



HINDUSTHAN UDYOG LIMITED

Annual Report 2002-2003

HINDUSTHAN UDYOG LTD.

BOARD OF DIRECTORS :

V. N. AGARWAL, Managing Director
PRAMOD KUMAR KHAITAN
A. K. CHAKRAVARTY
PRAKASH AGARWAL

BANKERS :

UNITED BANK OF INDIA

AUDITORS :

S. GHOSE & CO.
Chartered Accountants
KOLKATA - 700 001

REGISTERED OFFICE :

TEMPLE CHAMBERS
6, OLD POST OFFICE STREET,
KOLKATA - 700 001

HINDUSTHAN UDYOG LTD.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2003.

	<u>2002-2003</u>	<u>2001-2002</u>
FINANCIAL RESULTS :		
Profit before Interest & Depreciation	60,77,514	1,23,80,410
Deduction :		
Interest	11,63,164	69,50,416
Depreciation	45,99,730	50,57,179
Provision for tax for the year	—	1,80,000
Net Profit after tax	3,14,620	1,92,815
Add : Brought forward profit	49,64,308	47,71,493
Balance carried to Balance Sheet	<u>52,78,928</u>	<u>49,64,308</u>

WORKING :

Working of the Company's several divisions during the year was satisfactory. The Durgapur unit however continued to remain closed during the year.

DIVIDEND :

Your directors do not recommend any dividend for the year in view of inadequate profit.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis report for the period under review, as stipulated in clause 49 of the Listing Agreements with the Stock exchanges is appended below :

A. Business

The Company is engaged in the manufacturing of Material Handling Equipments of varied nature required in the Mines, Cement Plants, Power and other Engineering Sectors. In addition, the Company is also engaged in manufacturing of Alloy and Stainless Steel Castings of highest grades required in Automobile, Pump and Heavy Engineering Industries. The respective manufacturing units are located at Lake Town and Behala in Kolkata. The Company is also a manufacturer of Pollution Control Equipments. The Company also operates in the commercial Transportation market and also offers services towards handling and storage of tea in the North Eastern part of the country. In addition the Company is also engaged in Tea sales and export business.

B. Review of Operation & Future prospects

In view of the general economic conditions, the growth of the company suffered from stagnancy during the year under consideration. However, the casting manufacturing unit have been able to mark its presence amongst its customers, who happen to be the market leaders in their sector.

There has been continuous upgradation and expansion of the facilities to enable the manufacturing units produce quality products at cost effective prices.

On the Export front, the sustained effort of the Company over the past couple of years to expand and consolidate the export market, continues.

C. Opportunities and Treats, Risks and Concerns

The Company has a sound business infrastructure along with a renowned corporate background. The globalization of Indian economy should offer enough opportunity to the Company to explore

new markets by utilizing its exiting facilities. Price competitiveness and continuous product upgradation will help the Company to meet demand in the domestic market. Though there are short-term threats from small scale competitors who are trying to cater to the domestic demand by price reduction. The company is trying to become more and more price competitive by reduction in cost on all counts.

Uncertain Government policy in the Core sectors, increase of operational cost and import substitution are the causes of concern in coming years.

D. Internal Control System

The Company has internal control procedure commensurate with the nature of its business and size of its operation. Internal Audit is conducted at regular intervals covering all key areas of operation significant audit observations and follow up actions are reported to the Audit Committee.

E. Human relations

The Company has maintained cordial relationship with its employees throughout the year.

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under Companies (Disclosure in Particulars in the Report of Board of Directors) Rules, 1988 are given below :

Conservation of energy : Not applicable to the Company.

Research & Development :

- a) Research & Development has been continuously carried for improvement in quality of existing products and production process for better productivity and raw material efficiency.
- b) The Company has benefited from above in terms of Improvement in quality and efficiency in production.
- c) The Company plans to further strengthen the Research & Development wing for improving the production procedure and also cost saving in achieving the production target.
- d) Expenditure of R & D :- charged under primary heads of accounts.

Technology, Absorption, Adaptation & Innovation :

- a) The Company successfully absorbed the technology in production of Conveyors and Air Pollution control equipment as per the design and drawings, supplied by the foreign collaborators.
- b) The Company has the benefit of technology for the manufacturing of high quality equipments which are equivalent to those imported and same may be considered as import substitution products.
- c) Particulars relating to imported technology.

<u>Technology Imported</u>	<u>Year of Import</u>	<u>Status</u>
Mining and Industrial round link Chains	1991	In the process of being absorbed.
Steel Castings	1991	In the process of being absorbed.
Wet scrubber and slurry disposal System	1993	Technology fully absorbed.
Exhaust Filtration Systems	1992	Technology fully absorbed.
Armoured Face Chain Conveyors	1991	Technology fully absorbed.

Foreign Exchange Earnings & Outgo :

- a) Export activities and export plans :- Efforts are continuing to explore new foreign markets and to enlarge its share in the existing markets for export of Tea, C. I. Castings and Steel Casting.
- b) Total foreign exchange used. 31,48,203/-
- c) Total foreign exchange earned 11,85,763/-

PARTICULARS OF EMPLOYEES

Industrial relations in the Company continued to be cordial and satisfactory. Since none of the employees of the Company has received remuneration exceeding the ceiling prescribed under the Companies (particular of Employees) Rules 1975, as amended, read with Sec (2A) of Companies Act, 1956, information for the same is not furnished.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217 sub section (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility statement, it is hereby confirmed :-

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year and of the profit or loss of the company for the year under review,
- (iii) that the directors 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 the directors had prepared the accounts for the financial year ended on 31st March, 2003 on a 'going concern' basis.

CORPORATE GOVERNANCE

The principles of good Corporate governance through accountability and transparency have always been followed by your Company.

A separate report on Corporate governance as prescribed by the Listing Agreements of the relevant Stock exchanges form part of the Annual report 2002-2003 alongwith the auditors statement on its compliance in Annexure "A".

FIXED DEPOSIT :

The Company has not invited any deposits from the public.

AUDITORS COMMENT

With regard to the Auditors' observations in their report, the corresponding notes on accounts are self explanatory.

DIRECTORS :

Mr. P. Agarwal and Mr. A. K. Chakraborty, directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

AUDITORS :

Messrs. S. Ghose & Co., Chartered Accountants, Auditor of the Company, hold the office till the conclusion of the ensuing Annual General Meeting. The Company has received the requisite certificate from them to the effect that their reappointment if effected would be within the limits prescribed u/s 224 (1B) of the Companies Act, 1956.

With regard to the Auditors' observations in their report, the corresponding notes on accounts are self explanatory.

Acknowledgment

Your Directors would like to place on record their appreciation for the co-operation extended by the employees at all levels. Your Directors acknowledge with gratitude the co-operation and assistance received from the government, Governmental Undertakings, banks, Suppliers, Customers and all those associated with the Company during the period under review.

Kolkata

Dated 30th June, 2003

For and On behalf of the Board

V. N. AGARWAL

PRAKASH AGARWAL

Directors



HINDUSTHAN UDYOG LTD.

REPORT ON CORPORATE GOVERNANCE

(Pursuant of Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

The Company's philosophy of Corporate governance is aimed at efficient conduct of its business and in meeting its obligations towards various stakeholders. The company gives emphasis on transparency, professionalism and accountability. Your Company also gives due importance to its social obligations and compliances of various regulatory provisions.

2. BOARD OF DIRECTORS :

A. As on 31st march, 2003 the Board of Directors comprises of four Directors, one of whom is the Managing Director and three Non Executive Directors, of whom, two are Independent, who account for Fifty percent of the Boards strength. The Non-Executive Directors are eminent Professionals with experience in business and industry, finance and law.

The composition of the Board is as under :

Sl. No.	Name of Director	Category of Directors	No. of other Directorships held in India public & private limited Companies	No. of Other Board Committees of which he/she is a member	No. of other Board Committee(s) of which he/she is a Chairperson
1.	Mr. V. N. Agarwal	Managing Director	18	4	2
2.	Mr. P. Agarwal	Non executive**	20	3	2
3.	Mr. A. K. Chakravarty	Independent & Non executive	10	1	1
4.	Mr. P. K. Khaitan	Independent & Non executive			

**Mr. P. K. Agarwal was Executive Director for the period from 01.04.2002 to 30.06.2002

The three Committee viz. the Audit, Remuneration and Shareholders' Grievances Committee are considered for this purpose. Further, the number of Committee positions held only in Public Limited Companies is indicated.

B. Number of Board meetings held and attended by the Directors :

(a) Six meetings of the Board of Directors were held during the 12 months' period from 1st April 2002 to 31st March 2003.

1. 30th April 2002
2. 22nd July 2002
3. 13th August 2002
4. 31st October 2002
5. 25th December 2002
6. 31st January 2003

(b) The attendance record of each of the Directors at the Board meetings during the 12 months period from 1st April 2002 to 31st March 2003 and of the last Annual General Meeting is as under :

Name of the Directors	No. of Board meetings attended	Attendance at the last AGM held on 16th September 2002
Mr. V. N. Agarwal	6	Yes
Mr. P. Agarwal	6	Yes
Mr. A. K. Chakravarty	6	Yes
Mr. P. K. Khaitan	6	Yes

3. AUDIT COMMITTEE

A. The Audit Committee consists of the following Non-Executive Directors as on 31.03.2003

1. Mr. A. K. Chakravarty
2. Mr. P. K. Khaitan
3. Mr. P. Agarwal

The Committee has elected Mr. A. K. Chakravarty as its Chairman. Mr. Chakravarty has adequate financial and accounting qualification and background.

Terms of reference of Audit Committee of the Board of Directors broadly covers the matter specified for Audit Committees under Clause 49 of the Listing Agreement as well as in section 292 A of the Companies Act, 1956 and more specifically as under :

Review half yearly and Annual financial accounts of the Company and discuss with the Auditors. Meet and Review with the Auditors, the Internal Control Systems and to ensure their compliance. Review matters as are required under the terms of the Listing Agreement.

During the year from 01.04.2002 to 31.03.2003 the Audit Committee meetings were held on 22nd July 2002, 31st October and 31st January 2003. The attendance of each Audit Committee member is as under :

Name of the Directors	No. of meetings attended
Mr. A. K. Chakravarty	3
Mr. P. K. Khaitan	3
Mr. P. Agarwal	3

4. REMUNERATION COMMITTEE

Remuneration Committee as contemplated in the Listing Agreement (non mandatory) is presently not constituted.

REMUNERATION TO DIRECTORS

A. Details of remuneration paid/payable to Wholtime director during the period 1st April 2002 to 31st March 2003 are given below :

Name	Salary	Contribution of Funds	Perquisites	Total
Mr. V. N. Agarwal	360000	NIL	48900	408900
Mr. P. Agarwal*	75000	NIL	NIL	75000

*For the period 1st April 2002 to 30th June 2002.

B. Details of sitting fees paid to Non-Executive Directors :

Name of the Directors	Sitting fees for attending meetings of the Board and/or Committees thereof during the 12 months' period 1st April 2002 to 31st March 2003
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(All figures in Rupees)

Mr. A. K. Chakravarty	Rs. 3000/-
Mr. P. K. Khaitan	Rs. 3000/-
Mr. P. Agarwal	Rs. 3000/-**

**Sitting fees paid to Mr. P. Agarwal in his capacity as Non-Executive Director w.e.f. 01.07.2002

Notes :

1. No Commission is payable to any Director
2. Apart from Sitting Fees no other remuneration is payable to Non Executive Directors.

5. BOARD PROCEDURE

The members of the board have been provided with the requisite information as required by Annexure 1 to Clause 49 of the listing Agreement well before the Board meetings and the same were dealt with appropriately.

All the Directors who are in various committees are within the permissible limits as stipulated in Clause 49 IV B of the Listing Agreements. The Directors have intimated from time to time about their memberships/Chairmanships in the various Committees in other Companies.

6. SHAREHOLDERS

The Company has constituted a Shareholders\Investors' Grievances Committee on 30th April 2002 consisting of Mr. A. K. Chakravarty and Mr. P. Agarwal of which A. K. Chakravarty is the Chairman. During the period ended 31st March 2003, no compliants/queries were received and accordingly no reply is pending as on 31st March 2003. There were no transfer of shares pending for registration as on 31st March 2003 and all the transfers were registered within 30 days from the date of lodgment.

Presently, Mr. K. K. Ganeriwala, President has been designated as the Compliance Officer of the Company.

7. GENERAL BODY MEETINGS

A. The details of Annual Meeting (AGM) held in the last three years are as under

Year	Location	Date	Time
2001 - 2002	Registered Office at : 6, Old Post Office Street Kolkata - 700 001	16th September 2002	4 p.m.
2000 - 2001	Do	28th September 2001	2 p.m.
1999 - 2000	Do	31st August 2000	10 a.m.

- B. Whether special resolutions were put through
Postal Ballot last year : No
- C. Are Special resolutions proposed to be put
through postal ballot this year : No

D. Procedure to be followed for Postal ballot

In accordance with the provisions of Section 192 A of the Companies Act 1956 read with the Rules made thereunder.

8. DISCLOSURES

- A. There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their subsidiaries etc. that may have potential conflict with the interest of the Company at large. However, suitable disclosures as required by Accounting Standard (AS)-18 on related party transactions have been disclosed under Note 17 on Schedule O to the Accounts for the period under review.
- B. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authority on any matter related to the capital markets, during the last three years.

9. MEANS OF COMMUNICATIONS

- A. Half yearly report sent to each household of shareholders : No
- B. Quarterly results - Which newspaper normally published in : Financial Express (English) Aajkaal (Bengali)
- C. Any website, where displayed : No
- D. Whether it also displays news releases : No
- E. Whether it also displays presentations made to institutional investors / analysts : No
- F. Whether MD & A is a part of Annual report : Yes

10. GENERAL SHAREHOLDER INFORMATION**A. Annual general Meeting to be held - Day, Date, Time and Venue**

- Day : Friday
- Date : 29th August 2003
- Time : 4 p.m.
- Venue : Registered Office, at
6, Old Post Office Street
Kolkata - 700 001

B. Financial Calendar for the Financial Year 2003-2004

- 30th June 2003 : Before end of July, 2003
- 30th September 2003 : Before end of October, 2003
- 31st December 2003 : Before end of January, 2004
- 31st March 2004 : Before end of June, 2004

C. Dates of Book Closure

- August 2003 (both days inclusive) : 20th August 2003 to 29th

D. Dividend payment date

- : Not applicable since no dividend has been recommended for the period ended 31st March 2003