

## CORPORATE GOVERNANCE REPORT

(As required by Clause 49 of the Listing Agreement)

**I. Company's Philosophy on Corporate Governance**

Hindustan Dorr-Oliver Limited (hereinafter referred to as "the Company") is committed to corporate transparency and lays emphasis on business ethics in all its dealings. The Company believes in meeting its obligations to all its stakeholders, including amongst others, shareholders, customers, employees and the community in which the Company operates.

Your Directors are happy to inform you that your Company's existing practices and policies are in conformity with the requirements stipulated by Stock Exchanges and SEBI and has gone well beyond simple statutory compliance by instituting such systems and procedures as are required to make the management completely transparent and institutionally sound.

**II. Board of Directors (Board)****\* Composition of the Board**

The Board comprises of experts drawn from diverse fields/professions. It consists of total of seven Directors. The Chairman of the Board is a Non-Executive and Independent Director.

The Composition as on March 31, 2009, the changes during the year under review, number of Meetings attended and Directorships/Committee Memberships in other Companies are as follows:

	Name of the Director	Category (1)	Attendance at Board Meeting held during the year		Attendance at last AGM held on 1.09.2008	Other Directorships in India (2)	Other Committee Positions in India (3)	
			Held	Attended			Member	Chairman
1	Mr. Prabahakar Ram Tripathi	C & NED (I)	5	3	Yes	7	4	1
2	Mr. E. Sudhir Reddy	VC & NED	5	5	Yes	11	1	Nil
3	Mr. E. Sunil Reddy	MD	5	5	No	11	1	Nil
4	Mr. S. C. Sekaran	ED	5	5	Yes	1	Nil	Nil
5	Mr. R. Balarami Reddy	NED	5	5	No	7	5	2
6	Mr. T. N. Chaturvedi	NED (I)	5	4	Yes	6	4	4
7	Mr. M. L. Majumdar	NED (I)	4	3	Yes	4	Nil	Nil
8	Dr. S. K. Tamotia(4)	NED (I)	5	3	Yes	2	Nil	Nil
9	Mr. K. H. K. Prasad (5)	NED	5	5	No	Nil	Nil	Nil

**Notes:**

1. Category : C - Chairman, VC - Vice-Chairman, MD - Managing Director, ED - Executive Director, NED-Non-Executive Director and I - Independent Director.
2. Does not include Alternate Directorships, Directorships in Private Limited Companies, Foreign Companies and Companies registered under Section 25 of the Companies Act, 1956.
3. Chairmanship/Membership of Board Committees include only Audit Committee and Shareholders'/Investors' Grievance Committee.
4. Dr. S. K. Tamotia resigned from the Board effective from May 20, 2009.
5. Mr. K. H. K. Prasad resigned from the Board effective from July 8, 2009.

**\* Board Meetings**

The Board meets at least once in a quarter to review the Company's performance, financial results and more often, if considered necessary, to transact other business. During the Financial year 2008-09, the Board met five times as follows:

Date of the Board Meeting	Total number of Directors on the date of of the Meeting	Number of Directors who attended
May 28, 2008	8	8
July 30, 2008	9	7
September 20, 2008	9	5
October 31, 2008	9	9
January 27, 2009	9	9

\* The gap between two Meetings did not exceed four months.

\* Agenda papers, containing all necessary information, are made available to the Board well in advance to enable the Board to discharge its responsibilities effectively and take informed decisions. Where it is not practicable to attach or send the relevant information as part of Agenda papers, the same are tabled at the Meeting.



## CORPORATE GOVERNANCE REPORT Contd.

**II. Committees of Directors under Corporate Governance Code****a. Audit Committee****Composition**

The Audit Committee presently comprises of 2 Independent Directors and one Non-executive Director, having rich accounting/financial management expertise. The present composition of the Audit Committee is as follows:

- a. Mr. T.N. Chaturvedi, Chairman
- b. Mr. Prabhakar Ram Tripathi, Member
- c. Mr. R. Balarami Reddy, Member

The Executive Director, Head Accounts and Finance, Internal and Statutory Auditors attend the Meeting of the Committee as and when invited.

Ms. Pragya Sahal Kaul acts as Secretary to the Committee.

**Terms of reference**

The terms of reference of the Committee are as conceived under Clause 49 of the Listing Agreement as amended from time to time.

The Audit Committee met four times during the financial year 2008-09 and the gap between two meetings did not exceed 4 months. The details of the attendance of the Members is as follows:

Name	Attendance at the Meeting held on			
	28.05.2008	30.07.2008	31.10.2008	27.01.2009
Mr. T. N. Chaturvedi	Yes	Yes	Yes	Yes
Mr. Prabahakar Ram Tripathi	Yes	Yes	Yes	Yes
Mr. R. Balarami Reddy	Yes	Yes	Yes	Yes

The Minutes of the Audit Committee Meetings are noted at the Board Meetings.

The Chairman of the Audit Committee Meetings was present at the 33rd Annual General Meeting held on September 1, 2008.

**b. Compensation Committee****Composition**

The Compensation Committee comprises of two Independent Directors and one Non-Executive Director. The present composition of the Compensation Committee is as follows:

- a. Mr. Prabhakar Ram Tripathi, Chairman
- b. Mr. T. N. Chaturvedi, Member
- c. Mr. R. Balarami Reddy, Member

Ms. Pragya Sahal Kaul acts as Secretary to the Committee.

**Terms of reference**

- (a) to determine on behalf of the Board the Company's Policy on remuneration package for Executive Directors including pension rights and compensation payments.
- (b) to administer the Employee Stock Option Scheme of the Company
- (c) to decide any other related matters.

The Minutes of the Compensation Committee Meetings are noted at the Board Meetings.

During the year under review, the Committee met on May 28, 2008. All the Members were present at the said Meetings.

The Remuneration policy of the Company is performance driven and is structured to motivate employees, recognize their merits and achievements and promote excellence in their performance. The Company follows a compensation mix of fixed pay, benefits and perquisites besides Employee Stock Options.

## CORPORATE GOVERNANCE REPORT Contd.

Details of remuneration/sitting fees paid/accrued to Directors of the Company during the year ended March 31, 2009 are given below:

S. No.	Name of the Director	Gross Remuneration (Rs.)*	Sitting fee (Rs.)	Service Contract/Notice period/Severance
1.	Mr. Prabhakar Ram Tripathi	-	42,500/-	Liable to retire by rotation
2.	Mr. E. Sudhir Reddy	-	-	Liable to retire by rotation
3.	Mr. E. Sunil Reddy	-	-	Not liable to retire by rotation
4.	Mr. S. C. Sekaran	42,52,256/-	-	Not liable to retire by rotation
5.	Mr. R. Balarami Reddy	-	-	Liable to retire by rotation
6.	Mr. K. H. K. Prasad	-	-	Liable to retire by rotation
7.	Mr. T. N. Chaturvedi	-	57,500/-	Liable to retire by rotation
8.	Dr. Shailendra Kumar Tamotia	-	32,500/-	Liable to retire by rotation
9.	Mr. M. L. Majumdar	-	45,000/-	Liable to retire by rotation

\* Gross remuneration paid to the Executive Director as shown above includes contribution to Provident Fund and Superannuation Scheme but does not include Company's contribution to Gratuity Fund .

No commission has been paid to any Director for the financial year ended March 31, 2009.

#### c. Shareholders'/Investors' Grievance Committee

Composition

The Shareholders'/Investors' Grievance Committee comprises of the following members of the Board:

- (a) Mr. K. H. K. Prasad, Chairman\*
- (b) Mr. E. Sudhir Reddy, Member
- (c) Mr. S. C. Sekaran, Member

\*Since resigned. Mr. Prabhakar Ram Tripathi has been appointed as the Chairman of the Committee effective from July 11, 2009.

Ms. Pragya Sahal Kaul is the Compliance Officer nominated for this purpose under Clause 47(a) of the Listing Agreement.

The Committee meets at frequent intervals to consider, *inter alia*, share transfers, shareholders'/ investors' complaints and coordinates with the Registrar & Transfer Agent, M/s Karvy Computershare Pvt. Limited for redressal of grievances.

During the year, 44 complaints were received from Shareholders. All complaints have been resolved to the satisfaction of the Complainants.

The Company has acted upon all valid transfers received during the year 2008-09 and no transfers were pending as on March 31, 2009.

#### d. Executive Committee

The Board has constituted an Executive Committee to exercise certain powers as to borrow upto certain limits, as delegated from time to time; opening and closing of bank accounts and authorizing the Directors and officers of the Company for operating the accounts; investment of surplus funds of the company upto certain limits; besides exercising such other powers as may be delegated from time to time.

The Executive Committee comprises of the following Members of the Board:

- a) Mr. E. Sudhir Reddy
- b) Mr. E. Sunil Reddy
- c) Mr. R. Balarami Reddy
- d) Mr. S. C. Sekaran

#### IV Subsidiary

The Company monitors the performance of its subsidiary, HDO Technologies Limited, *inter alia*, by the following means:

- \* The financial statements, in particular the investments made by the unlisted subsidiary, are reviewed by the Audit Committee as well as by the Board.
- \* The minutes of Board Meetings of the subsidiary are noted at the Board Meetings of the Company.



## CORPORATE GOVERNANCE REPORT Contd.

**V General Body Meetings**

- a. Location and time where last three Annual General Meetings of the Company were held are given below:

Financial Year	Date of Meeting	Venue of the Meeting	Time
2005-2006	22/09/2006	The All India Plastic Manufacturers Association, AIPMA House, A-52, Road No.1, M.I.D.C., Marol, Andheri (E), Mumbai - 400 093	3.00 P.M.
2006-2007	31/08/2007	The All India Plastic Manufacturers Association, AIPMA House, A-52, Road No.1, M.I.D.C., Marol, Andheri (E), Mumbai - 400 093	3.00 P.M.
2007-2008	01/09/2008	The Mirador, New Link Road, Chakala, Andheri East, Mumbai - 400099	3.00 P. M.

- b. Special Resolutions passed in last three Annual General Meetings:

Financial Year	Date of Annual General Meeting	Items
2005-2006	22/09/2006	Nil
2006-2007	31/08/2007	(1) Adoption of new set of Articles of Association of the Company (2) Modification of Employees Stock Option Scheme - HDO : ESOP - 2005
2007-2008	01/09/2008	(1) Revision in remuneration of Executive Director (2) Modification of Employee Stock Option Scheme - HDO : ESOP - 2005

- c. Postal Ballot

During the year ended March 31, 2009, no resolution was put through postal ballot nor any resolution is proposed to be passed through Postal Ballot at the ensuing Annual General Meeting.

**VI Disclosures**

During the year, there were no transactions of material nature with the Promoters, Directors or the management, their subsidiaries or relatives that had potential conflict with the interests of the Company. Register of Contracts containing the transactions in which Directors are interested is placed before the Board regularly. Transactions with related parties are disclosed in Note No. 14 of Schedule '19' to the Financial Statements in the Annual Report.

There were no instances of non-compliance of any matter related to the Capital markets nor have any penalty/strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on such matters.

**VII Means of Communication**

- |  |   |   |
|--|---|---|
| (i) Quarterly results-<br>Which news papers normally published in  | : | Free Press Journal, Economic Times, Navshakti and Loksatta  |
| (ii) Any web site where displayed  | : | www.sebidifar.nic.in  |
| (iii) Whether it also displays official<br>News release and presentations<br>made to Institutional Investors /<br>Analysts | : | Official news releases are<br>displayed on the BSE and NSE's<br>web sites - www.bseindia.com,<br>www.nseindia.com |
| (iv) Whether Management Discussion<br>and Analysis Report forms a part of<br>the Annual Report.                            | : | Yes   |

In compliance with the Listing Agreement the Company has designated a separate e-mail address for the convenience of the investors for redressal of investor grievances which is invcomplaint@hdo.in.

## CORPORATE GOVERNANCE REPORT Contd.

**VIII General Shareholders' information**

## \* Annual General Meeting:

Annual General Meeting is proposed to be held on Monday, September 7, 2009 at The Mirador, New Link Road, Chakala, Andheri East, Mumbai-400 099 at 3.00 p.m.

## \* Financial Calendar

(a) Financial year - April 1 to March 31

(b) Results will be published for the Quarter ended:

(i) June 30, 2009	-	in July, 2009
(ii) September 30, 2009	-	in October, 2009
(iii) December 31, 2009	-	in January, 2010
(iv) March 31, 2010	-	in June, 2010

## \* Date of Book Closure

September 4, 2009 to September 7, 2009 (both days inclusive).

## \* Dividend Payment Date

The Record date shall be September 7, 2009. The Dividend Warrants will be despatched to the shareholders whose names shall appear in the Register of Members in respect of shares held in physical form and for shares held in electronic form, to the shareholders whose names shall appear as beneficial owner(s) of the equity shares of the Company, in the records of Depositories viz., NSDL and CDSL as at the close of business hours on the Record date.

## \* Listing on Stock Exchanges

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Listing fee has been paid to above Stock Exchanges for the year 2009-10.

## \* Stock Code

Bombay Stock Exchange Limited	:	509627
National Stock Exchange of India Limited	:	HINDDORROL
SIN allotted to the Company	:	INE551A01022

## \* Stock Market Data

Month	BOMBAY STOCK EXCHANGE		NATIONAL STOCK EXCHANGE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2008	128.95	92.00	131.90	90.00
May, 2008	128.70	105.00	130.00	100.90
June, 2008	115.50	80.00	115.00	77.90
July, 2008	101.00	73.05	104.00	62.00
August, 2008	113.80	96.00	114.40	90.25
September, 2008	106.60	71.00	109.40	65.10
October, 2008	80.95	40.00	84.95	43.00
November, 2008	55.50	28.00	52.20	26.00
December, 2008	41.50	27.85	41.60	26.00
January, 2009	42.00	25.00	42.40	22.15
February, 2009	37.50	24.00	36.80	22.10
March, 2009	46.50	30.65	46.35	31.10

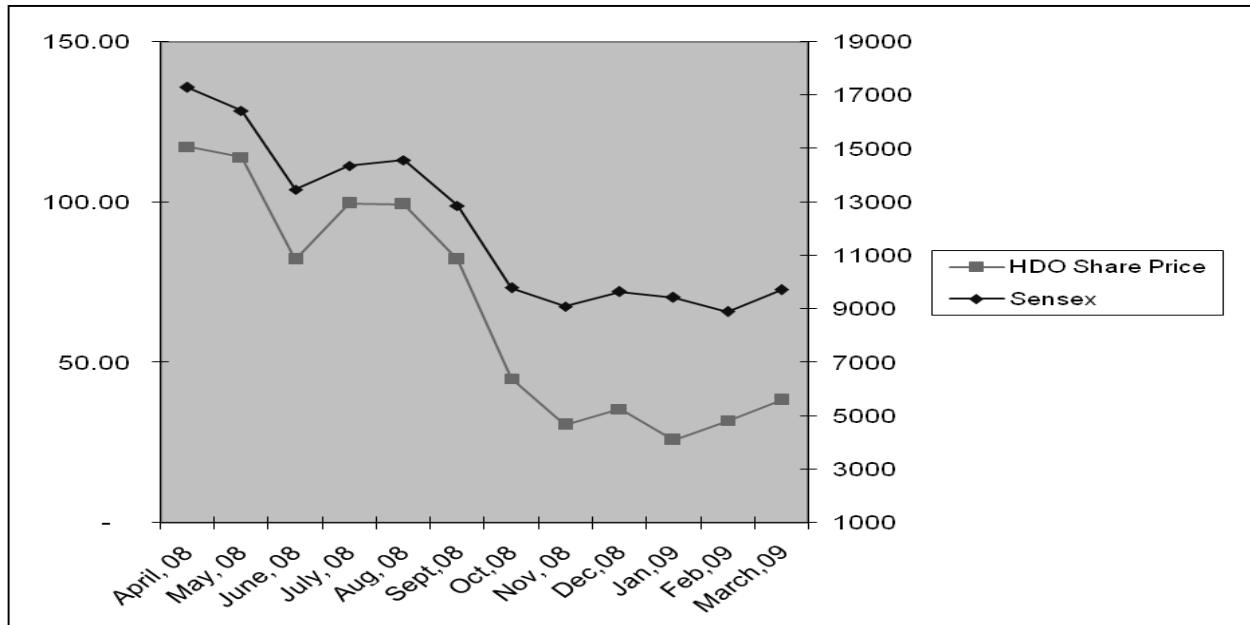
Source : BSE website

Source : NSE website



## CORPORATE GOVERNANCE REPORT Contd.

## Share price movement in HDO vis-à-vis Sensex



## \* Registrar and Transfer Agents

Karvy Computershare Pvt. Limited  
46, Avenue 4,  
Street No. 1,  
Banjara Hills,  
Hyderabad - 500034

## Address for correspondence by the investors/shareholders:

Karvy Computershare Pvt. Limited  
17-24, Vittal Rao Nagar,  
Madhapur, Hyderabad - 500 081  
040-23420815-28,  
Fax: 040-23420814/23420857

## \* Distribution of Shareholding as on 31.03.2009

No. of Equity Shares	Shareholders		Equity	
	Number	% to total	No. of shares	% to total
Upto - 5000	9956	95.96	6474038	8.99
5001 - 10000	215	2.07	1548024	2.15
10001 - 20000	101	0.97	1401372	1.95
20001 - 30000	30	0.29	752546	1.05
30001 - 40000	14	0.13	504810	0.70
40001 - 50000	10	0.10	459420	0.64
50001 - 100000	16	0.15	1244102	1.73
100001 & above	32	0.33	59621496	82.79
<b>Total</b>	<b>10374</b>	<b>100.00</b>	<b>72005808</b>	<b>100.00</b>

## \* Share Transfer System

Application for transfer of shares held in physical form is received at the office of the Registrar and Share Transfer Agents of the Company. Shareholders'/ Investors' Grievance Committee approves valid transfers of shares and share certificates duly endorsed are despatched within the time prescribed under the Listing Agreement/SEBI Guidelines.

Shares held in dematerialised form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update the records and to send all corporate communications, dividend warrants, etc.

The Company also offers the facility of transfer-cum-demat as per SEBI Guidelines.

Any complaints by investors/shareholders may be communicated through the designated e-mail id viz. invcomplaint@hdo.in.

## CORPORATE GOVERNANCE REPORT Contd.

## Shareholding pattern as on March 31, 2009

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)1	As a percentage of (A+B+C)	Number of shares	As a percentage
(A)	Shareholding of Promoter and Promoter Group							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(b)	Central Government/ State Government(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Bodies Corporate	1	19801597	19801597	55.00	55.00	NIL	NIL
(d)	Financial Institutions/ Banks	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(e)	Any Others(Specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub Total(A)(1)	1	19801597	19801597	55.00	55.00	NIL	NIL
2	Foreign							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b	Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL
c	Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL
d	Any Others(Specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub Total(A)(2)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	1	19801597	19801597	55.00	55.00	NIL	NIL
(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	8	3725296	3725296	10.35	10.35	NIL	NIL
(b)	Financial Institutions/ Banks	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Central Government/ State Government(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d)	Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(e)	Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(f)	Foreign Institutional Investors	2	2086336	2086336	5.79	5.79	NIL	NIL
(g)	Foreign Venture Capital Investors	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(h)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub-Total (B)(1)	10	5811632	5811632	16.14	16.14	NIL	NIL
B 2	Non-institutions							
(a)	Bodies Corporate	431	3237157	3220687	8.99	8.99	NIL	NIL
(b)	Individuals							
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	9665	5013504	4495691	13.93	13.93	NIL	NIL
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	7	1839460	1839460	5.11	5.11	NIL	NIL
(c)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c-i)	Non Resident Indians	204	265260	265260	0.74	0.74	NIL	NIL
(c-ii)	Trusts	1	360	NIL	NIL	NIL	NIL	NIL
(c-iii)	Clearing Members	55	33934	33934	0.09	0.09	NIL	NIL
	Sub-Total (B)(2)	10363	10389675	9855032	28.86	28.86	NIL	NIL
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	10373	16201307	15666664	45.00	45.00	NIL	NIL
	TOTAL (A)+(B)	10374	36002904	35468261	100.00	100.00	NIL	NIL
(C)	Shares held by Custodians and against which Depository Receipts have been issued	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	GRAND TOTAL (A)+(B)+(C)	10374	36002904	35468261	100.00	100.00	NIL	NIL



## CORPORATE GOVERNANCE REPORT Contd.

\* **Dematerialization of shares and liquidity**

Shares aggregating to 98.51 % of the share capital have been dematerialized as on March 31, 2009.

Trading in Equity Shares of the Company is permitted only in dematerialised form with effect from December 26, 2000 as per the Circular SMDRP/POLICY/CIR-23/2000 dated May 29, 2000 issued by the Securities and Exchange Board of India.

\* **HDO : ESOP - 2005**

Pursuant to HDO : ESOP - 2005 Scheme, the Company had granted 1,43,750 options to its employees during the year 2007-08, all of which lapsed as none of the options were exercised due to unfavourable market conditions.

**IX Code of Business Conduct and Ethics for Directors and Senior Management**

The Board at its meeting held on March 27, 2006 adopted the Code of Business Conduct for Directors and Senior Management ("the Code"). This Code is a comprehensive Code applicable to all Directors, Executive as well as Non-Executive and Senior Management. The Code while laying down, in detail, the standards of business conduct, ethics and governance, centers around the following theme -

"The Company's Board of Directors and Senior Management are responsible for and are committed to setting the standards of conduct contained in this Code and for updating these standards as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This Code should be adhered to in letter and in spirit."

A copy of the Code has been put on the Company's website www.hdo.in

The Code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Executive Director is given below:

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I hereby confirm that :

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Business Conduct and Ethics for Directors and Senior Management in respect of the financial year 2008-09.

**S. C. Sekaran**  
Executive Director

**X Address for correspondence:**

The Company is operating from various work sites spread throughout the country and the operations are controlled by the Head office at Dorr-Oliver House, Chakala, Andheri East, Mumbai - 400099 and through various Regional offices at:

**CHENNAI**

Hindustan Dorr-Oliver Limited  
30-A South Phase, 6th Cross Road  
Thiru-vi-ka Indl. Estate, Guindy,  
Chennai - 600 032

**NEW DELHI**

Hindustan Dorr-Oliver Limited,  
"COREANTHUM",  
A-41, Tower B,  
1st Floor, Lobe- 4, Sector 62,  
Noida- 201 301(U.P.)

**KOLKATA**

Hindustan Dorr-Oliver Limited,  
Flat No.1A, 1st Floor  
8C Queens Park, Ballygunge  
Kolkata - 700 019

**AHMEDABAD**

Hindustan Dorr-Oliver Limited,  
5/1/2 G.I.D.C. Vatva  
Near Railway Crossing  
Ahmedabad - 382 445.



## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF

HINDUSTAN DORR OLIVER LIMITED

We have examined the compliance of conditions of Corporate Governance by Hindustan Dorr Oliver Limited, for the year ended on March 31, 2009 as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementations thereof, adopted by the company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our examination and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For CHATURVEDI & PARTNERS***Chartered Accountants***R N CHATURVEDI**

Membership No 092087

Hyderabad  
July 29, 2009

## CEO/CFO CERTIFICATION

We, S. C. Sekaran, Executive Director and Srinivas Rao, G. M. – Finance, responsible for the finance function certify that:

- a) We have reviewed the financial statements and cash flow statement for the year ended March 31, 2009 and to the best of our knowledge and belief :
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading ;
  - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2009 are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
  - i) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - ii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Hyderabad  
May 28, 2009

**S. C. Sekaran**  
Executive Director

**Srinivas Rao**  
G. M. - Finance



## AUDITORS' REPORT

To The Members of

**HINDUSTAN DORR-OLIVER LIMITED**

1. We have audited the attached Balance Sheet of HINDUSTAN DORR-OLIVER LIMITED, as at March 31, 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received from the Directors, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009,
    - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For CHATURVEDI & PARTNERS***Chartered Accountants*

Hyderabad

**R N CHATURVEDI***Partner*

May 28, 2009

Membership No. 092087