

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		



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Hindusthan Development Corporation Limited

Annual Report 1997-98



HINDUSTHAN DEVELOPMENT CORPORATION LIMITED

DIRECTORS

Shri R. P. Mody, Chairman
Shri P. K. Khaitan
Shri A. K. Gutgutia
Shri G. K. Bhagat
Shri M. Sen
Shri V. A. Mody
Shri H. Jhunjhunwala, Managing Director

CHIEF EXECUTIVE (FINANCE) & SECRETARY

Shri K.C. Jain

AUDITORS

M/s. Lodha & Co.

BANKERS

Dena Bank
Indian Overseas Bank
Punjab National Bank
State Bank of India
United Bank of India

REGISTERED OFFICE

Mody Building
27 Sir R N Mukherjee Road
Calcutta 700 001

SHARES LISTED AT

Ahmedabad, Calcutta, Delhi,
Mumbai and National Stock Exchanges.

WORKS

Bamunari	(West Bengal)
Bharatpur	(Rajasthan)
Calcutta	(West Bengal)
Champdany	(West Bengal)
Faridabad	(Haryana)
Haldia	(West Bengal)
Malanpur	(Madhya Pradesh)
Mandideep	(Madhya Pradesh)
Olpad	(Gujarat)
Santragachi	(West Bengal)

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NOTICE

NOTICE is hereby given that the Fiftythird Annual General Meeting of the Shareholders of HINDUSTHAN DEVELOPMENT CORPORATION LIMITED will be held on Monday, the 21st day of September 1998 at 4.00 P.M. at G.D. Birla Sabhagar, 29 Ashutosh Choudhury Avenue, Calcutta 700 019 to transact the following business :

As Ordinary Business :

1. To consider and adopt the Audited Accounts of the Company for the year ended 31st March, 1998, the Balance Sheet of the Company as at 31st March, 1998 and the Reports of the Board of Directors and Auditors.
2. To appoint Director in place of Shri P. K. Khaitan who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in place of Shri A. K. Gutgutia who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

As Special Business :

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution :

"RESOLVED that subject to the approval of the Central Government and other appropriate authorities, institutions or bodies, the consent of the Company be and is hereby accorded pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company to make investment by way of purchase and / or subscription upto 51% of Equity Shares to be issued and allotted by Hindusthan Business Corporation Limited, notwithstanding that such investment, together with the Company's existing / future investment in all other bodies corporate, may be in excess of the percentage specified in Section 372 of the Companies Act, 1956 and the provisions thereto and the Board of Directors of the Company be and is hereby authorised to determine the actual sum to be so invested and to do or cause to be executed all such acts, deeds and things as they may deem necessary or expedient in the matter, including obtaining of the approval of the Central Government and other appropriate authorities, institutions or bodies."

6. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :

"RESOLVED that in partial modification of Resolution No.6 passed at the Annual General Meeting held on 27th September 1996 and in accordance with the provisions of Schedule XIII, Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revised terms of remuneration and perquisites of Shri H. Jhunjhunwala, Managing Director w.e.f. 1st November 1997 for the residual tenure of his appointment as set out in the Explanatory Statement to this Resolution."

7. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :

"RESOLVED that subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof or any Ordinance promulgated in this regard for the time being in force and as may be enacted/promulgated from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to buy-back Company's own fully paid-up Equity Shares or other securities from the existing holders of such shares or securities of the Company, from time to time or otherwise by the Board on a proportionate basis and / or from the open market and / or from the lots smaller than market lots of the shares (odd lots) of the Company, from out of its distributable profits and / or Free Reserves and / or out of the Shares Premium Account of the Company and / or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be permitted by law, on such terms and conditions and in such manner and upto such limit as may be prescribed by law from time to time or otherwise as may be decided by the Board.

RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper."

8. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :

"RESOLVED that pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :—

Insert the following Article as Article 54A after Article 54.

54A :- " Notwithstanding anything contained in these Articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy-back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, as may be permitted and required by law."

Registered Office
Mody Building
27 Sir R N Mukherjee Road
Calcutta 700 001
Dated, the 21st day of August 1998

By Order of the Board
K C JAIN
Chief Executive (Finance)
& Secretary

NOTICE (Contd.)

NOTES

1. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member of the Company.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 1st September 1998 to 21st September 1998 both days inclusive.
4. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company at least 10 days in advance of the Annual General Meeting.
5. Due to prohibitive cost of paper and printing, additional copies of the Annual Report may not be available for distribution at the Annual General Meeting. Members are requested to bring their copies of the Annual Report for the meeting.
6. In accordance with the provisions of Section 205A of the Companies Act, 1956, the Company has from time to time transferred unclaimed/unpaid dividends relating to the years upto 31st March 1994 to the General Revenue Account of the Central Government. Members who have a valid claim to any of the unclaimed / unpaid dividends as aforesaid may claim the same from the Registrar of Companies, West Bengal, in the prescribed manner.
7. Any correspondence relating to Shares / Debentures may kindly be addressed to the Company's Share Department at Mangalam, 24 Hemanta Basu Sarani, Calcutta- 700 001.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173(2) OF THE COMPANIES ACT, 1956

Resolution at Item No. 5

Hindusthan Business Corporation Ltd. has been incorporated with the main object of import and export of industrial and commercial products and it is proposed to make it a subsidiary of the Company by purchasing and / or subscribing 51% of the nominal capital of Hindusthan Business Corporation Ltd., as may be issued from time to time.

The Company's proposed investment will exceed 30% of the subscribed equity share capital of Hindusthan Business Corporation Ltd. and may exceed together with all other present and future investments, 30% of the aggregate of the subscribed capital and free reserves of the Company. Therefore, it is necessary under Section 372 of the Companies Act, 1956 to obtain consent of the Company in General Meeting and also the approval of the Central Government.

The Directors expect that the proposed investment in the said body corporate would yield good return within a reasonable time. The resolution is recommended for approval of the members.

None of the Directors is interested or concerned in the above resolution except Sri R. P. Mody and Sri V. A. Mody, who are also Directors in Hindusthan Business Corporation Ltd.

Resolution at Item No. 6

At the Annual general Meeting held on 27th September 1996 the Shareholders had approved the appointment of Sri H. Jhunjhunwala as Managing Director of the Company for a period of five years commencing from 1st October 1996 on the remuneration and perquisites permissible under Schedule XIII of the Companies Act, 1956 and as detailed in the Explanatory Statement to the Resolution under Item No. 6 of the said Annual General Meeting. Simultaneously the Members had also authorised and empowered the Board of Directors of the Company to make such alterations and variations in terms and conditions of his appointment as it may in its discretion deem fit within the maximum amount payable to the Managing Director in accordance with the provisions of Schedule XIII of the said Act or any amendments made therein.

The Board had revised the terms of remuneration payable to him with effect from 1st November 1997 which is subject to the approval of the Shareholders and the same are as follows :—

- a) Salary Rs. 65,500 per month from 01.11.97 with a maximum annual increment, if any, not exceeding 10% of the salary for any financial year.
- b) Company's contribution towards Provident Fund as per rules of the Company.
- c) Medical Expenses : Reimbursement of actual expenses incurred for himself and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- d) Leave : One month's leave with remuneration for every eleven months of service with right to accumulation upto 84 days.
- e) Leave Travel Allowance : Reimbursement of actual fare but not hotel expenses etc. incurred for himself, his wife and dependent children once in two years as per the rules of the Company.
- f) Rented accommodation but the rent shall not exceed 60% of his salary and the amount of rent exceeding this limit will be recovered from him.

NOTICE (Contd.)

- g) Gas, electricity and water charges, evaluated as per Income Tax Rules, 1962, will be subject to a ceiling of 10% of the salary.
- h) Soft furnishing of Rs. 1,500 per month.
- i) Free use of car with Driver for office use, and if used for personal purpose, then the same will be billed by the Company.
- j) Free Telephone facility at residence except personal long distance calls.
- k) Fees of two clubs, as may be selected by him from time to time, will be borne by the Company.
- l) Sweeper Allowance @ Rs. 3,500 per month or as may be increased by the Board of Directors from time to time subject to a ceiling of Rs. 6,000 per month.
- m) Watchman Allowance @ Rs. 3,500 per month or as may be increased by the Board of Directors from time to time subject to a ceiling of Rs. 6,000 per month.
- n) He will be paid a sum of Rs. 750 per month or as may be increased by the Board of Directors from time to time towards Books & Periodicals subject to a ceiling of Rs. 1,250 per month. The amount is to be spent by him for purchase of books and periodicals for academic references and other professional pursuits.
- o) He will be paid Rs. 500 per month per child or as may be increased by the Board of Directors from time to time towards Education Allowance upto maximum for two children subject to a ceiling of Rs. 1,500 per month per child.
- p) All taxes, deductions etc. as per Law & Rules and as are applicable from time to time will be deducted at source.

The above remuneration shall also be paid as minimum remuneration in case of inadequacy of profit as already approved by the Central Govt.

All other terms & conditions contained in his letter of appointment dated 1.10.96 issued pursuant to the resolution passed by the members at their meeting held on 27.09.96 shall remain unchanged.

None of the Directors of the Company except Sri. H. Jhunjhunwala is interested in the above variation in the terms of remuneration.

Resolution at Item No. 7

The Companies Act, 1956 presently prohibits a company from purchasing its own shares and securities. However, it is anticipated that the law may be amended in the near future to permit a company to buy back its own shares or other securities.

The Buy-back of Shares or other securities as aforesaid would entail investing of an amount which would not be less than the market value of the shares and shall be met out of the distributable profits and / or Free Reserves and / or the Share Premium Account and / or out of the proceeds of an issue specifically made for the purpose or from such other sources as may be permitted by the proposed law. The shares or other securities so bought back shall be dealt with as per the then prevailing laws / regulation.

The Board is of the opinion that it will be in the interest of the Company if Shareholders approve the said resolution permitting such Buy-back, so that the Company will be able to implement the resolution once the law is amended.

The resolution, if approved, will be operative and given effect to from the applicable date as may be prescribed in this regard.

The resolution is an enabling provision aimed at facilitating the Company to buy back its shares or other securities as soon as legally permissible.

The proposed resolution is accordingly being recommended for approval of the shareholders.

None of the Directors of the Company is interested in the said Resolution, except Sri R. P. Mody, Sri A. K. Gutgutia and Sri H. Jhunjhunwala to the extent of their holding in the Company.

Resolution at Item No. 8

In view of the proposal contained in Item 7 of the Notice, it is necessary to insert a new Article 54A immediately after the existing Article 54 of the Articles of Association of the Company, enabling the Company to buy-back of its own shares or securities in accordance with the then prevailing laws / regulations.

In view of the above and pursuant to Section 31 of the Companies Act, 1956, approval of the Members for Item 8 is necessary for insertion of the Articles in the Articles of Association of the Company.

The proposed resolution is accordingly being recommended for approval of the shareholders.

None of the Directors of the Company is interested in the said Resolution, except Sri R P Mody, Sri A K Gutgutia and Sri H Jhunjhunwala to the extent of their holding in the Company.

Registered Office
Mody Building
27 Sir R N Mukherjee Road
Calcutta 700 001
Dated, the 21st day of August 1998

By Order of the Board
K C JAIN
Chief Executive (Finance)
& Secretary

DIRECTORS' REPORT

To
The Shareholders,

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March, 1998.

2. The operating results of the Company for the year are as follows:

(Rs. '000)

	1997-98	1996-97
The profit for the year after meeting all expenses but before providing for Gratuity and other retirement benefits, Depreciation and Taxation is	61 58 92	68 56 48
From which have to be deducted :		
Gratuity and other retirement benefits according to Ministry's circular no. 3/98 dated 18.05.98	14 76 69	—
Depreciation for the current year	40 56 65	40 26 79
Provision for Taxation	66 00	55 99 34
Net Profit	5 59 58	3 69 00
To which have to be added :		
The balance brought forward from the previous year	22 33 67	22 37 71
Investment Allowance Utilised Reserve written back	3 17 46	25 51 13
Making a total of	31 10 71	2 23 98
Deductions therefrom :		
Tax relating to earlier years	—	84
Debenture Redemption Reserve	6 99 54	5 63 91
Capital Redemption Reserve	—	50 00
Provision for Dividend		
Equity	—	11 14 57
Preference	—	7 21
Tax on Dividend	—	6 99 54
Leaving a balance of	24 11 17	1 12 18
Transferred to General Reserve	—	18 48 71
Balance to be carried forward to next year's account	24 11 17	30 73 67
		8 40 00
		22 33 67

DIRECTORS' REPORT (Contd.)

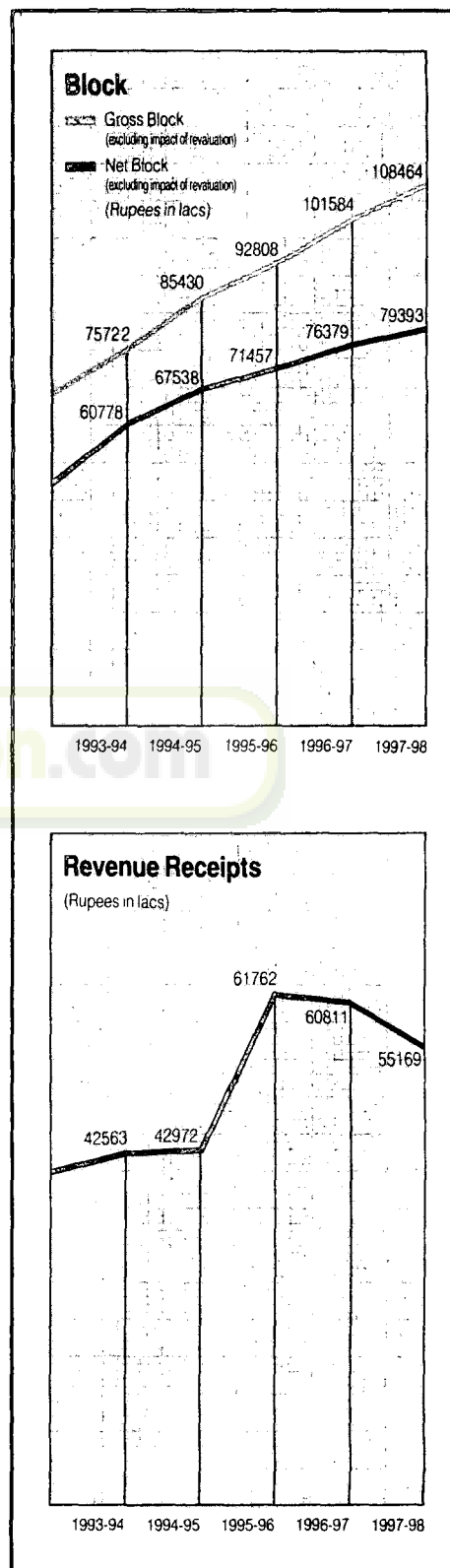
3. Your Directors do not recommend payment of any dividend for the year ended 31st March 1998 considering the continued recession in the steel industry and the unsatisfactory economic scenario in general. Government spending is not sufficient to sustain industrial production and the reducing order book is cause for concern. There is uncertainty in the foreign exchange markets and its consequent effect on our operations. The power position is also not satisfactory.

A sum of Rs.14 76 69 thousands (including Rs.1 74 70 thousands for 97-98) has been provided in the accounts towards Gratuity and other retirement benefits on accrual basis as mandatorily required by Circular No.3/98 dated 18.05.98 issued by the Ministry of Law, Justice & Company Affairs, which were hitherto accounted for on cash basis.

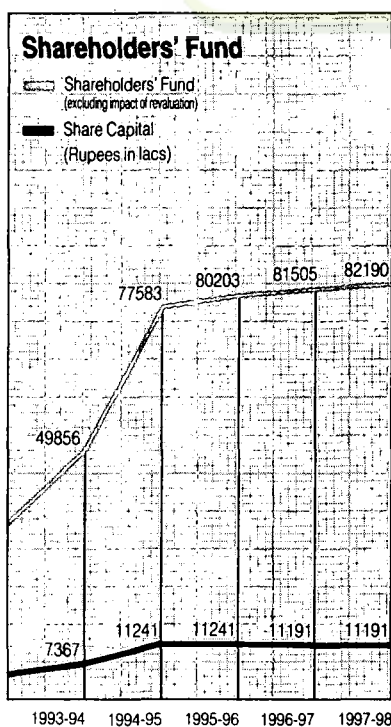
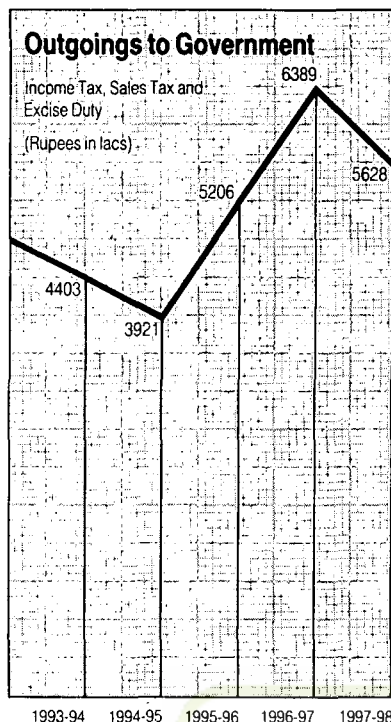
An amount of Rs.6 99 54 thousands has been transferred during the year to Debenture Redemption Reserve Account in terms of the guidelines of the Central Government for issue of debentures.

4. The Bamunari Plant of the ENGINEERING UNIT of the Company, continued to export its products to developed countries of the world like Europe, USA, Canada and Japan. The investments made in the Flaskless Nobake Resin Moulding Automatic Line, contributed to the overall working of the Plant and coupled with rigid quality control systems adopted throughout the Plant, is a major reason for getting recurring orders, as well as opening up new avenues in exports. In recognition of the highest performance of export of steel castings, a Shield for Export Excellence has been received by the Company from the Engineering Export Promotion Council. The export of steel castings is expected to increase in the coming financial year. The domestic demand remained stable during the course of the year. Production for the year was higher, as compared to the last year.

The Santragachi Plant saw an increase in turnover during the year. It has supplied, for the first time, Bottom Discharge Coal Hopper Wagons required for merry-go-rounds by super thermal power stations. The Plant also commenced production of Container Flat Wagons which are being manufactured, for the first time in India, against World Bank aided contract awarded by Container Corporation of India Ltd. (CONCOR). This order is expected to add to the Plant's output during the coming year.



DIRECTORS' REPORT (Contd.)



The Tiljala Plant witnessed a decline in production and turnover during the year which was due to a lack of orders from the Indian Railways.

5. Due to labour unrest at Bharatpur and Faridabad plants and difficult market conditions, the company's Engineering Division in Northern India, GENERAL ENGINEERING WORKS, could not achieve its targeted production, turnover and profitability. While, Bharatpur Plant continues to be under lock-out since 24.12.1997, Faridabad plant is expected to achieve normal level of production in the current year.

6. PETROCARBON & CHEMICALS COMPANY, the Company's Chemicals Division at Haldia has achieved production and sales at a higher level compared to previous year. Profitability of the Unit has improved during the year. The Unit was able to export a part of its production.

7. CYANIDES & CHEMICALS COMPANY, the Company's Chemical Division at Olpad, Dist. Surat (Gujarat), did not match production and sales of the previous year mainly due to lower gold mining activity and weakening of gold prices in the international markets. Increase in import of Sodium Cyanide in the country during the year and decrease in exports are suggestive of difficult trade situations in near future. There is urgent need to raise the import tariffs if indigenous industry is to survive.

8. INSULATORS & ELECTRICALS COMPANY, the Company's High Tension Insulators Division at Mandideep (Madhya Pradesh), recorded increased production and turnover compared to the previous year. This was inspite of shortage of power and continued financial liquidity problems of most electric utilities in the country. The Unit now manufactures a complete range of Disc, Solidcore and Bushing Insulators upto 400 KV rating and continued to pay emphasis on increasing the output of high value added sophisticated Insulators. Export orders from electrical equipment manufacturers in Germany, U.K., South Africa and Middle East were executed during the year and fresh orders continue to be received. Export of Insulators to multinational equipment manufacturers through their Indian counterparts continued through the year. The domestic demand remained stable during the year. It is expected that, as the power sector is vital to the nation's economy, there will be substantial addition of new power generating stations and transmission lines, thereby resulting in increased demand for High Tension Insulators.

DIRECTORS' REPORT (Contd.)

9. DALHOUSIE JUTE COMPANY, the Company's jute unit, achieved higher production compared to the previous year. Efforts to increase productivity are being continuously made. Margins and profitability have improved inspite of the increase in labour and other input costs. Raw Jute availability, during the year, was comfortable and prices saw a substantial decline.

10. MADHYA PRADESH IRON & STEEL COMPANY, the Company's Steel division at Malanpur (Madhya Pradesh) continued to see substantial under-utilisation of its Plant capacity, due to totally insufficient and erratic availability of power. Coupled with lower production and turnover the margins were under pressure due to all-round increase in the cost of inputs. The recession in the steel industry continued during the year.

11. 18 Deposits totalling Rs. 76 500 due for payment on or before 31st March 1998 were not claimed by the depositors on that date.

12. Statement giving particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 read with the Rules thereunder and information as per Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as amended, are annexed.

13. Sri P K Khaitan and Sri A K Gutgutia retire by rotation and being eligible offer themselves for re-appointment.

14. The Auditors, M/s.Lodha & Company, Chartered Accountants, retire and are eligible for re-appointment. You are requested to consider their re-appointment and authorise the Board of Directors to fix their remuneration for the current year. Notes referred to in the Auditors' Report are self explanatory.

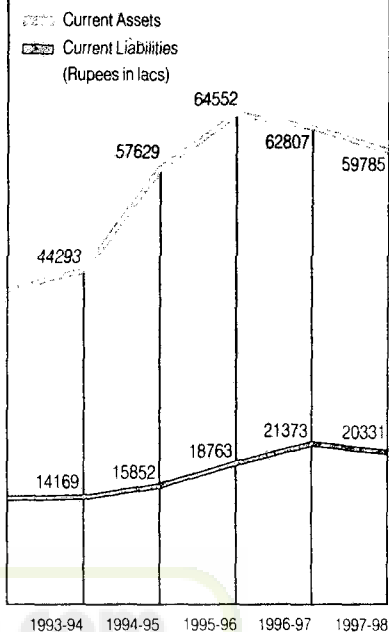
For and on behalf of the Board of Directors

Calcutta
The 26th day of June 1998

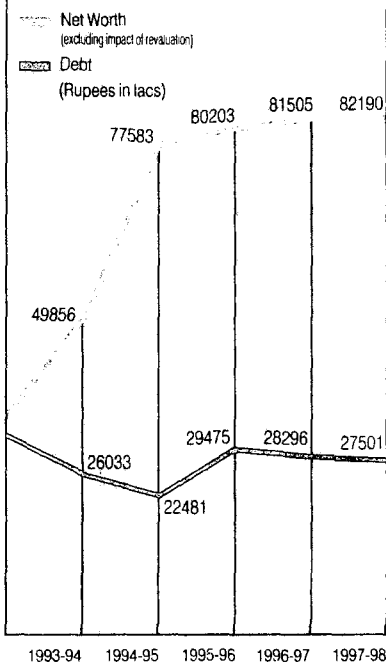
H Jhunjhunwala
Managing Director

V A Mody
Director

Current Assets & Current Liabilities



Net Worth & Debt



FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

As on

31st March

	1998	1997	1996	1995	1994
WHAT THE COMPANY OWNED					
Net Fixed Assets *	8 25 24	7 96 42	7 48 50	7 10 67	6 44 47
Investments	14	14	14	10 37	1 43
Net Current Assets	3 94 54	4 14 33	4 57 89	4 17 77	3 01 24
Net Assets	12 19 92	12 10 89	12 06 53	11 38 81	9 47 14
WHAT THE COMPANY OWED					
Loan funds from banks, financial institutions and others	3 66 71	3 63 21	3 70 57	3 27 69	4 11 89
NET WORTH					
Equity Share Capital	1 11 91	1 11 91	1 11 91	1 11 91	73 17
Preference Share Capital	—	—	50	50	50
Reserves and Surplus *	7 41 30	7 35 77	7 23 55	6 98 71	4 61 58
NET CAPITAL EMPLOYED	12 19 92	12 10 89	12 06 53	11 38 81	9 47 14

For the year ended

31st March

	1998	1997	1996	1995	1994
Sales and Other Income	5 51 69	6 08 11	6 17 62	4 29 72	4 25 63
Raw Materials consumed	2 01 93	2 39 33	2 59 78	1 69 48	1 44 46
Salaries, Wages and Bonus etc.	74 70	56 22	50 93	37 63	34 66
Operation and Other Expenses	1 64 84	1 71 86	1 50 27	1 23 24	1 11 87
Excise Duty	37 47	40 43	35 41	28 00	32 06
Interest	26 33	28 39	30 23	25 89	21 15
Profit before depreciation	46 82	68 57	83 37	79 15	85 51
Depreciation	40 56	40 27	36 00	31 27	29 80
Profit before taxes	6 26	28 30	47 37	47 88	55 71
Taxation for the year	66	3 69	3	3	3
Net Profit	5 60	24 61	47 34	47 85	55 68
Equity Dividend	—	12 25\$	22 29	18 66	13 10
Preference Dividend	—	8\$	7	7	7
Profit retained in business	5 60	12 28	24 98	29 12	42 51
Dividend per Equity Share (Rs.)	—	1	2	2	2
Book value per Equity Share (Rs.) #	73	73	72	69	68
Earning per Equity Share (Rs.)	0.50	2.09	4.22	4.27	7.60

* Includes appreciation on revaluation of fixed assets

31 31 32 63 33 93 35 29 36 69

\$ Includes Tax on Dividend.

Without considering the appreciation on revaluation of Fixed Assets.