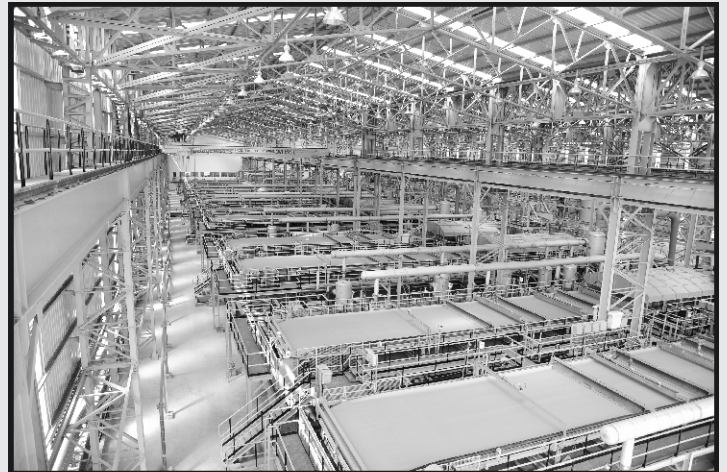
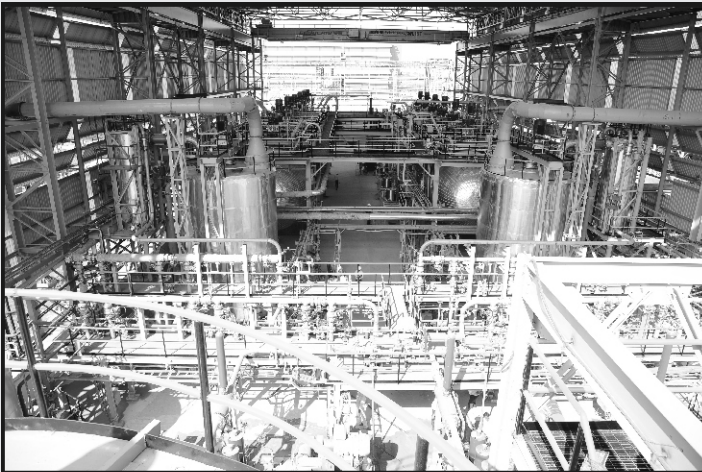


One Company  
Many Solutions...



**37<sup>th</sup> ANNUAL REPORT**  
**2011-12**



## Board of Directors

Mr. Prabhakar Ram Tripathi	Chairman
Mr. E. Sudhir Reddy	Vice Chairman
Mr. S. C. Sekaran	Executive Director
Mr. R. Balarami Reddy	Non-Executive Director
Mr. T. N. Chaturvedi	Non-Executive Director
Mr. M. L. Majumdar	Non-Executive Director
Mr. S. D. Kapoor	Non-Executive Director

## Company Secretary

A.S. Pardha Saradhi

## Auditors

Chaturvedi & Partners

## Internal Auditors

V.C.G. & Co.

## Bankers

Bank of India  
Andhra Bank

## Registrar and Transfer Agents

M/s. Karvy Computershare Pvt. Ltd.  
Karvy House 46, Avenue 4,  
Street No. 1, Banjara Hills,  
Hyderabad – 500 034

## Registered Office

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

## Solicitors & Advocates

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

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Annual General Meeting will be held on Saturday, December 29, 2012 at 3.00 p.m. at All India Plastic Manufacturers Association, AIPMA House, A-52, Street No. 1, MIDC, Andheri (East), Mumbai - 400 093. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the meeting.

## FIVE YEARS AT A GLANCE

### Stand-alone financial performance at a glance

(₹ in Million)

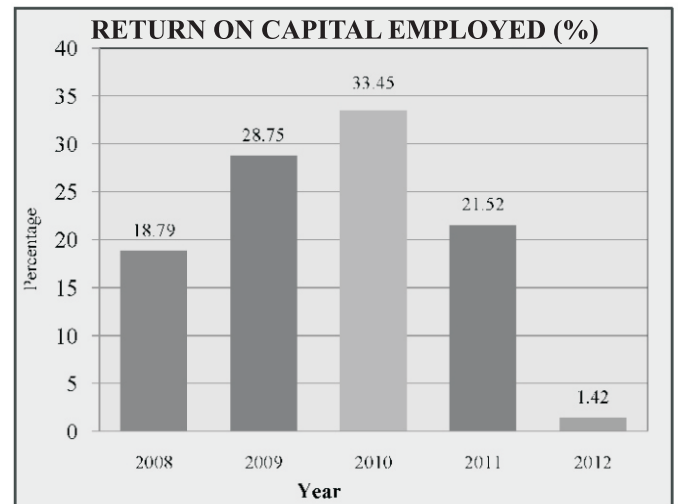
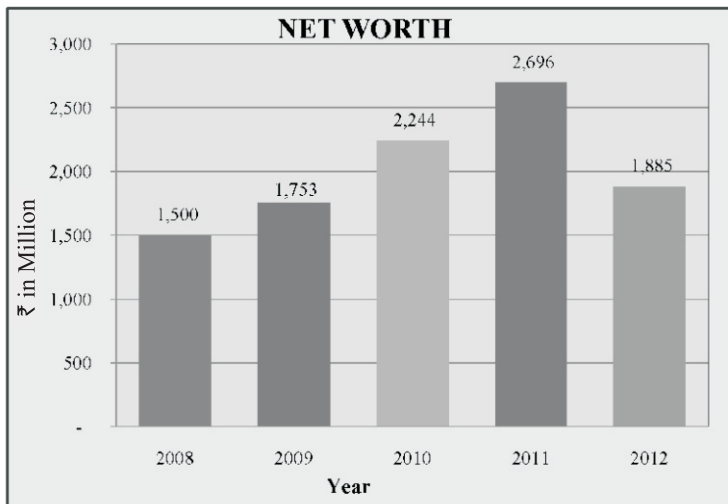
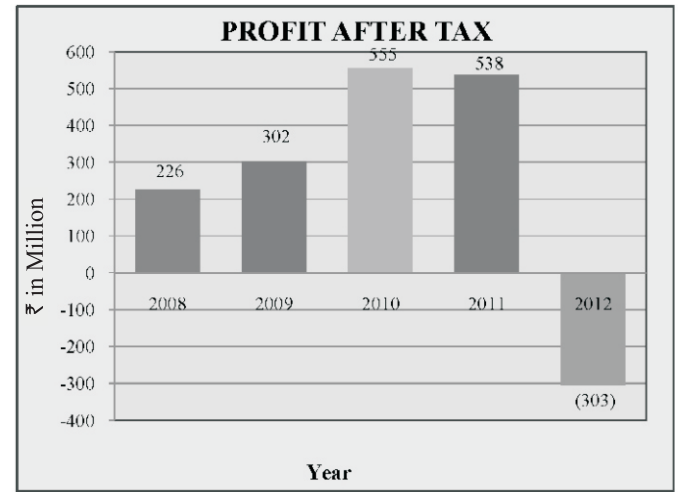
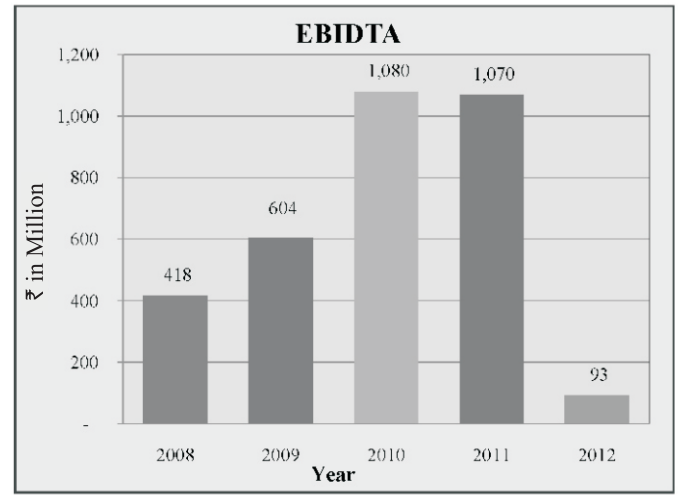
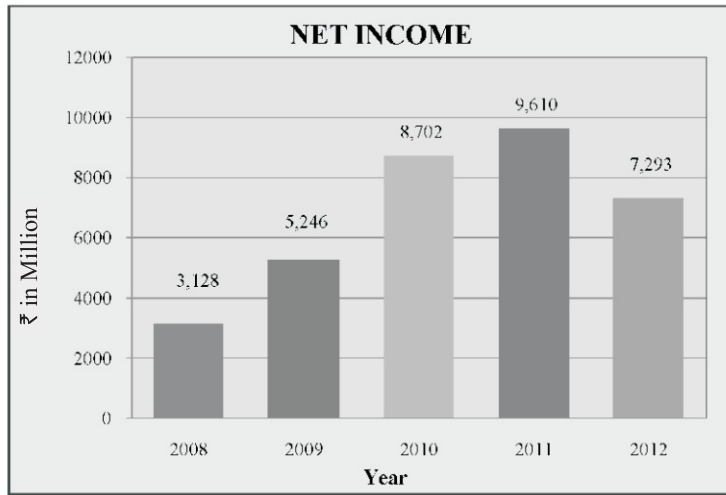
Particulars	2012*	2011	2010	2009	2008
Gross Income	7,293.05	9,717.47	8,782.32	5,315.04	3,190.45
Excise Duty	-	107.30	80.33	69.47	62.03
Net Income	7,293.05	9,610.17	8,701.99	5,245.57	3,128.42
Cost of Sales	7,200.16	8,540.57	7,622.35	4,642.07	2,710.86
EBIDTA	92.89	1,069.60	1,079.64	603.50	417.56
EBDT	(421.09)	847.53	892.37	500.69	362.93
EBIT	51.15	1,001.36	1,024.66	569.65	393.57
Profit before Tax	(462.83)	779.29	837.39	466.83	338.94
Tax	(159.51)	241.76	282.22	165.23	112.58
Profit after Tax before exceptional items	(303.32)	537.53	555.17	301.60	226.36
Profit after Taxation	(303.32)	537.53	555.17	301.60	226.36
Equity	144.01	144.01	144.01	72.01	72.01
Reserve & Surplus	1,741.13	2,551.53	2,100.46	1,681.48	1,428.35
Net Worth	1,885.14	2,695.54	2,244.47	1,753.49	1,500.36
Gross Block	517.01	1,213.61	1,100.26	941.22	657.69
Net Block	258.00	838.19	786.37	682.61	432.15
Market Capitalisation**	2,579.97	5,634.45	7,492.20	1,378.91	3,458.08
Dividends	-	66.95	67.17	42.12	25.27
Retained Profit	(303.32)	470.58	488.00	259.48	201.09
EPS	(4.21)	7.47	7.71	4.19	3.15
Dividend ***	-	0.80	0.80	1.00	0.60

\* Results are for fifteen months period starting from April 01, 2011 to June 30, 2012.

\*\* Based on year end closing prices, quoted on the Bombay Stock Exchange.

\*\*\* Dividend includes tax on dividend.

## PERFORMANCE INDICATORS



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 37th Annual Report and the audited accounts for the fifteen months period ended June 30, 2012.

### FINANCIAL RESULTS

The financial performance of the Company for the fifteen months ended June 30, 2012 is summarised below

(₹ In Million)

Particulars	Period ended June 30, 2012	Year ended March 31, 2011
Net Sales	7187.53	9483.05
Other Income	105.52	127.12
Total Income	7293.05	9610.17
Profit/ (Loss) from Ordinary Activities before Tax	(462.83)	779.29
Provision for taxation	(159.51)	241.76
Profit/ (Loss) after taxation	(303.32)	537.53
Balance brought forward from previous year	849.62	579.03
Balance available for appropriation	546.30	1116.56
Appropriations		
Proposed dividend for the financial year	-	57.60
Corporate Dividend Tax	-	9.35
Transfer to General Reserve	-	200.00
Retained profits carried forward to Balance Sheet	546.30	849.61

### PERFORMANCE

Your Company achieved a gross turnover of ₹7,187.53 Million for the fifteen months period ended June 30, 2012 as against ₹9,483.05 Million for the previous twelve months ended March 31, 2011. On an annualised basis, turnover for the current period ended June 30, 2012 reduced by 39.37% as compared to the previous year. The pressure on liquidity coupled with reduced investments in infrastructure and other industries has adversely affected your Company resulting in reduced turnovers and consequent under realisation of overheads leading to a gross loss of ₹462.83 Million and net loss after tax of ₹303.32 Million.

In view of the loss incurred by the Company, your Directors regret and express their inability to recommend dividend for the fifteen months period ended June 30, 2012.

### CHANGE IN FINANCIAL YEAR OF THE COMPANY

Pursuant to Section 210 read with Section 166 of the Companies Act, 1956, the financial year of the Company has been extended by three months to close on June 30, 2012 to facilitate the demerger of manufacturing division into a separate wholly owned subsidiary HDO Technologies Limited.

### FUTURE OUTLOOK

The negative effects of global recessionary conditions are being attenuated by various countries through huge investments in infrastructure and India is no exception in this regard. Your directors are confident that the present environment of investments in infrastructure by the State and Central Governments assures growth of operations of your Company.

### SUBSIDIARIES

The Consolidated Financial Statements prepared by the Company include the financial information of subsidiary companies, namely HDO Technologies Limited, HDO UK Limited, HDO Zambia Limited and DavyMarkham (India) Private Limited.

Pursuant to Section 212 of the Companies Act, 1956, the Balance Sheet, Statement of Profit and Loss and other documents of the said subsidiary companies are required to be annexed to the accounts of the holding Company. Ministry of Corporate Affairs vide its General Circular dated February 8, 2011 had granted general exemption for companies from complying with the provisions of section 212 of the Companies Act, 1956 subject to certain conditions being fulfilled by the Company.

## **DIRECTORS' REPORT (Contd.)**

Accordingly, the Balance Sheet, Profit and loss account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. A statement containing the brief details of financials of subsidiary companies for the period ended June 30, 2012 is enclosed in the Annual Report. The annual accounts of the said subsidiary companies and relevant information shall be made available to the shareholders who seek such information and are also available for inspection by any shareholder at the Registered Office of the Company, on any working day during business hours. Copy of the said details will be provided upon receipt of written request from the shareholders.

### **DE-MERGER OF MANUFACTURING DIVISION**

The Hon'ble High Court of Bombay had approved the Scheme of Arrangement which inter-alia provided for, demerger of manufacturing undertaking of your Company into its subsidiary HDO Technologies Limited – A Wholly owned subsidiary of the Company effective from April 01, 2011.

### **PUBLIC DEPOSITS**

The Company did not accept any deposits from public during the year. ₹ 0.15 Million was unclaimed deposit as on June 30, 2012.

### **CORPORATE GOVERNANCE**

The Company is committed to maintain the highest standards of Corporate Governance. The Report on Corporate Governance and Auditors' Certificate regarding compliance with conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges forms part of the Annual Report.

The declaration regarding compliance with Code of Business Conduct and Ethics for Directors and Senior Management forms part of the Report on Corporate Governance.

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion & Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, is presented separately in the Annual Report.

### **BOARD OF DIRECTORS**

During the period under review Mr.E.Sunil Reddy has resigned as Managing Director and Director of the Company with effect from June 11, 2012. The Board wishes to place on record its appreciation for Mr.E.Sunil Reddy's valuable services and wide contributions made during his tenure.

Mr. R. Balarami Reddy and Mr. S. D. Kapoor retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

### **STATUTORY AUDITORS**

M/s. Chaturvedi & Partners, Chartered Accountants, Statutory Auditors of the Company 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**

M/s V. C. G. & Co., Chartered Accountants, are the Internal Auditors of the Company and they monitor the internal control system of the Company at its works at Mumbai office.

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

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo as required to be disclosed under the Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, has not been enclosed for the period ended 30th June, 2012 in view of the demerger of the Manufacturing Division with effect from April 1st, 2011 as already approved by the Hon'ble Bombay High Court, the Company has nothing to report under this head specifically. However, generally the Company is quite conscious of its responsibility in respect of energy conservation and technology absorption and adopts suitable measures towards this end from time to time.

### **PARTICULARS OF EMPLOYEES**

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is provided in Annexure forming part of the Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Shareholders excluding the

## **DIRECTORS' REPORT (Contd.)**

aforesaid Annexure. Any shareholder interested in obtaining copy of the same may write to the Company Secretary. None of the employees listed in the said Annexure, except Mr.E.Sunil Reddy, Managing Director are related to any Director of the Company. Mr.E.Sunil Reddy has since resigned from the Company as Managing Director and Director with effect from June 11, 2012.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm in respect of the audited annual accounts for the fifteen months period ended June 30, 2012:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- (ii) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the fifteen months period ended on June 30, 2012 and of loss of the Company for the fifteen months ended on that date;
- (iii) that they 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) that they had prepared the annual accounts on a going concern basis.

### **INDUSTRIAL RELATIONS**

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

### **HEALTH, SAFETY & ENVIRONMENT**

In line with our Corporate vision to improve the safety and quality of life of employees and to mitigate the risks of Health, Safety and Environment (HSE), the Company is actively involved in design and engineering of its projects through the non-polluting manufacturing processes, scrupulous compliance with environment norms and development of environmental products.

Reinforcing our commitment to high levels of Quality and best-in –class services to customers, the company has integrated Management system (IMS) consisting of ISO 9001: 2008, ISO 14001: 2004 and OSHAS 18001: 2007 systems across the organisation inclusive of project sites accredited by M/s International Standards Body, Australia.

The Company is committed to progressively maintaining the best in class standards of HSE care for its people, practices, processes and services. The Company also promotes active participation of its employees and contractors to manage HSE risks with a goal to preventing accidents, injuries and occupational illness. The Company conducts on-going safety awareness programmes which together with safety audits and continual safety training strengthens the processes and systems in this area. The Company also conducts continuous training of the staff at all levels regarding HSE issues, with experts being invited to train the senior management.

Upgradation of safety procedures at project sites and training has been of prime importance as a part of workplace safety.

As a part of its commitment to environment, which has always been in the forefront, your Company has taken up several environmental management initiatives and remains committed to clean environment.

As a leader in environment and waste management technology market, HDO provides complete solutions for waste reduction and water conservation for broad spectrum of industries like refineries, minerals, pulp and paper, suger, etc.

### **ACKNOWLEDGEMENT**

The Directors would like to express their appreciation for support and cooperation received from the holding company, bankers, financial institutions, suppliers, associate sub-contractors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services provided by the executives, staff and workers of the Company. The Board of Directors also thank all the employees for their contribution and continued cooperation 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**

Hyderabad,  
August 29, 2012

**S.C. Sekaran**  
*Executive Director*

**R.Balarami Reddy**  
*Director*



## MANAGEMENT DISCUSSIONS AND ANALYSIS

The Global economic and financial conditions likely to remain under pressure during the Year 2011-12. But India is still holding its ground in the midst of the current global financial crisis.

Mining and quarrying sector have reported negative growth for 2011-12 on account of weak coal output growth, restrictions imposed on iron ore production, decline in natural gas production and negative growth in crude oil output. These as also resulted in holding of new projects which was planned earlier both by Government and Private Sector.

Manufacturing and Construction have also been sluggish during the first three quarters of 2011-12. This trend in manufacturing will continue for another year. The overall growth rate will be 3.9% and 6.2% respectively against the planned target.

Strong growth in the service sector will continue with overall growth of 9.4% for 2011-12.

### COMPANY PERFORMANCE

Your company recorded a good performance during the year 2010-11. But during the year 2011-12, the company is showing a negative performance at the end of 3rd quarter due to the economic slow down. This is mainly certain sectors due to pending decisions of investment and statutory Government clearances.

### BUSINESS PORTFOLIO

HDO operates on diversified portfolios of business that have wide market segments. The Engineering, Procurement and Construction (EPC) Division of HDO has a good track record of executing large size and complex projects on turnkey basis. The projects include in the field of Minerals and Metals, Fertilizer & Chemicals, Water Management and Pulp & Paper sectors. The Divisions major capabilities include in-house engineering, global technology tie ups, world class manufacturing facilities, highly experienced project execution team and safe work culture.

Intense competition in domestic market with new competitors both from India and global companies, this division is diversifying into new product lines as well as venturing into new geographic locations.



Your company is proud to inform that your Manufacturing facility is one among the top ten leading engineering manufacturing facility in the country. It has been approved by all leading project management consultants in the country. Further, it has been upgraded with S & R certifications from ASME-USA to undertake various pressure vessels and heat exchangers manufacturing for Nuclear & Power sectors. Many global companies have visited our facility for their global requirement of their product to be manufactured at your workshop.

The company has launched a number of initiatives such as facility enhancement, automation of the system and quality improvement to meet the global market demand.

Your company has another world class manufacturing facility in the name of Davy Markham Limited at

Sheffield, U.K. This manufacturing facility is distinguished in the design fabrication, machining and manufacturing of heavy and complex engineering component to various industrial segments.

Davy Markham have been receiving large orders for manufacturing of Mining equipment such as Mining Hoists and tunnel boring machines from Europe and U.S. markets.

HDO being an ISO certified company, is engaged in continuous improvement in quality standards.

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### GROWTH STRATEGIES:

Economy is likely to grow in the range of 7.5 to 8%. Mining and Manufacturing are expected to show substantial improvement in 2012-13 over the previous year.

As per the revised projections done by the Planning Commission, the expected investment in Infrastructure during the 11th Plan period will be ₹ 20.50 Lakh Crores for the 12th Plan (2012-17), the Planning Commission has indicated that the investment will be double.

In your company, each business vertical is continuously engaged in strategic growth in competitive market scenario.

A related sector wise analysis as follows:

#### a. Power

As per central Electricity Authority (CEA), there will be a requirement of 1,100 BOP packages during 12th Plan comprising of coal handling plants, water packages, cooling towers, fuel oil systems and chimney stacks. HDO is already executing LSTK project for NPCIL and is active in this areas.

#### b. Steel

In 2011, India produced 72.2 million tons of steel and was 4th largest producer in the world. The installed capacity is expected to increase upto 142 million tons by 2018. HDO has already signed MOU with global technology players for EPC packages on this Sector in Coke Oven, Sinter Plants, Blast Furnace and By Product Plants..

#### c. Mining & Minerals

India has vast reserves of many different minerals. It is world's 3rd largest producer of coal, 4th largest producer of ore and 5th largest producer of bauxite. It also has significant reserves of copper, zinc, lead and other minerals.

Iron ore beneficiation and pelletisation of unused iron ore fines will be needed in a big way to meet the growing demand of the steel industry. HDO is already existing two number of Iron ore slimes and fines beneficiation project for NMDC LTD at Donimali Karnataka. HDO hopes to play a significant role in setting up of iron ore beneficiation and pelletization with international technology partners.

