has been formed to carry on the Knowledge Process Outsourcing business. An engineering centre to support the Engineering activities has been set up at Chennai and is running successfully. The Company's operations for a period of four months after commencement of business have resulted in a turnover of Rs. 60 Lacs and Profit after Tax of Rs. 4.72 Lacs and is poised to improve during the current year substantially.

CHANGES IN CAPITAL STRUCTURE

During the year, the following changes have occurred in the share capital of the company.

(i) ALLOTMENT OF SHARES PURSUANT TO CONVERSION OF WARRANTS

During the year under review, 10,00,000 equity shares of Rs.2/- each were allotted to IVRCL Infrastructures & Projects Limited, consequent upon their exercise of option in the Equity warrants allotted to them in October 2005.



DIRECTORS' REPORT Contd.

(ii) BONUS SHARES

6,000,484 Equity Shares of Rs.2/- each, fully paid up, were issued as Bonus Shares in the ratio of 1 Bonus Share for every 5 Equity shares of Rs.2/- each.

Consequently, the paid-up Share Capital of your Company as on March 31, 2007 stands increased to Rs.72,005,808/- divided into 36,002,904 equity shares of Rs.2/- each.

The new equity shares, allotted during the year, rank *pari-passu* with the equity shares of your Company.

EMPLOYEE STOCK OPTION SCHEME

It may be recalled that the Members, at the Extraordinary General Meeting held on October 8, 2005, approved formulation of HDO-ESOP: 2005 scheme for issue of shares for the eligible employees of your company and its Directors. The Employee Stock options are proposed to be granted to the employees.

Now your Board of Directors wish to authorize Compensation Committee to decide exercise of options either in a graded process or at a time depending upon each case of grant subject to the compliance of the provisions of the Guidelines. Your Board of Directors further desires to extend the validity period of the aforesaid scheme for which the shareholders consent is being sought.

PUBLIC DEPOSITS

The Company did not accept any fixed deposits from public during the year. 23 depositors had not claimed their deposits amounting to Rs. 3.20 Lacs as on March 31, 2007 out of the deposits accepted earlier.

CODE OF CONDUCT

Pursuant to Clause 49 of the Listing Agreement, a declaration signed by the Executive Director regarding compliance with the Code of Conduct for the Financial Year 2006-07, is appended herewith and forms part of this Report.

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.

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.

BOARD OF DIRECTORS

During the year under review, Mr. S.C. Sekaran was appointed as Executive Director of the Company for a period of five years with effect from June 1, 2006.

Mr. E. Sudhir Reddy resigned as Managing Director of the Company with effect from January 1 2007, and he continues as Director and also as Vice-Chairman on the Board of the Company. Mr. E. Sunil Reddy has been appointed as Managing Director of the Company with effect from January 29, 2007 for a period of five years.

Mr. E. Sudhir Reddy and Mr. K.H.K. Prasad retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

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.

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

Your Company's new Research & Development centre at Vatva, Ahmedabad has been commissioned and is running successfully.

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.