



HINDUSTHAN UDYOG LIMITED

Annual Report 2005-2006

HINDUSTHAN UDYOG LTD.

BOARD OF DIRECTORS :

V. N. AGARWAL, Managing Director
A. K. CHAKRAVARTY
PRAKASH AGARWAL
RITU AGARWAL

BANKERS :

UNITED BANK OF INDIA

 Report Junction.com

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 financial year ended 31st March, 2006.

	<u>2005-2006</u>	<u>2004-2005</u>
FINANCIAL RESULTS :		
Profit before Interest & Depreciation	1,04,34,111	67,29,455
Deduction :		
Interest	23,78,875	19,56,560
Depreciation	43,29,922	46,72,201
Provision for tax for the year	4,65,000	14,000
Provision for Fringe Benefit Tax	2,10,000	—
Provision for Deferred Tax	(5,07,700)	—
Net Profit / (Loss) after tax	35,58,014	86,694
Add : Brought forward profit	51,08,846	50,22,152
Balance carried to Balance Sheet	86,66,860	51,08,846

COMPANY PERFORMANCE :

The working results of the Company during the financial year ended 31st March, 2006 were satisfactory in the light of challenging business environment. In deed, the overall performance of the Company in terms of both Turnover and Profit showed substantial improvement over those of the previous year. Your Company continues to maintain growth rate in fulfilling its objectives. In this era of growth and globalisation, your Directors are confident to achieve better results in the years to come. The Durgapur unit however continued to remain closed during the year.

DIVIDEND :

Directors intend to plough back the Profit earned to finance its future growth, expansion and diversification programs and thereby regret their inability to recommend any dividend for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

Management Discussion and Analysis report for the period under review, as stipulated in clause 49 of the Listing Agreement 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. The Company is also engaged in manufacturing of Alloy and Stainless Steel Castings of highest grades required in Automobile, Pump and other Heavy Engineering Industries. The respective manufacturing units are located in Kolkata. Besides the Company also offers services towards handling and storage of tea in the North Eastern part of the country and is engaged in Tea sales and Export business.

B. Review of Operation & Future Prospects

The operation of both the manufacturing units of the Company, have shown remarkable growth and improvement in their operations. Both the Manufacturing units have registered better sales performance. There was overall growth of 72% in the Turnover of the Company compared to immediate preceding year. During the year, the Engineering divisions of the Company have been able to procure prestigious and valuable orders. In all probability, the uptrend look, set to continue for the next few years. During the year, the Company has also executed an Export order of Tea for 720 MT.

C. Opportunities and Threats, Risks and Concerns

While the Company has been able to achieve the goals and targets of Sales and product quality, continuous improvement of the infra-structure and facilities is what is being aimed at. The Engineering divisions are undergoing through a thorough process of improvement in their workings to yield better results in the near future.

The rising cost of inputs is the greatest concern confronting the Company. Uncertain Government policy in the Core sectors, increase of Operational cost and import substitution are the causes of concern in the coming years.

D. Internal Control System

The Company has adequate internal control procedures commensurate with the nature of its business and size of its operation. The objective of these procedures are to ensure efficient use and protection of the Company's resources, accuracy in financial reports and due compliance of statutes and Company policies and procedure.

E. Human Resources and Industrial Relations

The Industrial Relations climate was cordial during the year under review. At all levels, employees of the Company are fully committed to the growth of the Company and there was no loss of work due to any industrial relations problem during the year.

CORPORATE GOVERNANCE :

The principles of good Corporate Governance through accountability, transparency, trusteeship and control 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 2005-2006 along with the Auditors Certificate on its compliance in Annexure "B".

PARTICULARS OF EMPLOYEES :

None of the employees of the Company had received remuneration exceeding the ceiling prescribed under the Companies (particulars of Employees) Rules 1975, as amended, read with Sec 217 (2A) of Companies Act, 1956, information for the same is not furnished.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, Directors state as follows :

- (i) That for preparation of the annual accounts for the financial year ended 31st March, 2006, 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 that period.
- (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 Annual Accounts for the financial year ended on 31st March, 2006 on a 'going concern' basis.

FIXED DEPOSIT :

The Company has not invited any deposits from the public.

DIRECTORS :

Shri Prakash Agarwal, Director, retire by rotation at this Annual General Meeting and being eligible offer himself for re-appointment. •

Shri Pramod Kumar Khaitan resigned as Non Executive and Independent Director from the Board of the Company with effect from 6th June, 2005. The Directors would like to record their appreciation of the services rendered by Shri P. K. Khaitan during his tenure of office.

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.

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 in the Annexure "A".

Acknowledgments

The Directors wish to convey their sincere appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's record performance. The Directors would also like to thank the employee unions, shareholders, customers, dealers, suppliers, bankers and all other business associates for the continuous support given by them to the Company and their confidence in its management.

Place : Kolkata
Dated : 26th June, 2006

For and On behalf of the Board
V. N. AGARWAL
Managing Director
PRAKASH AGARWAL
Director

ANNEXURE 'A'**Particulars Required Under the Companies (Disclosure of Particulars in The Report of the Board of Directors) Rules, 1988**

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

Conservation of Energy

The Company has always been conscious of the need for conservation of energy. Energy conservation measures have been implemented in all the Plants and Offices of the Company. These measures are aimed at effective management and utilization of energy resources and have resulted in cost savings for the Company.

Research and Development

- a) Research and 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 benefitted 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 Research & Development has been 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 the same may be considered as import substitution products.
- c) Particulars relating to imported technology.

Technology Imported	Year of Import	Status
Mining and Industrial round link chains	1991	In the process of being absorbed
Steel Castings	1991	Technology fully absorbed
Wet scrubber and slurry disposal system	1993	Technology fully absorbed
Exhaust Filtration Systems	1992	Technology fully absorbed
Armoured Face Chain Conveyors	1992	Technology fully absorbed

Foreign Exchange Earnings & Outgo

Total foreign exchange earned	Rs. 4,73,44,274
Total foreign exchange used	Rs. 45,93,083

V. N. AGARWAL
Managing Director
PRAKASH AGARWAL
Director

HINDUSTHAN UDYOG LTD.

REPORT ON CORPORATE GOVERNANCE

ANNEXURE — 'B'

(Pursuant of Clause 49 of the Listing Agreement)

The Directors present the Company's Report on Corporate Governance :-

1. THE COMPANY'S GOVERNANCE PHILOSOPHY :

The Company defines Corporate Governance as a systematic process by which companies are directed and controlled to enhance their wealth generating capacity.

The Corporate Governance process should ensure that societal resources are utilized in a manner that meets stakeholders' aspirations and social expectations and is thus aimed at efficient conduct of company's business and in meeting its obligations towards various stakeholders.

The core principles of Corporate Governance emerge from trusteeship, transparency empowerment, accountability, control and ethical corporate citizenship. Your company also gives due importance to its social obligations and compliance of various regulatory statutes or provisions.

2. BOARD OF DIRECTORS :

i) The Company's Board is a balanced Board comprising of Executive and Non-Executive Directors. As on 31st March, 2006, the Board of Directors comprises of four Directors, one of whom is the Managing Director and three Non Executive Directors, of whom one is Independent. Non-Executive Directors are eminent Professionals with experience and expertise in business, industry, finance and law.

In terms of Company's Corporate Governance policy, all statutory and other significant and material informations are placed before the Board to enable it to discharge its responsibility.

ii) The following is the composition of the Board as 31st March 2006.

<u>Categories of Directors</u>	<u>No. of Directors.</u>
Executive Director	1
Non Executive and Independent Director	1
Non Executive Director	2
Total	<u>4</u>

iii) Shri P. K. Khaitan, the Non Executive and Independent Director, resigned from the Board with effect from 06.06.2005. A proposal to fill the casual vacancy caused by the resignation of Shri P. K. Khaitan and to reconstitute the Board is under consideration :

iv) The following are further details of Composition of the Board as on 31st March, 2006.

Sl. No.	Director	Category	No. of other Directorships	No. of Other Board Committees of which he/she is a member	No. of other Committee(s) of which he/she is a Chairperson
1.	Shri V. N. Agarwal	Managing Director	17	1	—
2.	Shri Prakash Agarwal	Non executive	16	1	—
3.	Shri A. K. Chakravarty	Independent & Non executive	8	1	1
5.	Smt. Ritu Agarwal	Non Executive	3	—	—

3. NUMBER OF BOARD MEETINGS HELD AND ATTENDED BY THE DIRECTORS DURING THE YEAR ENDED 31ST MARCH 2006.

(i) The details of Meetings of the Board of Directors held on

1. 28th April 2005
2. 06th June 2005
3. 05th July 2005
4. 10th August 2005
5. 28th October 2005
6. 31st January 2006

(ii) Details of attendance record of Directors at the Board Meetings

Name of the Directors	No. of Board meetings attended	Attendance at the last AGM held on 31st August 2005
Shri V. N. Agarwal	6	Yes
Shri Prakash Agarwal	6	Yes
Shri A. K. Chakravarty	6	Yes
Shri P. K. Khaitan*	1	No
Smt. Ritu Agarwal	6	Yes

* Shri P. K. Khaitan ceased to be a Director with effect from 06.06.2005.

4. MEETING AND ATTENDANCE

The company's Governance Policy requires the Board to meet at least four times in a year.

5. BOARD AGENDA

Meetings are governed by structured Agenda. The Board Members, in consultation with the Chairman may bring up any matter for the consideration of the Board.

6. INFORMATION PLACED BEFORE THE BOARD

Apart from the items that are required to be placed before the Board for its approval, both under the statutes and the Governance policy, the following are also tabled for the Board's periodic review and information.

1. Quality performance against plan.
2. Treasury Policy.
3. Internal Audit findings

4. Status of business risk exposure and its managements
5. Write offs / disposals
6. Significant court judgement and order.
7. Terms of reference of Board Committees.

7. BOARD PROCEDURE

- i) 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.
- ii) 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.

8. POST - MEETING FOLLOW UP SYSTEM

The Governance process in the company include an effective post-meeting follow up, review and reporting process for action taken / pending on decision of the Board / Board Committees.

9. COMMITTEES OF THE BOARD

Currently there are two Board Committees - the Audit Committee and Investors Grievance Committee. The terms of reference of the Board Committee's are determined by the Board from time to time. Meetings of each Board Committee are convened by the respective Committee Chairman. Signed minutes of Board Committee meetings are placed at the Board meetings for the information of the Board.

I) AUDIT COMMITTEE

Audit Committee of the Board, inter alia provides re-assurance to the Board on the existence of an effective internal control environment that ensures :

- a) Overseeing the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statements are correct, sufficient and creditable.
- b) Compliance with Stock Exchange and legal requirement concerning financial statements
- c) Efficiency and effectiveness of operations.
- d) Safeguarding of assets and adequacy of provision for all liabilities,
- e) Reliability of financial and other management information and adequacy of disclosures,
- f) Compliance with all relevant statutes.

Composition and attendance of Audit Committee during the financial year 31st March 2006.

Name of the Directors	No. of meetings attended
Shri A. K. Chakravarty	4
Shri Prakash Agarwal	4
Smt. Ritu Agarwal	4

II) INVESTORS GRIEVANCE COMMITTEE

The Investors Grievance Committee of the Board oversees redressal of shareholders and investor grievances and approves subdivision / transmission or transfer of shares, issue of duplicate share certificate etc.

Investors grievance committee consists of Shri A. K. Chakravarty and Shri Prakash Agarwal of which Shri A. K. Chakravarty is the Chairman. Presently Shri K. K. Ganeriwala, President has been designated as Compliance officer of the company. During the year ended 31st March 2006, no complaints/queries were received and accordingly no reply is pending as on 31st March, 2006. There were no transfer of shares pending for registration as on 31st March 2006 and all transfers had been effected within 30 days from the date of lodgement.

10. NON MONETARY REMUNERATION COMMITTEE AS CONTEMPLATED UNDER CLAUSE 49 OF LISTING AGREEMENT IS YET TO BE CONSTITUTED.

- 1 The appointment and remuneration of Shri Vishwanath Agarwal as Managing Director of the company for a period of five years with effect from 1st January 2004 have been approved by the members at a General Meeting under sections 198, 269, 309, 310, and 311 and read with Schedule XIII of the Companies Act, 1956 on the recommendation of the Board. The members have approved payment of remuneration of Rs. 35000/- per month plus perquisite not exceeding the annual remuneration.

- 1 Details of remuneration paid/payable to Shri Vishwanath Agarwal as Managing Director from 1st April 2005 to 31st March 2006 are as under :

Salary	Perquisite	Total
Rs. 3,60,000	—	Rs. 3,60,000

- 1 No Commission is payable to any Director
- 1 Apart from sitting free no other remuneration is payable to Non-Executive Director.
- 1 Sitting fees paid/payable to Non-Executive Directors during the financial year 31st March 2006 were as follows :

Shri A. K. Chakravarty	Rs. 3000/-
Shri P. K. Khaitan	Rs. 500/-
Shri P. Agarwal	Rs. 3000/-
Smt. R. Agarwal	Rs. 3000/-

11. GENERAL MEETINGS

- i) The details of Annual General Meeting held in the last three years were as under :-

Financial Year	Location	Date	Time
2004 - 2005	Registered Office at : 6, Old Post Office Street Kolkata - 700 001	31st August 2005	4 p.m.
2003 - 2004	Do	25th September 2004	4 p.m.
2002 - 2003	Do	29th August 2003	4 p.m.