



Hindusthan Development Corporation Limited

Annual Report 1998-99



HINDUSTHAN DEVELOPMENT CORPORATION LIMITED

DIRECTORS

Shri R. P. Mody, Chairman
Shri A. K. Gutgutia
Shri G. K. Bhagat
Shri M. Sen
Shri V. A. Mody
Shri M. S. Mehta, Executive 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)

Contents :

Notice	1
Notes	1
Directors' Report	4
Financial Highlights	8
Auditors' Report	9
Balance Sheet	10
Profit and Loss Account	11
Schedules to the Accounts	12
Cash Flow Statement	29
Annexures to Directors' Report	30

NOTICE

NOTICE is hereby given that the Fiftyfourth Annual General Meeting of the Shareholders of HINDUSTHAN DEVELOPMENT CORPORATION LIMITED will be held on Wednesday, the 18th day of August 1999 at 4.00 P.M. at Vidya Mandir 1 Moira Street, Calcutta-700 017 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 1999, the Balance Sheet of the Company as at 31st March 1999 and the Reports of the Board of Directors and Auditors.
2. To appoint Director in place of Shri V.A. Mody who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in place of Shri G.K. Bhagat 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 Sri M S Mehta be and is hereby appointed as a Director of the Company."
6. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution :
"RESOLVED that subject to the approval of the Central Government and provisions of Sections 198, 269 & 309 and other applicable provisions, if any, of the Companies Act, 1956, the approval of the Company be and is hereby accorded to the appointment of Sri M S Mehta, to hold the office as Whole-time Director designated as Executive Director, for the period from 16th June 1999 to 31st March 2004 on the remuneration and other terms and conditions set out in the explanatory statement of this resolution and the consent of the Company be and is hereby accorded to Sri M S Mehta to hold such office or place of profit in the Company as a Wholetime Director designated as Executive Director."

Registered Office
Mody Building
27 Sir R N Mukherjee Road
Calcutta 700 001
Dated, the 16th day of June 1999

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

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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 3rd August 1999 to 18th August 1999 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. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Ordinance, 1999, the amount of dividend remaining unclaimed/unpaid for a period of seven years shall be transferred to the Investor Education and Protection Fund. Members who have valid claim to unclaimed/unpaid dividends upto 31st March 1994 may claim the same from Registrar of Companies, West Bengal, in the prescribed manner and for the year ended 31st March 1995 and any subsequent year they can make their claim to the Company.
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.

NOTICE (Contd.)

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

Resolution at Item No. 5

The Board of Directors at its meeting held on 16th June 1999 appointed Sri M S Mehta, as an Additional Director of the Company to hold office up to the date of Annual General Meeting in terms of provisions of Section 260 of the Companies Act, 1956. The Company has received Notice under section 257 of the Companies Act, 1956 from one of the Shareholders signifying his intention to propose Sri M S Mehta as a candidate for the office of Director of the Company at this meeting.

In view of Sri M S Mehta's wide and varied experience, the Directors recommend his appointment as a Director of the Company.

None of the Directors of the Company except Sri M S Mehta is interested in the said resolution.

Resolution at Item No. 6

The Board of Directors at its meeting held on 16th June 1999 appointed Sri M S Mehta a Whole time Director of the Company (designated as Executive Director) on the terms and conditions set out in the letter of appointment dated 16th June 1999 issued to him.

Sri M S Mehta is a B.M.E. (Hons.), M.I.E. with 34 years of experience and has been associated with the Company since 2nd August 1965. He has wide and varied experience in Production, Sales and Administration and has held senior executive positions in the Company. Consent of the Shareholders is required pursuant to the provisions of the Companies Act to Sri M S Mehta holding and continue to hold an office or place of profit in the Company namely that of Executive Director. Special Resolution being Item No.6 set out in the Notice is intended for the purpose.

No agreement specifying terms and conditions as such for appointment of Sri M S Mehta has been entered into by the Company with him and therefore, such terms and conditions as contained in the letter of appointment are set out as below :

Sri M S Mehta has been appointed as Executive Director for the period commencing from 16th June 1999 to 31st March 2004 and his proposed terms of appointment and remuneration are as follows :-

- a) Salary Rs. 58,500 per month 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 and his family, once in two years subject to two months' salary as per the rules of the Company.
- f) Rented accommodation but the rent/maintenance charges of which shall not exceed 60% of his salary and the amount of rent/maintenance charges exceeding this limit will be recovered from him.
- 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 and 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 and 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.

NOTICE (Contd.)

Provided, however, that pending approval of Central Government, the Company shall pay a remuneration upto the amount permissible under Schedule XIII of the Companies Act, 1956 as minimum remuneration being a sum of Rs. 40,000 per month to the Executive Director on account of such salary and all the aforesaid perquisites based on such on account payment.

The Executive Director shall not be paid any sitting fee for attending the meetings of the Board of Directors or Committees thereof.

The other principal terms of appointment of the Executive Director are as follows :

- i) He will, subject to the superintendence, control and directions of the Board of Directors, carry out such duties as may be entrusted to him by the Board and will undertake to the best of his skill, ability and utmost endeavours to promote the interest and welfare of the Company.
- ii) He will give an undertaking to the Company that he will not, so long as he continues as Executive Director, become interested or otherwise directly or through his wife and/or minor children in any selling agency of the Company in future without the prior approval of the Central Government.

Having regard to the valuable Services rendered by Sri M S Mehta the Board of Directors recommend passing of the said resolution.

The particulars set out above may be treated as an abstract of the terms of the contract for appointment of the Executive Director which is required to be given to every member under the provisions of section 302(2) of the Companies Act, 1956.

None of the Directors of the Company except Shri M S Mehta is interested in the said resolution.

Registered Office
Mody Building
27 Sir R N Mukherjee Road
Calcutta 700 001
Dated, the 16th day of June 1999

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

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Equity Shares and Debentures of the Company are listed at the following Stock Exchanges :

1. The Calcutta Stock Exchange Association Ltd.
7, Lyons Range, Calcutta - 700 001
2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
3. The Stock Exchange, Ahmedabad
Kamdhenu Complex
Opp. Sahajanand College
Panjarapole, Ahmedabad - 380 015
4. The Delhi Stock Exchange Association Ltd.
West Plaza, Indira Gandhi Stadium
Indraprastha Estate, New Delhi - 110 002

Equity Shares are also listed at :
National Stock Exchange of India Ltd.
Trade World, Senapati Bapat Marg
Lower Parel, Mumbai - 400 013

The Global Depository Receipts (GDRs) issued by the Company are listed at the Luxembourg Stock Exchange.

Annual Listing Fees for the year 1998-1999 has been paid to the Stock Exchanges.

DIRECTORS' REPORT

To
The Shareholders,

The Directors present the Annual Report and Audited Accounts of the Company for the year ended 31st March 1999.

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

(Rs. '000)

1998-99 1997-98

The profit for the year after meeting all expenses but before providing for Gratuity and other retirement benefits, Depreciation and Taxation is

43 73 40 61 58 92

From which have to be deducted :

Gratuity and other retirement benefits	3 88 42		14 76 69	
Depreciation for the current year	40 53 55		40 56 65	
Provision for Taxation	—	44 41 97	66 00	55 99 34
Net Profit		(68 57)		5 59 58

To which have to be added :

The balance brought forward from the previous year	24 11 17		22 33 67	
Investment Allowance Utilised Reserve written back	1 21 98	25 33 15	3 17 46	25 51 13
Making a total of		24 64 58		31 10 71

Deductions therefrom :

Tax relating to earlier years	9 37		—	
Debenture Redemption Reserve	3 34 08	3 43 45	6 99 54	6 99 54
Leaving a balance of		21 21 13		24 11 17
Transferred to General Reserve		21 21 13		—
Balance to be carried forward to next year's account		—		24 11 17

DIRECTORS' REPORT (Contd.)

3. Your Directors do not recommend payment of any dividend for the year ended 31st March 1999.

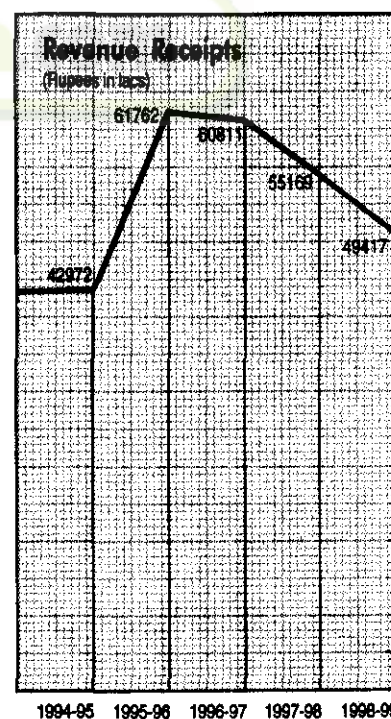
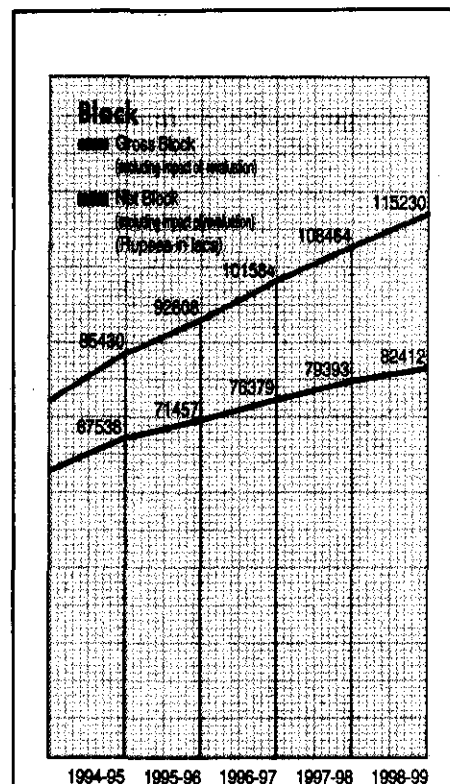
An amount of Rs. 3 34 08 thousands has been transferred during the year to Debenture Redemption Reserve Account in terms of the guidelines of the Central Government for issue of debentures.

4. The Bamunari Plant of the ENGINEERING UNIT of the Company, which had carried out an expansion by setting up a state of the art Automatic Moulding Line, continued to export its products to USA, Japan and other developed nations. The export of Steel Castings was higher during the year as compared to the previous year. The Plant has now become an established supplier in the global market and it is expected that exports will continue to form a significant part of the Plant's turnover during the years to come. The domestic demand was lower during the year due to reduced offtake by the Indian Railways.

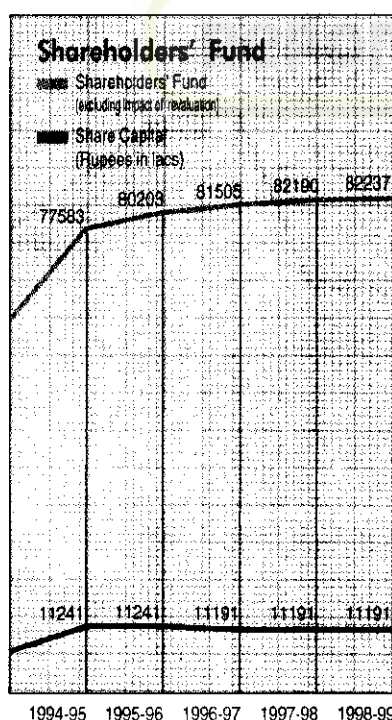
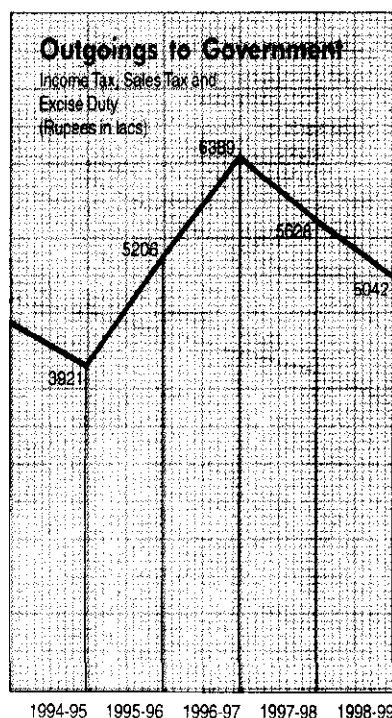
The Santragachi Plant received lower orders for wagons due to reduced demand from the Indian Railways. The general recessionary trend effected the freight movement of the Indian Railways and therefore the Railways reduced their procurement of wagons. The effect of this was offset partly by executing an order for Container Flat Wagons, which the company had earlier received against the world bank aided contract from Container Corporation of India Ltd.

The Tiljala Plant's production was about the same as last year and no significant changes are expected during the coming year.

5. Due to labour unrest at Bharatpur Plant and difficult market conditions, the Company's Engineering Division in Northern India, GENERAL ENGINEERING WORKS, could not achieve its targeted production, turnover and profitability. Although lockout at Bharatpur Plant was lifted on 28.9.98, its normal level of production is expected to be achieved in the current year. The production level at Faridabad Plant improved as compared to the previous year, but normalcy could not be achieved due to poor availability of quality raw material and difficult market conditions. Apart from these the general economic recession in the country still continued which has also affected the working at both the plants. However efforts are being made towards improvement in working by effective cost control and optimum utilisation of available resources.



DIRECTORS' REPORT (Contd.)



6. PETROCARBON & CHEMICALS COMPANY, the Company's Chemical Division at Haldia (West Bengal) was unable to maintain the sales and production of the previous year due to difficulties faced by some of its major customers who although, they had placed orders, did not uplift the material during the year. The Unit was, however, able to reduce its cost substantially and profitability was not much affected.

7. CYANIDES & CHEMICALS COMPANY, the Company's Chemical Division at Olpad, Dist. Surat (Gujarat), did not perform satisfactorily primarily due to over supply globally. Reduction in gold mining activities and incremental production from new capacities in Korea and Australia resulted in excess supply. There was fierce competition within manufacturers of Sodium Cyanide and few of them resorted to large scale dumping. Imports in the country therefore have drastically increased and price realisation rapidly declined. Aggrieved from this, the company has filed petition for introduction of anti-dumping duty on imports of Sodium Cyanide in the country for redressal of the problem. Government of India, Ministry of Commerce have initiated investigations in the matter.

8. INSULATORS & ELECTRICALS COMPANY, the Company's High Tension Insulators Division at Mandideep (Madhya Pradesh), was able to increase its production and turn over during the year. This was achieved despite the shortage of power in the state and the poor financial liquidity of most of the electric utilities in the country, which has further worsened during the year. Certain grades of High Voltage Insulators, which the Unit was unable to produce earlier, were manufactured during the year, which gave a better realisation and provided a more complete range of products to its major customers. Export orders received from U.K., South Africa, Gulf countries and Germany were executed during the year. Domestic demand conditions were stable during the year. The power sector is an important segment of the infrastructure industry and is vital to the growth of the nation. However, due to resource crunch and delayed implementation of major projects, it is yet to take off but no national economy can expect to grow or prosper without taking care of this important infrastructure industry and it is expected that the future will see large investments in power generation and transmission which will automatically result in increased demand of insulators.

9. DALHOUSIE JUTE COMPANY, the Company's Jute unit, achieved higher turn over as compared to the previous year. Raw Jute prices witnessed some increase during the year due to a smaller crop, but the overall availability was comfortable.

10. MADHYA PRADESH IRON & STEEL COMPANY, the Company's Steel division at Malanpur (Madhya Pradesh) could not make any headway due to continuous recession in the steel industry. Power position also

DIRECTORS' REPORT (Contd.)

remained critical throughout the year, which also aggravated the position. Apart from this there was a major fire in the electric sub-station of the plant. Orders for some of the equipment lost in the fire have been placed with the suppliers and the balance minor items of short delivery are being placed. Meanwhile vigorous efforts are being made for reduction in overhead expenses in all possible manner.

11. 17 Deposits totalling Rs. 70 500 due for payment on or before 31st March 1999 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 H Jhunjhunwala, Managing Director, retired from the services of the Company with effect from 1st October 1998. The Board places on record its appreciation for the services rendered by him during his tenure.

14. Sri G K Bhagat and Sri V A Mody retire by rotation and being eligible offer themselves for re-appointment.

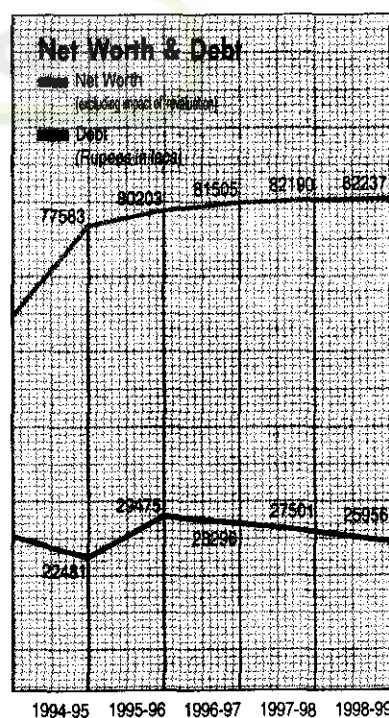
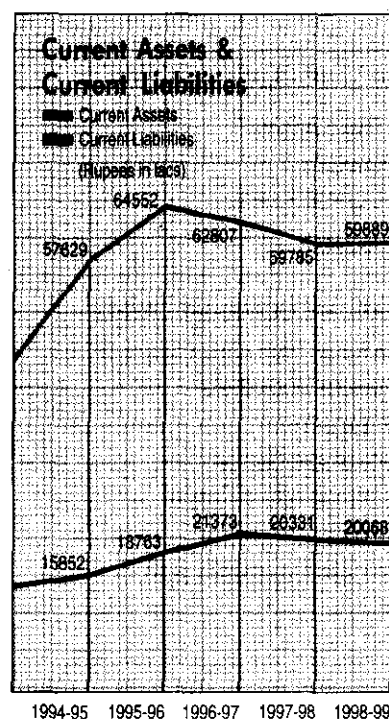
15. The Auditors, M/s. Lodha & Company, Chartered Accountants, retire and are eligible for re-appointment. You are requested to consider their re-appointment and authorise the Board of Directors to fix their remuneration for the current year. Notes referred to in the Auditors' Report are self explanatory.

For and on behalf of the Board of Directors

Calcutta
The 28th day of May 1999

A K Gutgutia
Director

V A Mody
Director



FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

As on

31st March

	1999	1998	1997	1996	1995
WHAT THE COMPANY OWNED					
Net Fixed Assets *	8 54 07	8 25 24	7 96 42	7 48 50	7 10 67
Investments	14	14	14	14	10 37
Net Current Assets	3 98 21	3 94 54	4 14 33	4 57 89	4 17 77
Net Assets	12 52 42	12 19 92	12 10 89	12 06 53	11 38 81
WHAT THE COMPANY OWED					
Loan funds from banks, financial institutions and others	4 00 10	3 66 71	3 63 21	3 70 57	3 27 69
NET WORTH					
Equity Share Capital	1 11 91	1 11 91	1 11 91	1 11 91	1 11 91
Preference Share Capital	—	—	—	50	50
Reserves and Surplus *	7 40 41	7 41 30	7 35 77	7 23 55	6 98 71
NET CAPITAL EMPLOYED	12 52 42	12 19 92	12 10 89	12 06 53	11 38 81

For the year ended

31st March

	1999	1998	1997	1996	1995
Sales and Other Income	4 94 17	5 51 69	6 08 11	6 17 62	4 29 72
Raw Materials consumed	1 91 61	2 01 93	2 39 33	2 59 78	1 69 48
Salaries, Wages and Bonus etc.	68 64	74 70	56 22	50 93	37 63
Operation and Other Expenses	1 44 36	1 64 84	1 71 86	1 50 27	1 23 24
Excise Duty	36 28	37 47	40 43	35 41	28 00
Interest	24 45	26 33	28 39	30 23	25 89
Profit before depreciation	39 85	46 82	68 57	83 37	79 15
Depreciation	40 54	40 56	40 27	36 00	31 27
Profit/(Loss) before taxes	(69)	6 26	28 30	47 37	47 88
Taxation for the year	—	66	3 69	3	3
Net Profit/(Loss)	(69)	5 60	24 61	47 34	47 85
Equity Dividend	—	—	12 25 \$	22 29	18 66
Preference Dividend	—	—	8 \$	7	7
Profit retained in business	—	5 60	12 28	24 98	29 12
Dividend per Equity Share (Rs.)	—	—	1	2	2
Book value per Equity Share (Rs.) #	73	73	73	72	69
Earning per Equity Share (Rs.)	—	0.50	2.09	4.22	4.27

* Includes appreciation on revaluation of fixed assets

29 95 31 31 32 63 33 93 35 29

\$ Including Tax on Dividend.

Without considering the appreciation on revaluation of Fixed Assets.