

HINDUSTHAN UDYOG LTD.

BOARD OF DIRECTORS

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

COMPANY SECRETARY

SHIKHA BAJAJ

AUDITORS

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

BANKERS

IDBI BANK LIMITED
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 68th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2015.

COMPANY PERFORMANCE:

	2014 - 2015	2013 - 2014
	₹ in Lakhs	₹ in Lakhs
FINANCIAL RESULTS		
Total Revenue	4,420.49	4,616.62
EBITDA	435.08	418.51
Less :		
Finance Costs	169.49	163.96
Depreciation	180.46	174.00
Tax Expense	5.80	5.77
Profit after Tax (PAT)	79.33	74.78
Add : Opening Balance in Profit & Loss Account	(2,022.25)	(2,097.03)
Closing Balance	(1,942.92)	(2,022.25)

The Total Income of the Company for the year under review reduced by 4% to ₹ 4,420.49 Lakhs compared to that of last year which was due to the subdued industrial growth in the Country that affected all segments of the Economy particularly the Manufacturing Industries.

Even after reduction of Revenues the EBITDA % were maintained at the same level of 9% as last year which is appreciable.

Further the Profit after tax of Rs. 79.33 Lakhs reduced the Accumulated Losses of the Company from ₹ 2,022.25 Lakhs to ₹ 1,942.92 Lakhs.

Your Company is hopeful for having good year ahead in view of positive growth predicted on account of initiatives taken up by the Government in the various Industrial Sectors.

The Durgapur Unit continued to remain closed during the year.

DIVIDEND:

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 with stringent quality requirements required in Turbines, Metal Shredding, Earth Moving and Mining Equipment, Power Plants, Pumps, Valves, Compressors and other Heavy Engineering Industries. It is also engaged in the manufacturing of Material Handling Equipments of varied nature required in Mines, Cement Plants, Power Plants and Other General Engineering Sectors. The Company has manufacturing units located in Kolkata and Nagpur.

B. REVIEW OF OPERATIONS & FUTURE PROSPECTS

The Company during the year continued improvements in quality of its Existing Products which has enabled it to maintain its margins and profitability.

The key operational highlights at both the Units were:-

Nagpur Unit

- Development of Pump Casings in Super Duplex Stainless Steel grade.
- Impellers, Bowl and bell in CD4MCuN Grade developed.
- Development of 9.5 M/T single piece Discharge Bowl in Grey Cast Iron.
- Installation and operation of new VTL Machine.
- Increase in Line moulding capacities by modification of existing line.

Kolkata Unit

- Successful development of Creep Steel Castings
- Development of Duplex Stainless Steel Grade 5A Castings with the help of technology for Hot Knockout obtained from Manchester, UK which reduces chances of rejections of castings due to cracks.
- Removal of Low Alloy and plain Carbon Steel Items so as to concentrate on making of only High Alloy Steel Castings (H.A.S.) with good margins.
- Getting good responses for H.A.S. Castings from several Pump, Valve and Steam Turbine Industries as delivery is being made in the shortest possible time.

In addition to the domestic market, the Company's products also have a good Export Market.

C. OPPORTUNITIES AND THREATS, RISKS AND CONCERNS

The Company sees opportunity in the development and supply of high contribution items.

Further, good opportunity also exists in catering of new export markets which needs to be aggressively tapped.

However, your Company is exposed to certain risks and areas of concern for it are:-

- (i) Demand for Company's highly sophisticated steel casting products in few critical segments only.
- (ii) Stagnancy in the Market Demand due to General Economic conditions.
- (iii) Heavy Dependence on Few Customers in the Export Market.
- (iv) Currency Fluctuations in adverse direction.
- (v) Fluctuations in raw material prices can affect the bottomline as most of the orders are fixed price orders with no price variation clause.
- (vi) Pressure on Pricing.
- (vii) Increase in Prices of Power and other Manufacturing Overheads.

D. INTERNAL CONTROL SYSTEM

The Company has internal control procedures commensurate with the nature of its business and size of its operations. 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 procedures.

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.

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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 and it has complied with all the applicable provisions of Corporate Governance as per Clause 49 of the Listing Agreements with the Stock Exchanges.

A separate Report on Corporate Governance as prescribed by the Listing Agreement forms part of the Annual Report 2014-15 along with the Auditors' Certificate on its compliance in **Annexure B**.

DIRECTORS:

Mrs. Ritu Agarwal, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers herself for re-appointment. Her Brief Resume is attached to the Notice of the ensuing Annual General Meeting.

The Remuneration Policy for Directors, Key Managerial Personnel and Other Employees is annexed as part of this Report as **Annexure C**.

NO. OF BOARD MEETINGS HELD

During the year 2014-15, Five (5) Board Meetings were held on 30th May 14, 14th August 14, 20th September 14, 12th November 14 and 2nd February, 15.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement of Section 134(5) of The Companies Act, 2013, the Directors state as follows:-

- (i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2015, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) 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) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the accounts for the financial year ended 31st March, 2015 on a "going concern" basis;
- (v) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (v) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such were adequate and operating effectively.

BOARDEVALUATION:

The Board evaluated the effectiveness of its functioning and that of the Committees and of Individual Directors by seeking inputs on various aspects of Board/Committee Governance and considered and discussed in details the inputs received from the Directors.

The aspects covered in the evaluation included the contribution to and monitoring of corporate governance practices, participation in strategic planning and fulfillment of their obligations including but not limited to their participation in the Board/Committee Meetings.

INDEPENDENT DIRECTORS DECLARATION:

The Independent Directors meet the criteria of being Independent (as prescribed in The Companies Act, 2013 and Clause 49 of the Listing Agreements) and an Independency Certificate from them have been obtained.

AUDITORS:

Messrs S. Ghose & Co., Chartered Accountants, Statutory Auditors hold office till the conclusion of this AGM. They have expressed their willingness to continue as such and are eligible for re-appointment.

EXTRACT OF ANNUAL RETURN

As provided under Section 92(3) of The Companies Act, 2013, the extract of Annual Return in Form MGT-9 pursuant to Rule 12 of The Companies (Management and Administration) Rules, 2014 is annexed herewith as Annexure D, as part of this Report.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of The Companies Act, 2013 read with Rule 9 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Secretarial Audit Report submitted by a Practicing Company Secretary is annexed herewith as Annexure E, as part of this Report.

RELATED PARTY TRANSACTIONS

All contracts/arrangements/transactions entered by the Company with its Related Parties during the financial year were on arm's length basis and in the ordinary course of business. The transactions with Related Parties are disclosed in the Notes to the Financial Statements.

VIGIL MECHANISM

In terms of Section 177(9) & (10) of The Companies Act, 2013, a Vigil Mechanism of Directors and Employees has been established, details of which are given in the Corporate Governance Report.

PARTICULARS OF EMPLOYEES

Information required to be given pursuant to the provisions of section 197(12) of The Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as Annexure F. However, disclosure required in terms of Rules 5(2) & (3) of said Rules are not applicable to the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo, as required under section 134(3)(m) of The Companies Act, 2013 read with Companies (Accounts) Rules, 2014 are given in the Annexure A.

CODE OF CONDUCT:

Your Company has formulated a 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 2014-15 have been obtained from all the Board Members and Senior Management Personnel in terms of Clause 49 of the Listing Agreement and a declaration relating to compliance of this code during the year 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, suppliers, bankers, employees 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 May, 2015

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ANNEXURE “A”

PARTICULARS AS REQUIRED UNDER SECTION 134(3) OF THE COMPANIES ACT, 2013 READ WITH THE COMPANIES (ACCOUNTS) RULES, 2014

ENERGY CONSERVATION MEASURES TAKEN :

All Units of the Company continues the endeavor to control and reduce the energy consumption per unit of production.

Energy Conservation Measures taken at the Units located in Kolkata are:

- i) Replacement of motors/ pumps/ lighting with energy efficient models.
- ii) Optimization of electrical distribution system.
- iii) Improvements to reduce heat gain/cooling losses from building.

Energy Conservation Measures taken at the Unit located in Nagpur are:-

- i) Bulk Production done through Induction Furnaces for melting 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.

The above mentioned measures initiated across the Company's business will ensure savings in the Company's Energy Consumption. Even though the power costs have increased during the year under review, the same is comparable with the Industry Standards.

	POWER CONSUMPTION	For the year ended 31.03.2015	For the year ended 31.03.2014
1)	Electricity Units purchased (KWH in Lakhs) Total Amount (₹ In Lakhs) Rate/Unit (₹)	44.09 410.70 9.32	47.04 407.40 8.66
2)	Light Diesel Oil Units purchased (Ltrs. In Lakhs) Total Amount (₹ In Lakhs) Rate/Unit (₹)	1.87 87.99 47.05	2.08 91.44 43.96
3)	Consumption/Unit of production Product (Units): Steel, Alloy and Cast Iron Castings (MT) Electricity (KWH/MT) Light Diesel Oil (Ltrs./MT)	1,341 3,287 139	1,488 3,161 140

TECHNOLOGY ABSORPTION :

Research and Development (R&D) :

Research and Development is continuously carried on for improvement in the quality of the existing products and production process so as to bring them in line with the requirements of Customers or Industry Standards and the Company has succeeded in making out the improvements in the quality and efficiency in production.

Expenditure on Research and Development are charged under primary heads of accounts.

Technology absorption, adaptation and innovation

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, 2014.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange earned	₹ 1,552.71 Lakhs
Foreign Exchange used	₹ 19.81 Lakhs

FOR AND ON BEHALF OF THE BOARD

Place: Kolkata
Date: 29th May, 2015

V. N. AGARWAL
RITU AGARWAL
DIRECTORS

ANNEXURE “B”

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.

The Company has always believed in conducting its affairs in a fair and transparent manner and in maintaining the highest ethical standards in its dealings with all its constituents. It aims to constantly review its systems and procedures at all levels to achieve the highest level of Corporate Governance in the overall interest of all the Shareholders.

In terms of Clause 49 of the Listing Agreements with the Stock Exchanges, the details of compliances made by the Company for the year ended 31st March, 2015 are as follows:

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. As on 31.03.2015 the Company's Board consisted of Five Directors out of which two were Independent Directors who are eminent Professionals with experience and expertise in Business, Industry, Finance and Law.

The Composition of the Board as on 31.03.2015 are as follows:-

Sl. No.	Category	No. of Directors	% of Total
1.	Executive Director & Promoter Managing Director	1	20.00
2.	Non-Executive Director & Promoter	2	40.00
3.	Independent Non-Executive Director	2	40.00
	TOTAL	5	100.00

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The further details relating to the Composition of the Board as on 31.03.2015 are as follows :

Sl.	Name of the Board Members	Category	No. of other Directorships in Indian 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.	Mr. V. N. Agarwal DIN:00408731	Managing Director & Promoter	10	6	1
2.	Mr. Prakash Agarwal DIN:00249468	Non - Executive Director & Promoter	12	5	—
3.	Mrs. Ritu Agarwal DIN:00006509	Non - Executive Director & Promoter	5	—	—
4.	Mr. Binaya Kapoor DIN:00544162	Independent Non - Executive Director	2	2	—
5.	Mr. A.K. Ghosh DIN:01424368	Independent Non - Executive Director	5	4	2

Mr. Prakash Agarwal is the son of Mr. V.N. Agarwal and husband of Mrs. Ritu Agarwal.

3) DETAILS OF BOARD MEETINGS & ANNUAL GENERAL MEETING HELD AND ATTENDED BY THE DIRECTORS DURING THE FINANCIAL YEAR 2014-2015

(i) During the Financial Year 2014-15 Six Board Meetings were held on:-

30th May 14, 14th August 14, 20th September 14, 12th November 14 and 2nd February, 15.

(ii) Details of Attendance record of the Directors at the Board Meetings and the last Annual General Meeting are as follows:

Name of the Board Members	No. of Board Meetings Attended	Attendance at the last AGM held on 27th September, 2014
Mr. V.N. Agarwal	5	Yes
Mr. Prakash Agarwal	5	Yes
Mrs. Ritu Agarwal	5	Yes
Mr. Binaya Kapoor	4	No
Mr. A.K. Ghosh	5	Yes

4) BOARD MEETINGS

- 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 one hundred and twenty days.
- In terms of Company's Corporate Governance Policy, all statutory, significant and material information (including compliance reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of non-compliances) are placed before the Board to enable it to discharge its responsibility.

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- 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) BOARD PROCEDURE

- (i) The Members of the Board have been provided with the requisite information as required by Annexure X 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(IIC) of the Listing Agreements. The Directors from time to time have intimated to the Company their Memberships/ Chairmanships in various Committees in other Companies.

7) POST-MEETING FOLLOW UP 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.

8) SEPARATE MEETING OF INDEPENDENT DIRECTORS

The Independent Directors held a Meeting on 2nd February 2015 without the presence of any Non-Independent Directors and Members of Management wherein they (i) reviewed the performance of Non-Independent Directors and the Board as a whole and (ii) assessed the quality, quantity and timelines of flow of information between the Company Management and Board that was necessary for the Board to effectively and reasonably perform their duties.

9) VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Company has established a vigil mechanism for the Directors and Employees which enable them to report concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy. The mechanism also provides for adequate safeguards against victimization of Directors/ Employees who avail the mechanism.

This functioning of this Policy is reviewed by the Audit Committee and it is ensured that no employee is denied access to the Committee.

10) COMMITTEES OF THE BOARD

Currently there are three Board Committees - the Audit Committee, Stakeholders Relationship Committee and Nomination 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 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 credible.
- (b) Compliance with Listing and legal requirements concerning financial statements.