



HINDUSTHAN UDYOG LIMITED

Annual Report 2008-2009

HINDUSTHAN UDYOG LTD.

BOARD OF DIRECTORS :

V. N. AGARWAL, Managing Director
PRAKASH AGARWAL
RITU AGARWAL
A. K. CHAKRAVARTY
ASIM KUMAR GHOSH
BINAYA KAPOOR

COMPANY SECRETARY :

SHIKHA BAJAJ

AUDITORS :

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

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BANKERS :

UNITED BANK OF INDIA

REGISTERED OFFICE :

TRINITY PLAZA, 3RD FLOOR
84/1A, TOPSIA ROAD (SOUTH)
KOLKATA - 700 046

CORPORATE OFFICE :

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

HINDUSTHAN UDYOG LTD.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their 62nd Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2009.

	<u>2008 - 2009</u>	<u>2007 - 2008</u>
	Rs.	Rs.
FINANCIAL RESULTS		
Profit before Interest and Depreciation	8,74,71,409	1,51,24,992
Deduction :		
Interest	1,97,99,988	40,27,094
Depreciation	1,62,30,755	48,71,260
Provision for Income Tax for the Year	—	7,00,000
Provision for Fringe Benefit Tax	9,60,773	7,15,000
Provision for Deferred Tax	14,72,000	(5,12,000)
Tax for Earlier Year	1,40,388	—
Net Profit after Tax	4,88,67,505	53,23,638
Add : Brought forward Profit /(Loss)	(39,93,44,378)	1,54,01,097
Balance carried forward to Balance Sheet	(35,04,76,873)	2,07,24,735

AMALGAMATION OF ACC-NIHON CASTINGS LIMITED WITH THE COMPANY :

ACC-Nihon Castings Limited (ANCL), a Company engaged in the business of manufacture and sale of castings has merged with your Company pursuant to an Order dated 23rd March, 2009 passed by the Hon'ble High Court at Calcutta which has become effective on 20th April, 2009.

In the long run, the amalgamation will prove to have beneficial results for the Company and its Shareholders as the same has resulted in the formation of a larger and stronger Company having greater capacity for conducting its operations more effectively and efficiently.

The Scheme being operative from the Appointed Date i.e. 1st April, 2008, the Audited Financial Results of the Company for the year ended 31st March, 2009 are Post Merger and hence the figures of the current year are not comparable with that of the Previous Year.

Consequent to amalgamation of ANCL with the Company, the Authorised Share Capital of the Company stands increased from Rs. 7.50 Crores to Rs. 54.50 Crores.

COMPANY PERFORMANCE :

The performance of Alloy Steel Foundry Division including the Nagpur Unit has shown improvement whereas the performance of Material Handling Division being low tech business remained subdued. The Durgapur Unit however continued to remain closed during the year.

In this period of economic recession, your Directors still hope to achieve better results in the years to come.

DIVIDEND :

As on 31st March, 2009, the Company has huge amount of Accumulated Losses. The same is due to the inclusion of the Brought Forward Losses of ANCL in the Accounts of your Company for the Current Year. In view of the brought forward unabsorbed accumulated losses, the Directors express their inability to recommend any dividend for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year 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 Alloy and Stainless Steel Castings of highest grades required in Heavy Earth Equipment, Pumps and Compressors and other Heavy Engineering Industries. It is also engaged in the manufacturing of Material Handling Equipments of varied nature required In the Mines, Cement Plants, Power and Other Engineering Sectors. The manufacturing units are located in Kolkata and Nagpur.

B. REVIEW OF OPERATIONS & FUTURE PROSPECTS

The Alloy Steel Foundry Division of the Company has shown remarkable growth and improvement in its operations. The Foundry Divisions has registered better sales performance. During the year, the Foundry divisions of the Company have been able to procure prestigious and valuable orders. The Nagpur Unit has installed two new Induction Furnaces with dual track and is confident of continuously improving its margins and enhancing the profitability in the years to come. In all probability, the uptrend looks set to continue for the next few years.

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 infrastructure and facilities is what is being aimed at. The Foundry divisions are undergoing through a thorough process of improvement in their workings so as to yield better results in the near future.

However, the main causes of concern of your Company in the year to come are :-

- i) Ongoing recession though there are some signs of recovery.
- ii) Stagnancy in the Market Demand due to General Economic conditions.
- iii) Lack of demand for Company's products in the Export Market due to ongoing recession in USA and Europe.
- iv) Currency Fluctuations in adverse direction.

D. INTERNAL CONTROL SYSTEM

The Company has 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.

The Internal Audit function is conducted by a Senior Management Team of the Company. The reports of such audit, the progress in implementation of recommendations contained in such reports and the adequacy of internal control systems are reviewed by the Audit Committee of the Board in its periodical meetings.

E. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Industrial Relations were 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 relation problem during the year.

CORPORATE GOVERNANCE :

The principles of good Corporate Governance through professionalism, accountability, transparency, trusteeship and control have always been followed by your Company.

A separate Report on Corporate Governance as prescribed by the Listing Agreement with the Stock Exchanges forms part of the Annual Report 2008-2009 along with the Auditors' Certificate on its compliance in Annexure "B".

DIRECTORS:

Shri A. K. Ghosh and Shri Binaya Kapoor Directors retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

A Brief Resume of the above mentioned Directors seeking re-appointment is attached to the Notice of the ensuing Annual General Meeting.

HINDUSTHAN UDYOG LTD.

DIRECTORS RESPONSIBILITY STATEMENT :

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

- (i) That in the preparation of the Annual Accounts for the financial year ended 31st March, 2009, 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 your company at the end of the financial year and of the profit or loss of your Company for that period.
- (iii) That the Directors had taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors had prepared the Annual Accounts for the financial year ended 31st March, 2009 on a "going concern" basis.

AUDITORS :

Messrs S. Ghose & Co., Chartered Accountants, Auditors of the Company, hold office till the conclusion of this Annual General Meeting. They have expressed their willingness to continue as the Statutory Auditors of the Company, if so reappointed and have furnished to the Company the requisite certificate to the effect that their re-appointment if effected would be within the limits prescribed under section 224 (1B) of the Companies Act, 1956. Accordingly, approval of the Shareholders will be sought at the ensuing Annual General Meeting of the Company to the re-appointment of and remuneration payable to Messrs S. Ghose & Co., Chartered Accountants as Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

FIXED DEPOSIT :

Your Company has not invited and/or accepted any deposits from the General Public under Sections 58A and 58AA of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

Information required to be given pursuant to the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to your Company.

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

Particulars relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, as required under section 217(1)(e) of The Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure "A".

CODE OF CONDUCT :

Your Company has formulated Code of Conduct which applies to Board Members and Senior Management Personnel of the Company. Confirmations towards adherence to the Code during the Financial Year 2008-09 have been obtained from all the Board Members and Senior Management Personnel in terms of the requirements of Clause 49 of the Listing Agreement and a declaration relating to compliance of this code during the year under review by all Board Members and Senior Management Personnel has been given by the Managing Director of the Company which accompanies this report.

ACKNOWLEDGEMENTS :

Your Directors would like to thank shareholders, customers, dealers, suppliers, bankers, employees union and all other business associates for the continuous support given by them to the Company and their confidence in its management.

FOR AND ON BEHALF OF THE BOARD

V. N. AGARWAL
RITU AGARWAL
DIRECTORS

Place : Kolkata
Date : 29th June, 2009

ANNEXURE-A

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

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

ENERGY CONSERVATION MEASURES TAKEN :

All units of the Company continued the endeavour to improve specific energy consumption, a measure of energy used per unit of consumption.

Measures taken at the Units located in Kolkata are :-

- i) Replacement of motors/ pumps/ lighting with energy efficient models.
- ii) Modernisation of air conditioning systems.
- iii) Optimisation of electrical distribution system.
- iv) Optimisation of fans/ pumps design to meet actual system demands.
- v) Installation of natural Ventilation system.
- vi) Improvements to reduce heat gain/cooling losses from building.

Measures taken at the Unit located in Nagpur are :

- i) Installation of Induction Furnaces for melting and the bulk production done through these Induction Furnaces instead of Electric ARC Furnace.
- ii) Rationalization of Pump Capacities and use in many areas of pumps with lower power ratings with the same efficiency.
- iii) Use of duplex billets instead of Loose Scrap for manufacturing of Duplex Steel Castings.

Energy Conservation measures initiated across the Company's business has resulted in significant savings which has helped partially offset the inflationary trend in electricity costs. Business wise specific energy consumption figures indicate very competitive performance. The energy savings have also helped the Company reduce total Carbon Di-oxide emissions.

POWER CONSUMPTION	For the year ended 31.03.2009	For the year ended 31.03.2008
1) Electricity		
Units purchased (KWH in Lakhs)	96.39	22.06
Total Amount (Rs. In Lakhs)	464.33	114.08
Rate/Unit (Rs.)	4.82	5.17
2) Light Diesel Oil		
[in respect of 2087 MT produced at the Nagpur Unit]		
Units purchased (Ltrs. In Lakhs)	0.87	NA
Total Amount (Rs. In Lakhs)	35.20	NA
Rate/Unit (Rs.)	40.46	NA
3) Consumption/Unit of production		
Product (Units) :		
Steel, Alloy and Cast Iron Castings (MT)	2981	1251
Electricity (KWH/MT)	3233	1763
Light Diesel Oil (Ltrs/MT)	42	NA

HINDUSTHAN UDYOG LTD.

TECHNOLOGY ABSORPTION :

Research and Development:

- a) Research and Development is continuously carried on for the improvement in quality of the existing products and production process for better productivity and raw material efficiency and the Company has benefited from the same in terms of improvement in quality and efficiency in production.

Further, the Nagpur Unit of the Company has also developed many new products such as Pump Castings in SG D2, CF8M, Impellers and Bowls in Duplex Stainless Steel, Pump Castings, and end shields in Plain SG Iron. The development of Pump Castings in duplex stainless steel and 4th stage DVMX Pump Casting by the said Unit is also under process.

- b) The Company plans to develop Big size D2 Castings and to further strengthen its Research and Development wing for improving the production procedure and also cost saving in achieving the production target.
- c) Expenditure of Research and Development has been charged under primary heads of accounts.

Technology absorption, adaptation and Innovation

- a) The several technologies imported by the Company in the past have been fully absorbed. Further, the Company has not imported any new technology during the last five years reckoned from the beginning of the Current Financial Year i.e. 1st April, 2008.
- b) The Company has the benefit of technology for manufacturing of high quality equipments which are equivalent to globally accepted standards.

Foreign Exchange Earnings and Outgo :

Total Foreign Exchange earned	2935.71 Lakhs
Total Foreign Exchange used	36.73 Lakhs

V. N. AGARWAL
RITU AGARWAL
DIRECTORS

ANNEXURE "B"**HINDUSTHAN UDYOG LIMITED****REPORT ON CORPORATE GOVERNANCE**

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

1) THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Good Governance practices stem from culture and mind set of the organization. As stakeholders across the country evidence keen interest in the practices and performance of Companies, Corporate Governance has emerged on the centre stage.

Over the years, governance processes and systems have strengthened at the Company. In addition to complying with statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work place have been institutionalized. The Company recognizes that good Corporate Governance is a continuing exercise and reiterates its commitment to pursue highest standards of Corporate Governance in the overall interest of all the stakeholders. For implementing the Corporate Governance practices, the Company has a well defined policy framework. These policies and their effective implementation underpin the commitment of the Company to uphold the highest principles of Corporate Governance consistent with the Company's goal to enhance shareholder's value.

The Company continuously reviews its policies and practices of Corporate Governance with a clear goal not merely to comply with statutory requirements in letter and spirit but also constantly endeavors to implement the best national practices of Corporate Governance in the overall interest of all stakeholders.

The Company's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operation and in all its interactions with its stakeholders, employees, lenders, Government and Society at large.

The Company is committed to achieve and maintain the highest standards of Corporate Governance. The Company believes that all its actions might serve the underlying goal of enhancing overall shareholder value on a sustained basis.

2) BOARD OF DIRECTORS

The Board of Directors is the apex body constituted by the shareholders for overseeing the overall functioning of the Company. The Board provides and evaluates the strategic direction of the Company, management policies and their effectiveness and ensures that long term interests of the shareholders are being served.

The Company's policy is to maintain an optimum combination of Executive and Non-Executive Directors. The Board consists of Six Directors out of which three are Independent Directors who are eminent professionals with experience and expertise in Business, Industry, Finance and Law.

All Independent Directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent as laid under Clause 49. All such declarations are placed before the Board. Shri A. K. Chakravarty, Shri A. K. Ghosh and Shri Binaya Kapoor are Independent Directors.

The Composition of the Board and the category of Directors as on 31.03.2009 are as follows :-

Sl. No.	Categories of Directors	No. of Directors	% of Total No. of Directors
1.	Executive Director & Promoter (Managing Director)	1	16.67
2.	Non-Executive Director & Promoters	2	33.33
3.	Non-Executive & Independent Directors	3	50.00
	TOTAL	6	100.00

HINDUSTHAN UDYOG LTD.

The further details relating to Composition of the Board as on 31.03.2009 are as follows :-

Sl. No.	Name of the Board Members	Category	No. of other Directorships Including Public Limited and Private Limited Companies	No. of other Board Committee (s) of which he/she is a Member	No. of other Board Committee (s) of which he/she is a Chairperson
1.	Shri V.N. Agarwal	Managing Director & Promoter	15	2	—
2.	Shri Prakash Agarwal	Non - Executive Director & Promoter	18	5	—
3.	Smt Ritu Agarwal	Non - Executive Director & Promoter	5	—	—
4.	Shri Binaya Kapoor	Non - Executive & Independent Director	1	2	—
5.	Shri A. K. Chakravarty	Non - Executive & Independent Director	3	1	—
6.	Shri A.K. Ghosh	Non Executive & Independent Director	5	—	—

3) DETAILS OF BOARD MEETINGS AND ANNUAL GENERAL MEETING HELD AND ATTENDED BY THE DIRECTORS DURING THE YEAR ENDED 31st MARCH, 2009

- (i) During the Financial Year 2008-09 Seven Board Meetings were held on :-
25th April, 2008, 20th June, 2008, 28th July, 2008, 3rd October, 2008, 31st October, 2008, 26th December, 2008 and 30th January, 2009.
- (ii) Details of Attendance record of the Directors at the Board Meetings and the last Annual General Meeting are as follows :-

Name of Board Members	No. of Board Meetings Attended	Attendance at the last AGM held on 29th August, 2008
Shri V. N. Agarwal	7	Yes
Shri Prakash Agarwal	7	Yes
Smt Ritu Agarwal	7	Yes
Shri Binaya Kapoor	3	No
Shri A. K. Chakravarty	7	Yes
Shri A. K. Ghosh	7	Yes

4) BOARD MEETINGS

- i) The Company's Governance policy requires the Board to meet at least four times in a year with a time gap between any two Board Meetings not exceeding four months.
- ii) In terms of Company's Corporate Governance Policy, all statutory, significant and material information are placed before the Board to enable it to discharge its responsibility.
- iii) The Internal Guidelines for Board Meetings facilitate the decision making process at the Meeting of the Board in an informed and efficient manner.

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.

- i) Quality performance against plan
- ii) Treasury Policy
- iii) Internal Audit Findings
- iv) Status of business risk exposure and its managements.
- v) Write offs/disposals
- vi) Significant Court judgement and order.
- vii) 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 1A to Clause 49 of the Listing Agreements well before the Board Meetings and the same were dealt with appropriately.
- (ii) All directors who are in various committees are within the permissible limits as stipulated in Clause 49 (IC) of the Listing Agreements. The Directors have intimated from time to time about their Memberships/ Chairmanships in various Committees in other Companies.

8) POST MEETING FOLLOWUP SYSTEM

The Governance process in the Company includes 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 three Board Committees- the Audit Committee, Investors Grievance Committee and Remuneration Committee. The Terms of reference of the Board Committees 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 alias 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 formalities and legal requirements concerning financial statements.
- (c) Recommending to the Board the appointment/re-appointment of Auditors