

**DIRECTORS**

Mr. C.K. Birla, *Chairman*
 Mr. Krishnagopal Maheshwari
 Mr. Shreegopal Daga
 Mrs. Sultana N. Alladin
 Mr. P. Vaman Rao
 Mr. Yash Paul
 Mr. O.P. Jagetiya, *Managing Director & CEO*

BANKERS

State Bank of Hyderabad
 State Bank of India
 Central Bank of India
 State Bank of Indore
 State Bank of Mysore
 State Bank of Travancore

AUDITORS

S.R. Batliboi & Co.

SOLICITORS

Khaitan & Co.

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REGISTERED OFFICE

Sanatnagar
 Hyderabad - 500 018
 (Andhra Pradesh)

WORKS

Hyderabad, Sanatnagar - 500 018(AP)
 Faridabad, Sector-25 - 121 004 (Haryana)
 Jasidih, Industrial Area - 814 142 (Jharkhand)
 Dharuhera, Plot No.31, Rewari Dist - 122 106(Haryana)
 Thimmapur, Mahboobnagar Dist - 509 325 (AP)
 Vijayawada, Plot No.289, IDA, Kondapalli - 521 228(AP)
 Chennai, Kannigaiper Vil, Tiruvallur Dist., - 601 102(TN)
 Wada, Musarane Vil., Thane Dist., - 421 312 (Maharashtra)
 Sathariya, SIDA, Jaunpur Dist., - 222 022(UP)
 Thrissur, Mulangunnathukavu P.O., - 680 581(Kerala)

**TO THE SHAREHOLDERS**

Notice is hereby given that the Sixtieth Annual General Meeting of Hyderabad Industries Limited will be held on Friday, the 27th day of July, 2007, at 3.00 P.M. at Asbestos Centre, Road No.13, Banjara Hills, Hyderabad, Andhra Pradesh to transact the following business:

Ordinary Business

1. To receive and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March 2007 and the Directors' Report and Auditors' Report thereon.
2. To declare a Dividend on Equity Shares.
3. To appoint a Director in place of Mr.C.K.Birla, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Mr.Shreegopal Daga, who retires by rotation and being eligible offers himself for re-election.
5. To appoint M/s. S.R.Batliboi & Co., Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

By Order of the Board
For Hyderabad Industries Limited

Registered Office:
Sanatnagar
Hyderabad - 500 018
Dated: 27th April, 2007

R.S. Garg
CFO & Company Secretary

**Notes:**

- i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- ii) The Register of Members and Share Transfer Books of the Company in respect of Equity Shares will remain closed from 21-07-2007 to 27-07-2007 (both days inclusive).
- iii) M/s.VENTURE CAPITAL AND CORPORATE INVESTMENTS LTD., 6-2-913/ 914, 3RD Floor, Progressive Towers, Khairatabad, Hyderabad - 500 004 is the Share Transfer Agent (STA) of the Company. All communications in respect of share transfers and change in the address of the members may be communicated to them.
- iv) Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the Share Transfer Agent/Company.
- v) Members holding shares in physical form are informed to furnish their bank account details to the Company / STA to have printed the same on the dividend warrants so as to avoid possibility of misuse of dividend warrants by others.
- vi) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/ unpaid dividends upto the financial year ended 31st March, 1999 have been transferred to the General Revenue Account of the Central Government.

Consequent upon the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to the Investor Education and Protection Fund set up by the Government of India and no payment shall be made in respect of any such claims by the Fund.

Members who have not yet encashed their dividend warrant(s) for the financial years 2004-2005 & 2005-2006, are requested to make their claims to the Company without any delay.



TO THE SHAREHOLDERS

The Directors have pleasure in presenting their Report and the Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

	Rs. in lacs	
	2006-07	2005-06
Profit before Interest, Depreciation, Exceptional Item and Taxation	3957.27	7426.76
Less : Interest	440.08	349.54
Depreciation	955.55	810.85
Profit before Exceptional Items & Taxation	2561.64	6266.37
Exceptional Items	(327.84)	(257.72)
Profit after Exceptional Items	2233.80	6008.65
Deferred Tax (Charge)	(189.52)	(2010.24)
Income Tax/ Fringe Benefit Tax	(530.00)	(232.60)
Tax for earlier years	(117.00)	—
Tax Credit for earlier years	0.13	2.99
Profit after Tax	1397.41	3768.80
Balance as per last year	932.01	587.53
Debenture Redemption Reserve Written Back	187.50	468.75
Surplus Balance transferred from P&L A/c. of MBPL as on April 1, 2005	—	132.39
AVAILABLE FOR APPROPRIATION	2516.92	4957.47
APPROPRIATION		
General Reserve	500.00	3600.00
Proposed Dividend on Equity Shares	373.13	373.13
Corporate Dividend Tax	63.41	52.33
Balance carried to Balance Sheet	1580.38	932.01

DIVIDEND

The Directors recommends, for consideration of the shareholders, at the ensuing Annual General Meeting, payment of dividend, on the Equity Share of Rs.10/- each @ Rs.5/- per Equity Share.

PERFORMANCE

The sale and production of Fibre Cement Sheets during the year 2006-07 were as follows:

Year	Sales M.T.	Increase over previous year	Production M.T.	Increase over previous year
2006-07	544721	(1%)	594548	12%
2005-06	551406	10%	531697	8%

During the period under review it is estimated that the national demand for the Fibre Cement Sheets has grown by about 15% over the previous year. However, the Company could not participate in this growth because of (i) non availability of adequate stocks in the peak season of April-June 2006 and (ii) the requirement of achieving balance between price and volume. Going forward, the Company is confident that it will be able to grow as its products enjoy brand preference in the market and has an efficient distribution net work.

Both, Autoclaved Aerated Concrete Blocks and Aerocon panels have found wider acceptance amongst end users and the specifiers. This is reflected in terms of increase in orders and enquiries received for these products. Recognising the growth potential the Company is planning to further augment production capacities for these products.

Production and Sales of Thermal Insulation products have registered healthy growth. It is proposed to develop new applications for these products and augment production capacity to cater to the growing demand.

NEW PROJECTS

New Fibre Cement Sheet Plant set up at Sathariya Industrial Development Area, Jaunpur (U.P) commenced commercial production from 3rd July 2006. This is amongst the most modern plants in the country with state of the art process automation and pollution control equipment. Operations in this plant have fully stabilized and availability of supply from this plant would enable the company to retain its market share in the Northern belt.

During the year under review the Company has acquired 20 acres of land at Balasore in the state of Orissa to set up a sheeting plant with an initial capacity of 125000 tonnes per annum. This plant is likely to commence commercial production in the second half of 2007-08.

The Company is also in the process to set up an Autoclaved Aerated Concrete Blocks plant in Western part of the country. Substantial progress has taken place in this project. However, due to longer delivery period for imported machinery, commercial production from this plant is expected only by 2008-09.



EMPLOYEE RELATIONS

People are the backbone of our operations. It is a matter of great satisfaction for our Company that our employees have been very supportive of the Company's plans. By far the employee relations have been cordial except for few instances in some of our plants where differences with the representative unions resulted in some production loss.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A report on Management Discussion & Analysis is appended as annexure (iv) to this report as per the requirements of Listing Agreement with the Stock Exchanges.

DIRECTORS

Mr.C.K.Birla and Mr.Shreegopal Daga Directors of the Company, retire from the Board by rotation in accordance with the Articles of Association of the Company and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Directors' Responsibility Statement as required under section 217 (2AA) of the Companies Act, 1956, is given in the Annexure (i) attached hereto and forms part of this report.

CORPORATE GOVERNANCE

The Company has been making every endeavor to further improve transparency in the conduct of business. As per the requirements of Listing Agreement with the Stock Exchanges a compliance report on Corporate Governance for the year 2006-2007 and a Certificate from the Auditors of the Company are furnished as part of this annual report.

AUDITORS

The present Statutory Auditors, M/s.S.R.Batliboi & Co., retire at the forthcoming Annual General Meeting, and being

eligible, offer themselves for re-appointment. The Company has received the certificate U/s.224(1B) of the Companies Act, 1956 from M/s.S.R.Batliboi & Co. that their appointment, if made, would be in compliance with the provisions of said section.

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

Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the Annexure (ii) attached hereto and forms part of this Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report and is given in annexure (iii) of this Report.

ACKNOWLEDGEMENTS

The Board expresses its appreciation for the co-operation and support extended by the financial institutions and banks, Customers, Business Associates, Shareholders and Debenture holders in achieving the goals of the Company. The Directors also place on record their appreciation for the commitment and contribution made by the employees at all levels.

On behalf of the Board of Directors

New Delhi, 27th April, 2007.

C.K.BIRLA
Chairman



(i) Directors' Responsibility Statement

On the basis of compliance certificate received from the executives of the Company and subject to disclosures in the Annual Accounts, as also on the basis of the discussion with the statutory Auditors of the Company from time to time, the Board of Directors states:

- A. That in preparation of the annual accounts, for the year ended 31st March, 2007 all the applicable accounting standards prescribed by the Institute of Chartered Accountants of India have been followed.
- B. That the Directors have adopted such accounting policies and applied them consistently except those stated in Note No.2(b) of Schedule 22 of the Accounts and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year.
- C. That the Directors have 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.
- D. That the Directors have prepared the Annual accounts on a going concern basis.



FORM B

Form for disclosure of particulars with respect to Technology Absorption:

Research and Development (R&D)

1. Specific areas in which R&D is carried out by the Company:
 - a. Process Improvement as an on-going basis.
 - b. Development of ancillary products for AEROCON blocks for fast track construction.
 - c. Development of new products.
2. Benefits derived as a result of the above R&D
 - a. Increase in productivity.
 - b. Cost Reduction.
 - c. Quality Improvement.
 - d. Wastage Reduction.
 - e. Enhanced Customer Satisfaction.
3. Future Plan of Action

Continuation of work in areas specified at S.No.1 to further improve results and benefits.

4. Expenditure on R&D

	2006-07	
		(Rs. In lacs)
a. Capital		—
b. Recurring		83.13
c. Total		83.13
d. Total R&D expenditure as a percentage of total turnover (%)		0.17%

Annexure II

(ii) Statement of particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Conservation of Energy

Measures were taken to conserve energy by installation of energy efficient equipment and improve productivity from the existing plants by increasing plant availability through improved maintenance practices, reducing down time, increasing meantime between two maintenance cycles and by process improvements. Emphasis has been on increasing productivity by process cycle time reduction, addition of Vth VAT on machines, reduction of sheet formation time and improving efficiencies of the related equipment. Fly ash and Cement handling systems have been upgraded to make them energy efficient and pollution free. Steam curing process has been implemented in all the plants in place of conventional water curing process for reduction in water consumption resulting in optimum utilization of electric power.

FORM A

Form for disclosure of particulars with respect to conservation of energy:

(A) Power and Fuel Consumption

	2006-07	2005-06
1. Electricity		
a. Purchased		
Units (lacs Kwh)	15.16	14.61
Total amount (Rs. in lacs)	63.11	58.68
Rate/Unit (Rs./Kwh)	4.16	4.02
b. Own Generation		
i) Through Diesel Generator		
Units (lacs Kwh)	9.81	7.00
Units per Ltr. of Diesel Oil	3.37	3.51
Cost/Unit (Rs.)	9.36	8.25
ii) Through Steam Turbine/Generator	—	—
2. Coal	—	—
3. Furnace Oil/ LDHS		
Qty. (K.Ltrs.)	1132	1011
Total amount (Rs. in lacs)	190.27	157.11
Average Rate (Rs./K.Ltrs.)	16809	15543
4. Others / Internal generation	—	—
(B) Consumption per unit of production		
Thermal Insulation Products (Refractories)		
Electricity (Kwh/MT.)	702	737
Furnace Oil/ LDHS (Ltrs./MT.)	679	686
Coal	—	—



Technology Absorption, Adaptation and Innovation

1. Emphasis for development of new process technology and automation of the existing processes and up-grading are the main R&D goals of the Company. R&D is also focused on identifying various new devices/ systems to reduce energy consumption and cost of production. The Company has achieved good results in some areas through its efforts of the R&D and thereby achieved reduction in cost of production, power consumption and improving technical efficiencies.
2. Particulars of imported technology (imported during the last 5 years reckoned from the beginning of the financial year): None

Foreign Exchange Earnings and Outgo

Efforts to identify export opportunities for the products of the Company continued during the year under review. In the pursuit to explore the overseas markets the Company has received orders for its products as well as plant & machinery for manufacturing fibre cement sheets. Some more export orders for plant & machinery are in the pipe-line. Identifying new export markets and increasing exports continues to be one of the major initiatives for the Company.

Total Foreign Exchange used and earned:

	2006-07
A Foreign Exchange Earned	Rs.in lacs
Export of Goods (FOB)	634.89
Others	63.14
Total	698.03
B Foreign Exchange Used	
Raw Materials, Components, Spares and Capital Goods (CIF)	10183.08
Royalty (Net of Tax)	1.05
Other matters	10.38
Total	10194.51

(iii) PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

Name & Age (Years)	Designation/ Nature of Duties	Remuneration (Rs.)	Qualifications	Experience (Years)	Date of Joining	Particulars of last Employment		
						Name of Employer	Designation	Period of Service
Mr.O.P.Jagetiya (57)	Managing Director & CEO	66.30 lakhs	B.E.(Hons.) MBA, MIE	33	9-9-03	Nagarjuna Fertilizer & Chemicals Ltd.	Whole-Time Director	1 Year

NOTES:

1. Remuneration includes actual payment and/or taxable value of perquisites and Company's contribution to Provident Funds and Performance Bonus for the year 2006-07.
2. Nature of appointment - The appointment is on contractual basis.
3. Other terms and conditions - As per the resolution of general meeting dt.3-3-04 & rules of the Company.
4. He is not a relative of any Director of the Company.



(iv) Management Discussion and Analysis Report

Operating Results of the Company

During the year under review the Company has recorded a Net sales turnover of Rs.439.70 crores and PBIDT of Rs.39.57 crores as against Rs.450.29 crores and Rs. 74.27 crores in the previous year.

Outlook for the Company

The Company's business consists of the following product lines:

- 1) Fibre Cement Sheets (Asbestos as well as Non Asbestos)
- 2) Autoclaved Aerated Concrete Blocks (Light Bricks)
- 3) Aerocon Panels
- 4) Industrial Products (Thermal Insulation Products, Jointings and Engineering Divn.)

Fibre Cement Sheets contributed about 87% of the total revenue during the year under review. The Company with 10 manufacturing lines continues to be the largest producer of Fibre Cement Sheets in the country. With these plants and an extensive dealer network the company has the market reach in all parts of the country.

With the boom in the construction sector and also general growth predictions quite a few new units have come up in sheeting industry. The overall demand growth is very healthy at about 15% but the industry is currently facing a situation of over supply. However, because of the excellent CHARMINAR brand image company's products find preferential acceptance.

The Company believes, demand in this sector will continue to grow as there is no rationally acceptable alternative to Fibre Cement Sheets. The prices of the substitute products, mainly GI sheets, the strength, life and insulation properties continue to provide economic rationale for use of Fibre Cement Sheets.

With this optimistic out look the Company has set up a green field sheet manufacturing plant at Sathariya Industrial Development Area, Jaunpur, U.P which commenced commercial production from 3rd July 2006. With this addition company's production capability has risen to about 7 lac tonnes per annum. Efforts to enhance production and productivity at the existing plants are continuing. The Company is also exploring possibilities of establishing new plants at different locations in the country.

The new generation building products AAC Blocks and Aerocon Panels now find greater acceptance amongst the Architects and Builders. Additional capacities will be planned to capitalise on the expected growth of demand in these product lines.

Risks

The Company has established a formal Risk Management Plan. A Corporate Risk Management Committee has been constituted which goes in to the process of risk assessment, its mitigation and monitoring and reporting. Implementation and review of the risk management initiatives are periodically reported to the Board.

Spurt in prices of raw materials like Chrysotile Asbestos Fibre and Cement has posed a major challenge. Another major cause of concern is that of transport cost which is sensitive to diesel prices. Over a period of time Company has established good relations with reputed Chrysotile Asbestos Fibre suppliers which helps to avoid uncertainty in supply and also reasonable stability of prices. The Company avoids spot purchases of fibres.

Ban or restrictions on use of Asbestos, including Chrysotile, though a distinct possibility continues to remain a perceived risk. Company is fully satisfied that the available scientific evidence clearly establishes that Chrysotile variety of Asbestos does not pose unacceptable environmental or health hazards. Anti Asbestos groups are actively pursuing to secure ban on use of white asbestos as well. Scientific evidence however, is against their propaganda.



The Asbestos Information Centre and Asbestos Cement Products Manufacturing Association, bodies promoted by Indian Manufacturers have been promoting awareness programmes and campaigns to highlight the differences between white (Chrysotile Asbestos) and other (blue and brown) types of asbestos. The education campaigns by these bodies have resulted in better appreciation of scientific facts amongst the decision makers. The possibility of restriction of use of Chrysotile Asbestos is therefore rather remote.

The Company has installed best possible equipment to handle asbestos fibre at the work place. The automated handling practices ensure no exposure for employees in the plants.

BUSINESS SEGMENT ANALYSIS:

The Company's business can broadly be classified into two segments i.e. Building Products and Other Business. The Heavy Engineering business located at Kolkata has already been disposed off.

BUILDING PRODUCT SEGMENT:

This segment consists of Fibre Cement Sheets, Autoclaved Aerated Cement Blocks, Aerocon Panels, Fibre Cement Boards etc. Fibre Cement Sheet is the main product line accounting for about 87% of Company's sales.

Production and sale of Fibre Cement Sheets during the year under review have been 594465 MT and 544721 MT respectively. Growth in quantitative sales could not be achieved during the year due to over supply in the industry by other manufacturers and our own necessity to balance price and volumes.

During the year the operations of erstwhile Malabar Building Products Ltd. got integrated with the Company which resulted in rationalisation of distribution and administrative costs.

The new Fibre Sheet Plant set up at Sathariya Dist. Jaunpur U.P. Commenced commercial production from 3rd July, 2006. The product available from this facility has helped to reduce freight cost and also service the northern and eastern markets more effectively.

The Company has decided to set up a new Plant with an initial capacity of 125,000 MT per annum in Orissa. Major part of Plant and Machinery required for this plant has already been manufactured in-house by Engineering Division. Orders for other bought outs, construction and erection have already been placed or finalised. It is expected that this plant will get commissioned in 2nd half of 2007-08.

Given the current availability of production capacity in the country in relation to the demand, the pressure on prices will continue. The Company believes that due to inherent advantages offered by the product over the substitutes the demand growth will be healthy in double digit. With the marketing infrastructure in place and excellent brand image of Charminar, the Company is confident of gaining a respectful share in this future growth.

The Autoclaved Aerated Cement Blocks and Aerocon Panels have gained popular acceptances. It is proposed to enhance capacities by expansion at existing sites and bringing up new plants. A New Plant for AAC Blocks is proposed to be established in Western India. Commercial production from this facility is likely to be in 2008-09.

OTHER BUSINESS:

Thermal Insulation Products and Jointings are other products which service the industrial segments.

Thermal Insulation Products however offer opportunities for growth and the same will be pursued. Due to consistency and superior properties, company's products are preferred over those of competitors. Efforts will continue for new applications to expand the market size.

**Internal Control Systems and their adequacy:**

The Company has a full-fledged Internal Audit Department headed by General Manager-Management Audit to review the operational systems as well as Management Procedures periodically. The department also reviews the compliance of various laws from time to time and carries out critical evaluation of the systems and procedures for better management control. Systems and procedures of the Company are designed in such a way to check every transaction at the next level and give the necessary information to the management. Periodically the systems will be reviewed by the Department along with regular checks in key areas.

Periodical Internal Audit Reports are placed before the Audit Committee of the Board along with the Action Taken/Proposed to be Taken by Management.

SYSTEMS:

The Company has embarked on a paradigm shift by implementing ERP on SAP tool wherein the Business procedures, principles and rules are integrated on a single platform across all the Units, Regional Offices and depots in India. The ERP will extend to all the functional areas and will cover Production, Materials, Supply & Distribution, Human Resource, Projects and Finance.

The development has reached an advanced stage of implementation.

FINANCE:

The Company has practically retired all the long term debts. Despite the hike in interest rates the overall interest burden has been contained. Efforts for better working capital management will continue with the objective of optimum utilisation of cash credit limits and bringing down the finance cost.

The fluctuations in foreign currency markets do affect the company financially as we have large imports bill on account of fibre imports. The Company follows the policy of no speculation and regulates imports in accordance with the requirements only.

HUMAN RESOURCES/INDUSTRIAL RELATIONS:

With the massive expansion in the service sectors, availability of young professionals for manufacturing sectors and that too for our kind of products is limited. The Company's needs also have grown not only because of the replacements requirements due to normal retirement and attrition but also to meet the requirements of New Plants.

Diversifying recruitment sources and in-house training and development programmes to develop required competencies are being pursued to meet the challenge.

The PMS (Performance Management System) has started gaining roots and the Company believes that along with other motivation means this will result in the organisation developing performance culture. The Employee relations with the bargainable staff have by far been cordial at most of the Plants. The dispute between the Management and the Union regarding wage settlement at Jasidih continues to be pending before the Labour Tribunal. The Company believes that an amicable fair settlement will be arrived in the matter.

It has been the Company's policy to give highest priority to safety, Employees health and environment protection. Regular medical examinations of employees and health care schemes are part and parcel of all the Plants operations. On environment front, the Company follows the best possible practices. All the Company's Plants are NO EFFLUENT DISCHARGE PLANTS. ALL THE PROCESS WASTE AND WATER ARE INVARIABLY RECYCLED. The Pollution control equipment installed in our Plants ensure achievement of internationally best emission norms.

As at 31st March, 2007 the Company had 1920 employees.

TO THE MEMBERS OF
HYDERABAD INDUSTRIES LIMITED

1. We have audited the attached balance sheet of Hyderabad Industries Limited as at March 31, 2007 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in para 3 above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said statements of account give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
 - (b) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of cash flow statement, of the cash flows of the Company for the year ended on that date.

For S.R. BATLIBOI & COMPANY
CHARTERED ACCOUNTANTSper Anil Gupta
Partner
Membership No: 87921Place: New Delhi
Dated: 27th April, 2007.



Annexure referred to in paragraph 3 of our report of even date
Re: Hyderabad Industries Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have been physically verified by the management during the previous year in accordance with a planned programme of verifying them once in three years. The frequency of which in our opinion is reasonable having regard to the size of the Company and nature of its assets.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (f) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, there are no transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4 (v) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-Section (1) of Section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs-duty, excise-duty, cess have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:



<i>Name of the statute</i>	<i>Nature of dues</i>	<i>Amount (Rs. in lacs)</i>	<i>Period to which the amount relates</i>	<i>Forum where dispute is pending</i>
Tamil Nadu General Sales Tax Act, 1959 (Local)	Sales tax on enhanced turnover due to certain disallowance	1.01	1990-91	Hon'ble Supreme Court of India
Tamil Nadu General Sales Tax Act, 1959	Sales tax on enhanced turnover due to certain disallowance	6.64	1997-98, 2000-01 & 2002-03	Sales Tax Appellate Tribunal, Chennai
Central Sales Tax Act, 1956.	Sales tax on enhanced turnover due to certain disallowance	0.96	2001-02	Sales Tax Appellate Tribunal, Chennai
Central Sales Tax Act, 1956.	Sales tax on enhanced turnover due to certain disallowance	1.80	1994-95, 2001-02 and 2002-03	Appellate Assistant Commissioner, Chennai
Orissa Sales Tax Act, 1947	Entry tax on stock transfer and miscellaneous disallowance	0.78	1993-94, 1999-2000 and 2001-2002	Assistant Commissioner ST (Appeals), Bhubaneshwar
Madhya Pradesh Vanijyik Kar Adhiniyam, 1994 as adopted by State of Chattisgarh	Works contract tax and other disallowance	0.73	1999-2000	Deputy Commissioner CT (Appeals), Raipur
Andhra Pradesh Sales Tax Act, 1957	Disallowance of concessional sales tax rate	1.53	1985-86	Hon'ble High Court of Andhra Pradesh
Central Excise Act, 1944	Excise duty demand for disallowance of modvat	8.37	1990-91, 1994-95 and 1996-97	Commissioner of Central Excise, West Bengal
Central Excise Act, 1944	Excise duty demand	2.36	1997-98	Commissioner Appeals of Central Excise, West Bengal
Jharkhand Sales Tax Act	Local sales tax demand	1.38	1997-98	Deputy Commissioner Commercial Taxes, Jharkhand
West Bengal Sales Tax Act, 1994	Local Sales tax demand	0.58	2000-01	Deputy Commissioner Commercial Taxes, West Bengal
Central Sales Tax Act	Sales tax on enhanced turnover due to certain disallowance	28.44	2001-02 and 2002-03	Deputy Commissioner Commercial Taxes, West Bengal
Central Excise Act, 1944	Excise duty demand	0.38	1988-89	Commissioner of Central Excise, New Delhi
Punjab Sales Tax Act,	Sales tax demand	0.14	2001-02	Joint Director of Sales Tax Authority, Punjab
U.P. Trade Act 1948	Sales tax demand	1.02	1997-98	Hon'ble high court of Allahabad (Lucknow)
U.P. Trade Act 1948	Sales tax demand on certain disallowance	3.70	1999-2000	Addl. Commissioner UP Trade Tax, Ghaziabad



Central Excise Act, 1944	Excise duty demand	8255.14	1992-2004	Customs, Excise and Service Tax (CESAT) Appellate Tribunal, Kolkata
Tamilnadu General Sales Tax Act, 1959 (Local)	Additional Sales tax	2.53	2002-03	Joint Commissioner (Revision), Chennai
Jharkhand Sales Tax Act	Local sales tax demand	99.89	1997-98 & 1999-2000	Commissioner of Commercial Taxes, Jharkhand
Income Tax Act, 1961	Wealth Tax Demand	56.89	1993-94 to 1997-98	Hon'ble High Court of Andhra Pradesh, Hyderabad.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, banks and debentureholder.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In respect of dealing/trading in units of mutual funds, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) Based on books and records produced to us by the management, securities or charges have been created in respect of debentures issued.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & COMPANY
CHARTERED ACCOUNTANTS

per Anil Gupta
Partner
Membership No: 87921

Place: New Delhi
Dated: 27th April, 2007.

Balance Sheet
as at 31st March, 2007



HYDERABAD INDUSTRIES LIMITED

		Rupees in lacs	
	Schedule	31st March 2007	31st March 2006
I. SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	748.98	717.48
Share Capital Suspense	1A	—	31.49
Reserves and Surplus	2	<u>13431.68</u>	<u>12487.77</u>
		14180.66	13236.74
Loan Funds			
Secured Loans	3	5416.21	3907.88
Unsecured Loans	4	<u>1913.54</u>	<u>1791.82</u>
		7329.75	5699.70
Deferred Payment Liabilities		201.69	278.82
Towards Voluntary Early Retirement Scheme (Payable within one year Rs.61.40 lacs - Previous Year Rs.80.88 lacs)			
Deferred Tax Liabilities (Net)	5	1349.90	1160.38
TOTAL		<u>23062.00</u>	<u>20375.64</u>
II. APPLICATION OF FUNDS			
Fixed Assets	6		
Gross Block		22985.60	19201.65
Less: Accumulated Depreciation		<u>10042.95</u>	<u>9127.34</u>
Net Block		12942.65	10074.31
Capital Work-in-progress		255.51	2354.45
Expenditure during Construction Period		<u>9.39</u>	<u>129.61</u>
		13207.55	12558.37
Investments	7	956.94	1805.44
Current Assets, Loans and Advances			
Inventories	8	11513.94	7740.64
Sundry Debtors	9	3891.79	3917.95
Cash and Bank Balances	10	646.47	666.81
Other Current Assets	11	312.50	102.27
Loans and Advances	12	<u>2024.60</u>	<u>2456.59</u>
		18389.30	14884.26
Less: Current Liabilities and Provisions	13		
Current Liabilities		8175.01	7684.46
Provisions		<u>1316.78</u>	<u>1187.97</u>
		9491.79	8872.43
Net Current Assets		8897.51	6011.83
TOTAL		<u>23062.00</u>	<u>20375.64</u>
Notes to Accounts	22		

Schedules 1 to 13 and 22 referred to above form an integral part of the Balance Sheet

In terms of our attached Report of even date

For S.R.Batliboi & Company
Chartered Accountants

Per Anil Gupta
Partner
Membership No.87921
New Delhi
Dated: 27th April, 2007

For and on behalf of the Board of Directors

C.K. Birla
Chairman

R.S. Garg
CFO & Company Secretary

O.P. Jagetiya
Managing Director & CEO

**Profit and Loss Account
for the year ended 31st March, 2007**



HYDERABAD INDUSTRIES LIMITED

		Rupees in lacs	
		2006-07	2005-06
		Schedule	
INCOME			
Turnover (Gross)		47651.22	45845.90
Less: Excise Duty		3681.19	816.96
Turnover (Net)		43970.03	45028.94
Other Income	14	405.10	359.60
		44375.13	45388.54
EXPENDITURE			
Raw Materials and Components Consumed	15	25525.72	19400.00
Personnel Expenses	16	3727.79	4021.64
Operating and Other Expenses	17	14779.08	14201.18
(Increase)/Decrease in Inventories	18	(3089.23)	461.54
Interest	19	440.08	349.54
		41383.44	38433.90
Less: Expenditure during Construction Period		525.50	122.58
		40857.94	38311.32
PROFIT BEFORE DEPRECIATION, EXCEPTIONAL ITEMS AND TAXATION		3517.19	7077.22
Depreciation		972.51	827.81
Less: Transfer from Revaluation Reserve		16.96	16.96
		955.55	810.85
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION		2561.64	6266.37
Exceptional Items	20	327.84	257.72
PROFIT BEFORE TAXATION (After adjusting Loss from Discontinuing Operation Rs. 166.76 lacs, Previous Year Rs 968.64 lacs)		2233.80	6008.65
Provision for Current Income Tax		(480.00)	(330.00)
Less: MAT Credit Entitlement Account		—	160.00
Income Tax Credit for earlier years		0.13	2.99
Reversal of Excess MAT Entitlement Credit taken in last year		(117.00)	—
Deferred Tax (Charge)		(189.52)	(2010.24)
Fringe Benefit Tax		(50.00)	(62.60)
Total Tax (Expenses) (After adjusting tax credit from Discontinuing Operation Rs.55.83 lacs, Previous Year Rs.324.12 lacs)		(836.39)	(2239.85)
PROFIT FOR THE YEAR (After adjusting Loss from Discontinuing Operation Rs.110.93 lacs, Previous Year Rs 644.52 lacs)		1397.41	3768.80
Balance as per last year		932.01	587.53
Debenture Redemption Reserve written back		187.50	468.75
Surplus Balance transferred as per Profit and Loss Account of Malabar Building Products Limited as on April 1, 2005		—	132.39
AVAILABLE FOR APPROPRIATION		2516.92	4957.47
APPROPRIATIONS			
General Reserve		500.00	3600.00
Proposed Dividend on Equity Shares		373.13	373.13
Corporate Dividend Tax		63.41	52.33
Surplus Carried to Balance Sheet		1580.38	932.01
		2516.92	4957.47
Earnings Per Share (EPS) (Rs.)	21	18.73	50.50
Basic and Diluted (Nominal Value of Shares Rs.10 (Previous Year Rs.10))			
Notes to Accounts	22		

Schedules 14 to 22 referred to above form an integral part of the Profit and Loss Account

In terms of our attached Report of even date

For S.R.Batliboi & Company
Chartered Accountants

Per Anil Gupta
Partner
Membership No.87921
New Delhi
Dated: 27th April, 2007

For and on behalf of the Board of Directors

C.K. Birla
Chairman

R.S. Garg
CFO & Company Secretary

O.P. Jagetiya
Managing Director & CEO



	Rupees in lacs	
CASH FLOW STATEMENT FOR THE YEAR	2006-07	2005-06
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	2233.80	6008.65
Adjustments for :		
Depreciation	955.55	810.85
Miscellaneous Expenditure written off	—	205.85
(Profit)/Loss on Disposal of Fixed Assets (Net)	(6.68)	11.58
Provision for diminution in the value of Investments now written back	—	(14.66)
Profit on Sale of Long Term & Current Investments (Net)	—	(0.70)
Interest Income	(59.94)	(149.22)
Dividend Income	(15.64)	(34.97)
Interest Expense	500.02	498.76
Provision for Doubtful Debts, Advances & Other Receivables	(172.78)	308.43
Operating profit before working capital changes	3434.33	7644.57
Movements in working capital		
Decrease in Sundry Debtors	200.52	241.03
(Increase)/Decrease in Inventories	(3773.30)	503.50
(Increase) in Loans, Advances and Other Receivables	(834.87)	(576.25)
Increase in Current Liabilities and Provisions	621.93	1138.18
(Decrease) in Deferred Payment Liabilities	(77.13)	—
Cash generated from/(used in) operations	(428.52)	8951.03
Direct Taxes (Paid)/Refunds	(568.40)	(456.44)
Net cash from /(used in) operating activities	(996.92)	8494.59
B. Cash flow from investing activities		
Purchase of Fixed Assets	(1636.87)	(3195.80)
Sale of Fixed Assets	33.30	1.04
Purchase of Investments	(715.54)	(2117.82)
Sale of Investments	1552.61	1497.22
Repayment of Loans	950.00	200.00
Interest Received	74.44	200.89
Dividend Received	19.47	31.15
Net cash from/ (used in) investing activities	277.41	(3383.32)
C. Cash flow from financing activities		
Proceeds from long term borrowings	138.25	131.18
Proceeds/ (Repayment) of short term borrowings	1886.79	(1484.25)
(Repayment) of long term borrowings	(394.99)	(2950.35)
Interest Paid	(505.42)	(491.75)
Dividend Paid	(425.46)	(231.34)
Net cash from/(used in) financing activities	699.17	(5026.51)
Net (Decrease)/increase in cash and cash equivalents	(20.34)	84.76
Cash and cash Equivalents as at 31.3.2006 *	666.81	431.05
Increase in Cash and Cash Equivalents pursuant to Amalgamation of Malabar Building Products Limited	—	151.00
	666.81	582.05
Cash and cash Equivalents as at 31.3.2007 *	646.47	666.81
Components of cash and cash equivalents as at 31st March	2007	2006
Cash on hand	2.15	4.02
Cheques under Collection	488.69	299.25
With Scheduled Banks In		
Current Accounts	142.68	153.90
Unpaid and Unclaimed Dividend Accounts	12.29	8.92
Deposit Accounts (Receipts of Rs. 0.55 lac, Previous year Rs.0.61lac lodged with outside parties)	0.55	200.61
With Post Office in Savings Bank Account (Pass Book lodged with outside parties)	0.11	0.11
	646.47	666.81

* As per Schedule 10 of the Accounts.

Note: 1.The above Cash Flow Statement has been prepared under the Indirect Method "as set out in Accounting Standard 3 on Cash Flow Statements".

In terms of our attached Report of even date

For S.R.Batliboi & Company

Chartered Accountants

Per Anil Gupta

Partner

Membership No.87921

New Delhi

Dated: 27th April, 2007

For and on behalf of the Board of Directors

C.K. Birla

Chairman

R.S. Garg

CFO & Company Secretary

O.P. Jagetiya

Managing Director & CEO



		Rupees in lacs	
		31st March 2007	31st March 2006
Schedule 1			
SHARE CAPITAL			
Authorised			
95,00,000	Equity Shares of Rs.10 each	950.00	950.00
50,000	Preference Shares of Rs.100 each	50.00	50.00
		1000.00	1000.00
Issued, Subscribed and Paid-up			
74,62,562	(Previous Year 71,47,631) Equity Shares of Rs.10 each fully paid-up	746.26	714.76
Of the above Shares			
a)	1,75,000 Equity Shares allotted pursuant to Scheme of Arrangement for transfer of Heavy Engineering Division		
b)	46,93,084 Equity Shares allotted as fully paid-up Bonus Shares by capitalisation of General Reserve		
c)	3,14,931 Equity Shares allotted as fully paid-up pursuant to Scheme of Amalgamation of Malabar Building Products Limited		
		2.72	2.72
Forfeited Shares (amount originally paid-up)			
TOTAL		748.98	717.48

Schedule 1 A**SHARE CAPITAL SUSPENSE**

Nil(Previous Year 3,14,931) Equity Shares of Rs 10 each to be issued to the equity shareholders of erstwhile Malabar Building Products Limited as fully paid up consequent to amalgamation.	—	31.49
	—	31.49

Schedule 2**RESERVES AND SURPLUS**

	Balance as at 31st March, 2006	Additions	Deductions/ Adjustments	Balance as at 31st March, 2007
Capital Reserve - Capital Investment Subsidy	10.00	---	10.00**	—
Capital Redemption Reserve	35.00	---	---	35.00
Securities Premium	624.95	---	---	624.95
Revaluation Reserve (Arising on Revaluation of Fixed Assets)	573.83	---	16.96	556.87
Debenture Redemption Reserve	281.25	---	187.50#	93.75
General Reserve	10030.73	510.00	---	10540.73
Profit and Loss Account	932.01	648.37	---	1580.38
TOTAL	12487.77	1158.37	214.46	13431.68

Transferred to Profit and Loss Account.

** Subsidy received from the Government transferred to General Reserve on completion of specified period /conditions.



	Rupees in lacs	
	31st March 2007	31st March 2006
Schedule 3		
SECURED LOANS		
(Refer note No. 12 of schedule 22)		
Debentures		
15,00,000 -- 11% Secured Redeemable Non-Convertible		
Debentures of Rs.100 each fully paid-up	1500.00	
Less: Instalments redeemed	<u>1312.50</u>	562.50
Loans from Banks		
Cash Credit facilities	5224.92	3338.13
Term Loan from Financial Institution		
Housing Development Finance Corporation Limited (HDFC)	3.79	7.25
TOTAL	<u>5416.21</u>	<u>3907.88</u>
Note: Amount Payable within one year	191.29	284.63
Schedule 4		
UNSECURED LOANS		
Interest Free Sales Tax Loan	63.72	70.28
Deferred Sales Tax	1848.47	1715.83
Deferred Payment Credits (Guaranteed by Company's Bankers)	1.35	5.71
TOTAL	<u>1913.54</u>	<u>1791.82</u>
Note: Amount Payable within one year	21.16	16.92
Schedule 5		
DEFERRED TAX LIABILITIES (NET)		
Deferred Tax Liabilities		
Difference in Depreciation on fixed assets as per tax books and financial books	2039.40	1824.62
Gross Deferred Tax Liabilities	<u>2039.40</u>	<u>1,824.62</u>
Deferred Tax Assets		
Effect of expenditure debited to Profit & Loss Account but allowable for tax purposes in following years	359.45	256.19
Provision for Doubtful Debts, Advances and Receivables	183.57	239.95
Voluntary Early Retirement Scheme and Voluntary Retirement Scheme	146.48	168.10
Gross Deferred Tax Assets	<u>689.50</u>	<u>664.24</u>
Net Deferred Tax Liabilities	<u>1349.90</u>	<u>1160.38</u>



Schedule 6 FIXED ASSETS

Rupees in lacs

	Gross Block				Depreciation					Net Block		
	At 31.03.06	Addition on Amalga- mation	Additions	Deductions/ Adjust- ments	At 31.03.07	At 31.03.06	Addition on Amalga- mation	For the year	On Deletions/ Adjust- ments	At 31.03.07	At 31.03.07	At 31.03.06
Freehold Land	609.01	—	—	—	609.01	—	—	—	—	—	609.01	609.01
Leasehold Land	203.62	—	—	—	203.62	20.90	—	2.24	—	23.14	180.48	182.72
Buildings	4140.73	—	975.39	0.02	5116.10	1465.99	—	131.62	—	1597.61	3518.49	2674.74
Railway Sidings	12.75	—	—	—	12.75	12.12	—	—	—	12.12	0.63	0.63
Plant & Machinery	13539.07	—	2769.73	27.69	16281.11	7212.38	—	783.06	17.32	7978.12	8302.99	6326.69
Furniture, Fittings and Office Equipment	440.35	—	25.21	11.44	454.12	279.66	—	21.98	5.95	295.69	158.43	160.69
Vehicles	256.12	—	87.50	34.73	308.89	136.29	—	23.97	23.99	136.27	172.62	119.83
TOTAL	19201.65	—	3857.83	73.88	22985.60	9127.34	—	962.87	47.26	10042.95	12942.65	10074.31
Figures for the Previous year	19971.30	1166.89	784.38	2720.92	19201.65	9783.09	718.36	825.86	2199.97	9127.34		
Capital work - in - progress										255.51	2354.45	
Expenditure during Construction Period Pending Capitalisation/ Allocation (Refer Note No.14 of Schedule 22)										9.39	129.61	
TOTAL										13207.55	12558.37	

NOTES

- Pending settlement of dispute regarding external development charges with Haryana Urban Development Authority, Faridabad, Freehold Land costing Rs.1.27 lacs (Previous Year Rs.1.27 lacs) is pending for registration in the Company's name.
 - Freehold Land of the cost of Rs 6.82 lacs (Previous Year Rs.6.82 lacs) is yet to be registered in the name of the Company.
- Other assets of the aggregate value of Rs.30.54 lacs (Previous Year Rs.28.72 lacs) are held in joint ownership with others.
- Additions to Plant & Machinery include Foreign Exchange Fluctuation amounting to Rs.1.13 lacs (Previous Year Rs.1.28 lacs).
- Freehold Land, Leasehold Land and Buildings include Rs.953.44 lacs (Previous Year Rs. 953.44 lacs) (WDV Rs.556.87 lacs (Previous Year Rs. 573.83 lacs)) on account of additions on revaluation during the year ended 31.12.1983 as per valuation carried out by approved valuer.

	2006-07	2005-06
5. Depreciation for the year (As Above)	962.87	825.86
Add: Depreciation charged on Investment in Properties(As per Schedule 7)	11.43	6.58
Less: Transferred to Expenditure incurred during construction period	1.79	4.63
Depreciation charged to Profit and Loss Account	972.51	827.81



	Rupees in lacs	
	31st March 2007	31st March 2006
Schedule 7		
INVESTMENTS		
LONG TERM INVESTMENTS		
Investment in Properties (Refer Note No.3 below)	846.80	846.80
Less: Accumulated Depreciation	33.77	22.34
Net Block	813.03	824.46
Trade		
Unquoted - Fully paid-up		
Birla Buildings Limited--5,000 Equity Shares of Rs.10 each	0.80	0.80
Bajaj Bhavan Owners Premises Co-operative Society Limited -- 10 Equity Shares of Rs.50 each	0.01	0.01
Supercor Industries Limited, Nigeria -- 41,25,000 Equity Shares of Naira 1 each	142.60	142.60
Other than Trade		
Unquoted		
GOVERNMENT SECURITIES		
7 year National Savings Certificate	0.02	0.02
6 year National Savings Certificate	0.47	0.47
Indira Vikas Patra	0.01	0.01
CURRENT INVESTMENTS		
Other than Trade		
Units in Mutual Funds of Rs. 10 each.		
Birla Sunlife Cash Manager IP- Daily Dividend - Re-Investment-Nil (Previous Year 5182269.11 Units)	—	518.33
Birla Floating Rate Fund- Short Term -Daily Dividend - Re-Investment - Nil (Previous Year 638.56 Units)	—	0.06
LICMP Floating Rate Fund-Short Term Plan - Dividend Plan-Nil (Previous Year 1012700.10 Units)	—	102.57
Birla Cash Plus- Dividend Option-Nil (Previous Year 1320205.31 Units)	—	216.11
TOTAL	956.94	1805.44

NOTES

1. Aggregate Value of Investments	Market Value	Book Value	Market Value	Book Value
Quoted	—	—	837.07	837.07
Unquoted		143.91		143.91
Investment in Properties		813.03		824.46
TOTAL		956.94		1805.44

- Government Securities for Rs.0.50 lac lodged with Government Departments.
- The Company alongwith other co-owners, has developed a plot of land at 25 Barakhamba Road, New Delhi, where the Company's share is 15%. The registration of the said plot of the value of Rs.427.60 lacs (Previous Year Rs.427.60 lacs) in the name of the Company is pending.
- For purchase and sale of Investments during the year, please refer Note No. 11 of Schedule 22.



	Rupees in lacs	
	31st March 2007	31st March 2006
Schedule 8		
INVENTORIES		
Raw Materials and Components (include Bought Out Items Rs.48.80 lacs- Previous Year Rs.43.01 lacs)	3741.71	3275.64
Stores and Spares	444.70	327.55
Work-in-Process	1015.28	664.13
Finished Goods	6312.08	3472.28
Scrap / By product	0.17	1.04
TOTAL	<u>11513.94</u>	<u>7740.64</u>
Schedule 9		
SUNDRY DEBTORS		
(Unsecured)		
Over Six Months		
Considered Good	263.64	982.36
Considered Doubtful	510.77	685.13
Other Debts		
Considered Good	3628.15	2935.59
	4402.56	4603.08
Less: Provision for Doubtful Debts	510.77	685.13
TOTAL	<u>3891.79</u>	<u>3917.95</u>
Schedule 10		
CASH AND BANK BALANCES		
Cash on hand	2.15	4.02
Cheques under Collection	488.69	299.25
With Scheduled Banks In		
Current Accounts	142.68	153.90
Unpaid and Unclaimed Dividend Accounts	12.29	8.92
Deposit Accounts	0.55	200.61
(Receipts of Rs.0.55 lac, Previous Year Rs.0.61 lac lodged with outside parties)		
With Post Office in Savings Bank Account (Pass Book lodged with outside parties)	0.11	0.11
TOTAL	<u>646.47</u>	<u>666.81</u>
Schedule 11		
OTHER CURRENT ASSETS		
Considered Good		
Interest Accrued on Loan and Deposits	18.62	38.74
Dividend Receivable	—	3.83
Other Receivables	293.88	59.70
Considered Doubtful		
Interest Accrued on Deposits	5.62	—
Other Receivables	—	15.00
	318.12	117.27
Less: Provision for Interest and Other Receivables	5.62	15.00
TOTAL	<u>312.50</u>	<u>102.27</u>



	Rupees in lacs	
	31st March 2007	31st March 2006
Schedule 12		
LOANS AND ADVANCES		
(Unsecured)		
Considered Good		
Advances Recoverable in Cash or in Kind or for Value to be Received	1401.04	843.45
Loans	—	950.00
VAT Receivable	25.45	25.45
Deposits - Others	468.05	420.91
Income-tax Deducted at Source/Advance Payment of Tax (Net of Provision for Income Tax Rs. 530.00 lacs, Previous Year Rs.330.00)	130.06	56.78
MAT Credit Entitlement Account	—	160.00
Considered Doubtful		
Advances Recoverable in Cash or in Kind or for Value to be Received	15.48	4.52
Deposits -Others	8.20	8.20
	2048.28	2469.31
Less: Provision for Doubtful Advances and Deposits	23.68	12.72
TOTAL	2024.60	2456.59

Schedule 13**CURRENT LIABILITIES AND PROVISIONS**

CURRENT LIABILITIES

Sundry Creditors for Goods, Services and Expenses etc.	5057.58	4213.94
Advances from Customers	279.02	814.37
Unclaimed Dividend (Statutory liabilities as referred in Section 205C of Companies Act)	12.29	8.92
Sundry Deposits	2076.77	1911.24
Interest Accrued but not Due on Loans	4.04	9.44
Other Liabilities	745.31	726.55
	8175.01	7684.46

PROVISIONS

Gratuity	376.76	539.38
Leave Encashment	148.48	214.88
Employee Related Other Costs*	50.00	—
Provision for Loss on Onerous Contracts*	305.00	—
Fringe Benefit Tax	—	8.25
Proposed Dividend	373.13	373.13
Corporate Dividend Tax	63.41	52.33
	1316.78	1187.97
TOTAL	9491.79	8872.43

Dues to Small Scale Industrial undertakings included under Sundry Creditors

—

	Opening Balance	Created during the year	Utilised during the year	Rs. in lacs Closing Balance
Employee Related Other Cost	—	50.00	—	50.00
Loss on Onerous Contracts	—	305.00	—	305.00
		355.00		355.00



	Rupees in lacs	
	31st March 2007	31st March 2006
Schedule 14		
OTHER INCOME		
Technical Know-how and Service fee	63.15	51.94
Items Pertaining to Previous Years, Unspent Liabilities and Provisions and Unclaimed Balances Written back (Net) (including Provision for Doubtful Debts, Advances and Receivables written back Rs.172.78 lacs (Previous Year Rs. Nil))	66.43	47.29
Dividend from Long Term Investments (Gross) (Tax deducted at source Rs.Nil - Previous Year Rs.Nil)	0.10	3.93
Dividend from Current Investments-Trade (Gross) (Tax deducted at source Rs.Nil - Previous Year Rs.Nil)	15.54	31.04
Profit on Sale of Long Term Investment	—	0.06
Profit on Sale of Current Investments (Net)	—	0.64
Rent from Long Term Investments in Properties	185.69	153.83
Rent (Others)	16.93	6.51
Profit on Disposal of Fixed Assets (Net)	6.68	—
Miscellaneous Receipts	50.58	64.36
TOTAL	405.10	359.60
Schedule 15		
RAW MATERIALS AND COMPONENTS CONSUMED		
Opening Stock	3275.64	3165.56
Add: Opening Stock of Raw materials transferred on amalgamation of erstwhile Malabar Building Products Limited	—	150.80
Add: Purchases after deducting Duty Drawback on Exports (include Bought Out Items Rs.31.76 lacs - Previous Year Rs. 49.55 lacs)	25991.79	19360.30
	29267.43	22676.66
Less: VAT on Opening Stocks	—	1.02
Less: Closing Stock	3741.71	3275.64
TOTAL	25525.72	19400.00
Schedule 16		
PERSONNEL EXPENSES		
Salaries, Wages, Gratuity and Bonus	2996.50	3292.85
Contribution to Provident Fund	219.93	233.07
Contribution to Gratuity Fund	143.98	114.38
Contribution to Other Funds	42.45	43.68
Staff and Workmen Welfare Expenses	324.93	337.66
TOTAL	3727.79	4021.64



	Rupees in lacs	
	2006-07	2005-06
Schedule 17		
OPERATING AND OTHER EXPENSES		
Consumption of Stores and Spares	1689.68	1453.98
Packing Expenses (Net)	403.89	285.82
Repairs and Renewals		
Buildings	59.21	45.09
Machinery (Excluding Stores and Spares Consumption)	290.96	219.30
Others	515.97	393.96
Power and Fuel	3781.70	3251.27
Rent	172.59	138.19
Rates and Taxes	147.80	159.92
Excise Duty on Stocks etc	302.39	319.56
Insurance (Net)	64.39	90.00
Commission on Sales	361.35	507.43
Carriage Outwards (Net)	5303.68	5053.11
Directors' fee	6.20	8.40
Loss on Disposal of Fixed Assets (Net)	—	11.58
Provision for Doubtful Debts, Advances and Receivables	—	308.43
Miscellaneous Expenses (including Foreign Exchange Fluctuation (Net) Rs.63.57 lacs, Previous Year Rs. 137.22 lacs)	1679.27	1955.14
TOTAL	<u>14779.08</u>	<u>14201.18</u>

Schedule 18
(INCREASE)/DECREASE IN INVENTORIES

Closing Inventories		
Work-in-process	1015.28	664.13
Finished Goods	6312.08	3472.28
Scrap / By product	0.17	1.04
	<u>7327.53</u>	<u>4137.45</u>
Opening Inventories		
Work-in-process	664.13	699.69
Finished Goods	3472.28	3678.52
Scrap / By product	1.04	3.12
Less: VAT on Opening Inventories	—	3.89
Add: Transfer of Opening Stock of Finished Goods on Amalgamation of Malabar Building Products Limited	—	221.55
Add: Stocks of Finished Goods out of Trial Run Production	100.85	---
	<u>4238.30</u>	<u>4598.99</u>
TOTAL	<u>(3089.23)</u>	<u>461.54</u>



Rupees in lacs
2006-07 2005-06

Schedule 19
INTEREST

Interest		
On Term Loans and Debentures	46.96	136.88
To Banks and Others	453.06	361.88
	500.02	498.76
Less: Interest Received on Loans, Deposits etc. (Tax Deducted at Source Rs. 10.06 lacs, Previous Year Rs. 27.58 lacs)	59.94	149.22
TOTAL	440.08	349.54

Schedule 20
EXCEPTIONAL ITEMS

Provision for Loss on Onerous Contracts (Refer Note No. 2(b) of Schedule 22)	305.00	—
Voluntary Retirement Scheme	22.84	51.89
Additional charge of Voluntary Early Retirement Scheme	—	205.83
TOTAL	327.84	257.72

Schedule 21
EARNINGS PER SHARE (EPS)

Net Profit as per Profit and Loss Account	1397.41	3768.80
Number of shares outstanding at the beginning of the year	7147631	7147631
Shares to be issued (effective from 1st April 2005)	—	314931
Shares issued during the year (Outstanding for 365 days)	314931	—
Total Equity Shares Outstanding at the end of the year	7462562	7462562
Weighted Average number of equity shares outstanding during the year	7462562	7462562
Basic and Diluted Earnings per Share (EPS) (Rs.)	18.73	50.50



Schedule 22

NOTES TO ACCOUNTS

1. Nature of Operations

The Company is engaged in the production and distribution of Fibre Cement Sheets, Aerocon Panels, AAC Blocks, Material Handling and Processing Plant and Equipment, Jointings and Thermal Insulation Products (Refractories). The Company has presently manufacturing facilities at Hyderabad, Faridabad, Jasidih, Dharuhera, Thimmapur, Vijayawada, Chennai, Thrissur, Wada & Sathariya and is setting up a new unit in the State of Orissa for manufacturing Fibre Cement Sheets.

2. Statement of Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention modified by revaluation of fixed assets, on an accrual basis except for credits/ debits arising out of revision of prices on supplies, breakages, claims and subsidies which are accounted for in the year of their acceptance, since it is not possible to ascertain the exact quantum in respect thereof with reasonable accuracy. The accounting policies have been consistently applied by the Company and except for the change in accounting policy discussed more fully below, are consistent with those used in the previous year.

(b) Change in Accounting Policy

Pursuant to limited revision of Accounting Standard-29 issued by ICAI which became mandatory with effect from April 1, 2006, the Company has, during the year, provided loss on Onerous Contracts on an estimated basis amounting to Rs. 305 lacs (disclosed under Exceptional Item in the Profit and Loss Account), which was hitherto accounted for as and when incurred, thus resulting in profit before tax for the year being lower by the said amount.

(c) Fixed Assets

Fixed assets are stated at cost (or revalued amounts, as the case may be), less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

(d) Depreciation

Depreciation on Leasehold Land is provided over the unexpired lease year.

Depreciation on other fixed assets has been provided on Straight Line Method at the rates computed based on estimated useful lives (estimated by the management) which are equal to corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

For this purpose, part of the Plant & Machinery has been treated as continuous process plant based on technical evaluation.

Depreciation on the amount of adjustment to fixed assets on account of foreign exchange difference is provided/adjusted over the remaining useful lives of such assets.

Depreciation on the amount added to Fixed Assets on revaluation has been adjusted by transfer of equivalent amount from Revaluation Reserve to Profit and Loss Account.

(e) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(f) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.



Investment in properties being long term investments is considered at Cost less Depreciation, unless there is a decline in the value other than temporary, in which case adequate provision is made against the diminution. Depreciation on fixed assets other than perpetual leasehold land has been provided on Straight Line Method at the rates computed based on estimated useful lives (estimated by the management) which are equal to corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

(g) Inventories

Inventories are valued as follows

Raw materials, components, stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a first in first out basis.
Work-in-process and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
Scrap/By-product	Net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(h) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Excise Duty deducted from gross turnover is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend

Revenue is recognized when the shareholders' right to receive payment is established by the balance sheet date.

(i) Foreign currency translation

Foreign currency transactions

i. Initial Recognition

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii. Exchange Differences

Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise except exchange differences on liabilities incurred for acquisition of fixed assets from outside India, which are capitalized / decapitalized.

iv. Forward Exchange Contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.



(j) Research and Development

Research and Development expenditure of revenue nature are charged to Profit and Loss Account, while capital expenditure are added to the cost of fixed assets in the year in which the same are incurred.

(k) Retirement and other Employee Benefits

- i. Provident Fund is charged to the Profit and Loss Account when the contribution to the provident fund is due.
- ii. The Company has created an approved gratuity fund, which has taken a group gratuity cum insurance policy with Life Insurance Corporation of India (LIC), for future payment of gratuity to the employees. The Company accounts for gratuity liability on the basis of actuarial valuation carried out at the year end by LIC. Gratuity liability of an employee, who leaves the Company before the close of the year and which is remaining unpaid, is provided on actual computation basis.
- iii. The Company has created an approved Superannuation Fund and accounts for the contribution made to LIC against an insurance policy taken with them. There are no other obligations other than the contribution payable to the Fund.
- iv. Liability in respect of earned leaves of the employees is provided for as per actuarial valuation carried out at the year end. Leave liability of an employee, who leaves the Company before the close of the year and which is remaining unpaid, is provided on actual computation basis.

(l) Income Taxes

Tax expense comprises of current, deferred and fringe benefit and tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the income tax authorities in accordance with Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has unabsorbed depreciation or carry forward tax losses, entire deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits. At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(m) Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction year is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account. Income earned during construction period is deducted from the total of the indirect expenditure.

All direct capital expenditure on expansion are capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised only if they increase the value of the asset beyond its original standard of performance.

(n) Leases

(i) Where the Company is a Lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.



If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(ii) *Where the Company is a Lessor*

Assets subject to operating leases are included in Investments/Fixed Assets, as the case may be. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account.

(o) Segment Reporting Policies

Identification of segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Unallocated items

General corporate income and expense items are not allocated to any business segment.

(p) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(q) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. Provision for expenditure relating to voluntary retirement is made when the employee accepts the offer of early retirement.

(r) Cash and Cash equivalents

Cash and cash equivalents in the Cash Flow Statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Segment Information

Business Segments

As of March 31, 2007, the Company has organised its operations into four major businesses: Building Products, Heavy Engineering (transferred on July 8, 2005), Thermal Insulation Products (Refractories) & other. A description of the types of products and services provided by each reportable segment is as follows:

Building Products: The Company manufactures and markets fibre cement sheets, aerocon panels and AAC blocks. The said products are used in construction activity.

Heavy Engineering: The Company till the date of transfer manufactured material handling and processing plant and equipment. It also manufactured heavy engineering equipment used in mining, industrial and construction activities and undertook projects on turnkey basis.

Thermal Insulation Products (Refractories): The Company manufactures and markets insulation products used in Cement, Fertilizers and Power Sector in the Kilns, furnaces and boilers.

Other: This residual segment represents jointing.

Geographical Segments

The analysis of geographical segments is based on the location of the customers i.e. domestic and overseas.



a) **Primary segment information (by Business segments)**

The following table presents revenue and profit information regarding business segments for the years ended March 31, 2007 and March 31, 2006 and certain assets and liabilities information regarding business segments as at March 31, 2007 and March 31, 2006.

Business Segments					(Rs. in lacs)
	Building Products	Heavy Engineering (Discontinuing Operation)	Thermal Insulation Products	Others	Total
Revenue					
External Sales*	41546.85	109.41	1781.60	532.17	43970.03
	<i>42439.43</i>	<i>676.70</i>	<i>1240.85</i>	<i>671.96</i>	<i>45028.94</i>
Other Income**	94.27	34.27	(2.59)	2.14	128.09
	<i>88.50</i>	<i>2.65</i>	<i>0.35</i>	<i>0.01</i>	<i>91.51</i>
Total Revenue	41641.12	143.68	1779.01	534.31	44098.12
	<i>42527.93</i>	<i>679.35</i>	<i>1241.20</i>	<i>671.97</i>	<i>45120.45</i>
Results					
Segment results	3363.64	(166.68)	569.07	(3.53)	3762.50
	<i>7749.79</i>	<i>(890.99)</i>	<i>324.61</i>	<i>100.10</i>	<i>7283.51</i>
Unallocated Corporate Expenses (Net)					760.78
					<i>667.60</i>
Operating Profit					3001.72
					<i>6615.91</i>
Interest Expenses (Net)					440.08
					<i>349.54</i>
Exceptional Items					327.84
					<i>257.72</i>
Taxes (Net)					596.87
					<i>167.01</i>
Deferred Tax Charge					189.52
					<i>2010.24</i>
Fringe Benefit Tax					50.00
					<i>62.60</i>
Net Profit from Ordinary Activities					1397.41
					<i>3768.80</i>
Other Information					
Segment Assets	29085.70	550.89	771.97	268.42	30676.98
	<i>22342.93</i>	<i>1812.78</i>	<i>755.98</i>	<i>370.66</i>	<i>25282.35</i>
Unallocated Corporate Assets					1876.81
					<i>3965.72</i>
Total Assets					32553.79
					<i>29248.07</i>
Segment Liabilities	6612.14	277.75	174.59	46.39	7110.87
	<i>5773.28</i>	<i>452.09</i>	<i>185.87</i>	<i>52.19</i>	<i>6463.43</i>
Unallocated Corporate Liabilities					11262.26
					<i>9547.90</i>
Total Liabilities					18373.13
					<i>16011.33</i>
Other Information					
Capital Expenditure	1584.53	—	25.18	—	1609.71
	<i>3185.16</i>	—	<i>5.88</i>	<i>1.25</i>	<i>3192.29</i>
Unallocated Capital Expenditure					28.96
					<i>8.15</i>
Depreciation	877.77	—	28.29	4.94	911.00
	<i>724.98</i>	<i>14.31</i>	<i>24.21</i>	<i>9.08</i>	<i>772.58</i>
Unallocated Corporate Depreciation					911.00
					<i>44.55</i>
Provision for Doubtful Debts, Advances and Receivables	15.29	(214.22)	5.78	20.37	(172.78)
	<i>(4.58)</i>	<i>309.94</i>	<i>3.07</i>	—	<i>308.43</i>
Other Non Cash Expenditure					
Deferred Revenue Expenditure written off	—	—	—	—	—
	<i>116.41</i>	<i>86.95</i>	<i>30.05</i>	—	<i>233.42</i>
Unallocated Corporate Deferred Revenue Expenditure written off					—
					<i>12.93</i>

Note: Previous Year figures are in italics.

* Excluding Sales during trial run period.

** Total other income as per Profit and Loss Account is Rs. 405.10 lacs (Previous Year Rs.359.60 lacs) which includes Rs. 277.01 lacs (Previous Year Rs.268.09 lacs) pertaining to Corporate Office.



b) Geographical Segments

The following is the distribution of the Company's consolidated sales by geographical market, regardless of where the goods were produced:

	(Rs. in lacs)	
	2006-07	2005-06
Domestic Market (excluding Sales during trial run period)	43325.13	44651.78
Overseas Markets*	644.90	377.16
Total	43970.03	45028.94

* including Sales to Bhutan in Indian Rupees amounting to Rs Nil, Previous Year Rs. 28.08 lacs.

The following table shows the carrying amount of debtors by geographical markets.

	(Rs. in lacs)	
	March 31, 2007	March 31, 2006
Domestic Market	4174.50	4391.41
Overseas Markets	228.06	211.67
Total	4402.56	4603.08

The Company has common fixed assets for producing goods/providing services to domestic as well as overseas markets. Hence separate figures for fixed assets/addition to fixed assets have not been furnished.

4. Related Party Disclosures

	(Rs.in lacs)	
	Joint Venture	
	(Supercor Industries Limited)	
	2006-07	2005-06
<i>Transactions during the year</i>		
Sale of Finished Goods	77.89	40.44
Service Charges and Technical Know-how Fees received	63.15	51.94
Dividend received	—	3.83
<i>Balance outstanding as at the year end</i>		
- Receivables	95.92	101.27
<i>Key Management Personnel</i>		
-Managerial Remuneration		
Mr. O.P.Jagetiya	66.30	67.12
Mr. Deepesh Trivedi	—	3.63
-Dividend Paid		
Mr. O P Jagetiya	0.01	—
-Year end payable		
Mr. O P Jagetiya	17.50	15.00

No amount has been provided as doubtful debt or advance / written off or written back in the year in respect of debts due from / to above related parties.

Names of related parties

Joint Ventures	Supercor Industries Limited Nepal Metal Company Limited (Investments written off in the books during last year)
Key Management Personnel	Mr. O P Jagetiya (Managing Director) Mr. Deepesh Trivedi (Whole time Director of erstwhile Malabar Building Products Limited for the period from April 1, 2005 to July 27, 2005)



5. Discontinuing operation

On July 8, 2005, the Company had sold its Heavy Engineering Division to a party.

As at March 31, 2007, the carrying amount of assets of the Heavy Engineering Division was Rs. 550.89 lacs (Previous Year Rs. 1812.78 lacs) and its liabilities were Rs.277.75 lacs (Previous Year Rs.452.09 lacs). The process of discontinuing Heavy Engineering Division is likely to be completed by March 31, 2008.

The revenue and expense in respect of the operating activities attributable to above discontinuing operation for the years ended 31st March, 2007 and 2006 are as follows:

	(Rs. in Lacs)	
	For the year ended 31st March 2007	
	For the year ended 31st March 2006	
Turnover	109.41	676.70
Other Income	34.27	2.65
Operating Expenses	310.36	1570.34
Interest Expense	0.08	5.00
Exceptional Items-	—	72.65
Loss before tax	166.76	968.64
Deferred Tax Credit/Current Income Tax Credit	56.68	326.07
Fringe Benefit Tax	0.85	1.95
Loss for the year	110.93	644.52

The net cash flows attributable to the Heavy Engineering Division for the years ended March 31, 2007 and March 31, 2006 are as follows:

	(Rs. in Lacs)	
	For the year ended 31st March 2007	
	For the year ended 31st March 2006	
Operating	928.71	627.32
Investing	—	(11.04)
Financing	(0.08)	(90.26)
Total cash inflow	928.63	526.02

6. Interest in Joint Venture Companies:

The Company's interest in the various joint venture companies is as follows:

Name of the Joint Venture Companies	Country of Incorporation	Proportion of Ownership Interest	For the period ended on	Description of Interest
Supercor Industries Limited (SIL)	Nigeria	33%	December 31, 2006*	JV established for manufacture of asbestos cement sheets

* The date of last unaudited financial statements.



The Company's share of the assets, liabilities, income and expenses of the jointly controlled entity as at and for the years ended March 31, 2007 and 2006 are as follows:

	(Rs.in lacs)	
Proportion of Company's Interest in JVC		SIL
Assets	31.12.06*	31.12.05
Fixed assets (net block)	123.96	100.48
Investments	1.38	1.42
Inventories	89.18	71.98
Sundry debtors	2.08	83.14
Cash & bank balances	63.98	14.65
Other current assets, loans & advances	75.34	50.54
Deferred tax (liabilities)	(14.70)	(55.39)
Liabilities		
Secured Loans	7.36	60.11
Current liabilities & Provisions	133.86	85.38
Income		
Sales	716.01	474.07
Other income	10.96	25.48
Expenses		
Raw materials consumed	533.92	349.63
Manufacturing and Other expenses	83.92	74.10
Interest and Financial charges	16.92	20.90
Depreciation	8.18	7.44
Provision for tax	—	14.50
Contingent Liabilities	—	—
Capital commitments	—	—

* Figures are based on un-audited financial statement and are as certified by the management.

	2007	2006
	Rs. in lacs	Rs. in lacs
7. Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for	244.01	351.99

8. Contingent Liabilities (not provided for) in respect of :

- (a) The Central Excise Department, Ranchi had, during last to last year, raised demands of excise duty collectively amounting to Rs. 4,895.91 lacs at one of the Company's units and levied penalties aggregating to Rs. 3,359.23 lacs for earlier years on the clearance of Asbestos Cement Products falling under Chapter Heading No.68.04 of the Schedule to the Central Excise Tariff Act, 1985, on the assumption that fly-ash used in the manufacture of said products was less than 25% by weight.

The Company had filed an Appeal before the Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Kolkatta, against the aforesaid demands and CESTAT has stayed the recovery of the amount. It has been legally advised that these demands are unsustainable in law and there is no likelihood of any liability arising against the Company.

- (b) Employee State Insurance Corporation (ESIC), Hyderabad, has raised demands of Rs. 90.19 lacs (excluding interest) for earlier years at one of the Company's units. The Company has filed appeal before Employee Insurance Tribunal Court, Hyderabad which has been admitted by depositing Rs 34.50 lacs with ESIC. The matter is pending before the court for hearing and decision. The Company is not anticipating any liability of a material amount against such demands.



	2007 Rs. in lacs	2006 Rs. in lacs
(c) Bank Guarantees given by the Company	389.43	1015.91
(d) Demands raised by Sales tax authorities, being disputed by the Company.	191.06	81.89
(e) Custom duty on materials imported under DEEC Scheme for export purpose.	Nil	62.89
(f) Appeal filed by the Company before the High Court of Judicature of Andhra Pradesh against the decision of appeal in favour of the Income tax department pertaining to wealth tax matter.	56.98	Amount not ascertainable
(g) Other claims against the Company not acknowledged as debts.	103.11	83.72

Based on favourable decisions in similar cases, legal opinion taken by the Company, discussions with the solicitors, etc., the Company believes that there is fair chance of decisions in it's favour in respect of all the items listed in (d), (f) and (g) above and hence no provision is considered necessary against the same.

9. The accounts of Modvat and Service Tax credit receivable at some of the units of the Company are under reconciliation. Adjustment, if any, which in the opinion of the management, would not be material, will be made as and when the aforesaid accounts are fully reconciled.

10. Based on expert opinion, the Company had during the year ended March 31, 2005 and March 31, 2006 considered, deferred tax charge provided in the books of accounts, pursuant to Accounting Standard 22 issued by ICAI, as an admissible deduction while determining the net profit for the purpose of determining Book Profit under Section 115 JB (2) of the Income Tax Act, 1961. Accordingly, Income Tax provision for those two years was made.

11. The following Investments were purchased and sold during the year.

Purchased	2006-07		2005-06	
	Number of Units	Value (Rs. In lacs)	Number of Units	Value (Rs. In lacs)
Birla Sun Life Cash Manager - IP - Daily Dividend - Reinvestment	7104732.86	710.62	5182269.11	518.33
Birla Floating Rate Fund - Short Term - Daily Dividend - Reinvestment	9.94	—	11176481.91	1117.81
LICMP Floating Rate Fund - Short Term Plan - Dividend Plan	14874.68	1.80	1012700.10	102.57
Birla Cash Plus - Dividend Option	19085.45	3.12	2297638.82	376.11
Sold				
Birla Sun Life Cash Manager - IP - Daily Dividend - Reinvestment	12287001.97	1228.95	—	—
Birla Floating Rate Fund- Short Term - Daily Dividend - Reinvestment	648.50	.06	11175843.35	1117.75
LICMP Floating Rate Fund - Short Term Plan - Dividend Plan	1027574.78	104.37	—	—
Birla Cash Plus - Dividend Option	1339290.76	219.23	977433.51	160.00
Birla Balance Plan A - Dividend	—	—	1204819.28	201.04
Prudential ICICI Balance Fund - Dividend	—	—	138055.16	18.35
Hyderabad Industries Employees Primary Co-operative Consumers Stores Limited (Shares)	—	—	325	0.08



12. (a) 11% Secured Redeemable NCDs are secured by first legal mortgage on assets at Indrad, Gujarat and equitable mortgage on specified immovable properties (excluding specified properties charged in favour of HDFC) and also a floating charge on movable assets comprised in the Trust Deed, subject to prior charges favouring banks for working capital requirements.
- (b) Cash Credits from Scheduled Banks are secured by hypothecation of inventories and book debts and are further secured by second equitable mortgage of the Company's immovable properties and hypothecation of other fixed assets, present and future.
- (c) Term Loan from HDFC is secured by way of hypothecation / charge on all the monies that may be received or receivable by the Company by way of rentals, advance rentals, premiums, deposits, sale consideration, advances, earnest money and all other amounts in relation to the specific property at New Delhi.

13. Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date.

Particulars	Currency	31st March, 2007	31st March, 2006
Sundry Creditors for Goods & Services and Expenses	US \$	21,96,450	1,442,104
	Canadian \$	21,66,200	336,272
Sundry Debtors	US \$	360,431	125,076
	Nigerian Naira	2,16,32,436	2,15,13,849
Cash and Bank Balances	US \$	1,600	1,600
Secured Loans	Euro	364,225	1,461,429
	US\$	—	3,741,196
Interest Accrued but not Due	Euro	6,887	17,060

14. Expenditure during construction period

Particulars	2006-07 Rs in lacs	2005-06 Rs in lacs
Balance Brought Forward	129.61	—
Expenditure during Construction period transferred from Profit & Loss Account	525.50	122.58
Depreciation	1.79	4.63
Fringe Benefit Tax	0.56	2.40
Total	657.46	129.61
Less : Sale of Finished Goods (Net of excise duty collected Rs. 10.01 lacs)	206.77	—
: Closing Stock of Finished Goods	100.85	—
Total	349.84	129.61
Allocated to Fixed Assets	340.45	—
Balance carried forward	9.39	129.61

15. Revenue and Capital expenditure debited to respective heads of account include expenditure incurred on Research and Development during the year amounting to Rs.83.13 lacs and Rs.Nil respectively (Previous Year Rs. 85.62 lacs and Rs. 1.10 lacs respectively).



16. Managerial Remuneration	2006-07	2005-06
a) Managerial Remuneration	Rs in lacs	Rs in lacs
i. Managing Director*		
Salary ,bonus and allowances	55.34	61.68
Contribution to provident and superannuation funds	2.84	3.33
Perquisites (actual and/or as evaluated under the Income Tax Rules)	8.12	2.11
	66.30	67.12
*including Rs. 4.00 lacs (Previous Year Rs. 15.00 lacs) for the last year.		
ii. Whole Time Director of erstwhile Malabar Building Products Limited (April 1, 2005 to July 27, 2005)		
Salary and allowances	—	2.80
Contribution to provident and superannuation funds	—	0.17
Perquisites (actual and/or as evaluated under the Income Tax Rules)	—	0.66
	—	3.63
iii. Non-Executive Directors Commission***	20.00	—
Total	86.30**	70.75**

**Excluding contribution/provision for Gratuity and Leave Encashment, being the figures those are actuarially determined for the Company as a whole and therefore are not separately available.

***Computation of Net Profit under Section 349 of the Companies Act, 1956 for calculation of commission payable to Non-Executive Directors.

	2006-07	2005-06
	Rs. In lacs	Rs in lacs
Profit as per Profit and Loss Account	2233.80	
Add :		
Director's Remuneration	86.30	
Director Sitting Fees	6.20	
Wealth Tax	1.60	
Voluntary Retirement Scheme	22.84	
Total	2350.74	
Less: Provision for doubtful debts and advances adjusted	172.78	
Net profit as per Section 349 of the Companies Act, 1956	2177.96	
Commission payable to Directors	21.78	
Restricted to maximum	20.00	
	2006-07	2005-06
b) Auditors Remuneration	Rs in lacs	Rs in lacs
As Statutory Audit Fee	22.00	22.00
Tax Audit Fee	7.45	6.70
Quarterly Review of Accounts	17.85	18.03
Certification, Company Law Matters etc.	7.73	12.26
Out of pocket expenses	5.71	5.67
Total	60.74	64.66
c) Net Dividend remitted in foreign currency		
Number of NRI Shareholders	163	63
Number of Shares held by them	726,516	298,844
Dividend Paid (Rs. in lacs)*	—	1.53
Year to which dividend relates	2005-06	2004-05

* excluding Dividend credited to FCNR/NRE account of NRI's and also payments of Dividend to Foreign Institutional Investors on repatriation basis.

**Schedule to the Balance Sheet and
Profit and Loss Account (Contd.)**



HYDERABAD INDUSTRIES LIMITED

17. Information pursuant to the Provisions of Paragraphs 3, 4C and 4D of part II of Schedule VI of the Companies Act. 1956.

(a) Particulars pertaining to Finished Goods etc. (Includes Sales Duty During Trial Run Production)

Particulars	Year	Unit	Licensed Capacity	Installed Capacity(a)	Opening Stock		Production		Turnover		Closing stock	
					Qty.	Rs.in lacs	Qty.	Qty.	Rs.in lacs	Qty.	Rs.in lacs	
1. Asbestos Cement Sheets, Accessories and Fittings	2006-2007 2005-2006	M.T. "	N.A N.A	622000 532000	56141 75850	2702.92 3254.59 (e)	594465 531697	544721 551406	38479.75 37564.14	105885 56141	5709.20 2702.92	
2. Asbestos Cement Sheets and Pipe Plants, Steel Moulds, Size Separation and Size Reduction Equipments, Power Driven Pumps, Spares and Accessories	2006-2007 2005-2006	" "	N.A N.A	4400 4400	386 477	419.08 (b) 97.91 (b)	2625 2645	2287 2736	2774.98 2364.11	724 386	947.11 (b) 419.08 (b)	
3. Jointings	2006-2007 2005-2006	" "	1700 1700	1700 1700	257 208	118.10 92.80	1065 1366	1141 1317	598.51 739.82	181 257	87.12 118.10	
4. Thermal Insulation Products (Refractories)	2006-2007 2005-2006	" "	N.A N.A	3500 3500	440 238	160.84 84.91	3339 2775	3577 2573	2048.85 1405.70	202 440	77.30 160.84	
5. Cement	2006-2007 2005-2006	" "	N.A N.A	60000 60000	— 3	— —	— 47	— 50	— 1.20	— —	— —	
6. Hysil Powder (By Product)	2006-2007 2005-2006	" "	— —	— —	6 19	1.04 3.12	49 69	54 82	10.03 12.93	1 6	0.17 1.04	
7. Cranes and Traversors	2006-2007 2005-2006	" "	N.A N.A	N.A 4200	— —	5.30 5.30	— —	— —	— 28.08	— —	5.30 5.30	
8. Prefabricated Building Panels	2006-2007 2005-2006		230000 (d) 230000 (d)	460000 460000	6015 3698	318.23 169.21 (e)	15666 16996	15468 14679	1777.66 1381.41	6213 6015	343.83 318.23	
9. Exfoliated Vermiculite	2006-2007 2005-2006	" "	8000 8000	8000 8000	5 6	— —	145 118	141 119	7.30 —	9 5	— —	
10. Prefabricated Autoclaved Aerated Concrete Blocks and Accessories	2006-2007 2005-2006	CuM. "	160000 160000	100000 100000	4127 13998	47.87 191.71	73135 66880	72514 76751	1955.09 1563.82	4748 4127	73.83 47.87	
11. Steel Structures including large diameter pipes and fittings (on single shift basis)	2006-2007 2005-2006	MT. "	N.A N.A	N.A 6000	— —	— —	— 213	— 213	— 169.70	— —	— —	
12. Steel Castings and Steel Ingots	2006-2007 2005-2006	" "	N.A N.A	N.A 6000	— 2	— 1.14	— 119 (c)	— 64	— 35.59	— —	— —	
13. Metallurgical Machinery and Material Handling Equipment	2006-2007 2005-2006	" "	N.A N.A	N.A 1500	— —	— —	— —	— —	— —	— —	— —	
14. Earthmoving machinery, Excavators/Shovels (Equivalent to 2.5 cubic yards)	2006-2007 2005-2006	Nos. "	N.A N.A	N.A 100	1 1	103.52 100.41	— 1	1 1	100.04 84.91	— 1	— 103.52	
15. Components and Service parts	2006-2007 2005-2006	Rs. (lacs) "	— —	— —	— —	15.50 —	— —	— —	— 225.59	— —	15.50 15.50	
16. Service and Contract Jobs	2006-2007 2005-2006	" "	— —	— —	— —	— —	— —	— —	4.08 —	— —	— —	
17. Others	2006-2007 2005-2006	" "	— —	— —	— —	— —	— —	— —	115.79 264.82	— —	— —	

N.A. Not applicable in terms of Government of India's Notification No.S.O.477(E) dated 25th July 1991.

(a) As certified by the management.

(b) Included in Work-in-Process.

(c) Including used for own consumption and for different end-products.

(d) Licensed (applicable in respect of one of the locations) and installed capacities of Prefabricated Building Panels are shown in Nos. whereas Production, Turnover and Stock are shown in M.T.

(e) Includes opening stock of Finished Stock of Malabar Building Products Limited amalgamated with the Company with effect from April 1, 2005.



	2006-07		2005-06	
	Quantity (M.T.)	Rs.in lacs	Quantity (M.T.)	Rs.in lacs
(b) Value of Imports (C.I.F.)				
(i) Raw Materials		10089.43		8562.52
(ii) Components and Spares		93.65		97.97
(c) Expenditure in Foreign Currency (on Cash Basis)				
(i) Royalty (Net of Tax)		1.05		12.03
(ii) Other matters		10.38		2.40
(d) Raw Materials and Components Consumed				
(i) Cement	281182	8117.41	242393	5569.47
(ii) Asbestos	43194	11529.78	38736	8747.67
(iii) Others (including processing charges)*		5878.53		5082.86
		<u>25525.72</u>		<u>19400.00</u>

* None of the individual items constitute more than 10% of the total value of raw materials and components consumed.

	2006-07		2005-06	
	Percentage	Value (Rs.in lacs)	Percentage	Value (Rs.in lacs)
(e) Value of Raw Materials, Components, Stores and Spares Consumed and Percentage to the total				
(i) Raw Materials and Components (Includes Raw Materials and Components consumed during Trial Run Period)				
(a) Indigenous	53	13405.59	50	9795.26
(b) Imported	47	12120.13	50	9604.73
	<u>100</u>	<u>25525.72</u>	<u>100</u>	<u>19400.00</u>
(ii) Stores and Spares (Includes Stores and Spares Consumed during Trial Run Period)				
(a) Indigenous	99.56	1682.21	85	1240.45
(b) Imported	0.44	7.47	15	213.53
	<u>100</u>	<u>1689.68</u>	<u>100</u>	<u>1453.98</u>
(f) Earnings in Foreign Exchange				
(i) Export of Goods (F.O.B.)		634.89		318.38
(ii) Others (on accrual basis)		63.14		52.11
		<u>698.03</u>		<u>370.49</u>

(g). In accordance with ASI 14(Revised) on 'Disclosure of Revenue from Sales Transactions' issued by Institute of Chartered Accountants of India, excise duty on sales amounting to Rs. 3681.19 lacs (Previous year Rs. 816.96 lacs) has been reduced from sales in profit & loss account and excise duty on increase in stocks amounting to Rs.302.39 lacs has been considered as expenses (Previous year Rs. 319.56 lacs) in Schedule 17 of the financial statements.

18. Pursuant to Amalgamation of Malabar Building Product Limited with the Company with effect from 1st April 2005 and transfer of Heavy Engineering Division with effect from 8th July 2005, the previous year's figures to that extent are not comparable with the current year's figures. Previous year's figure have been regrouped/arranged whenever necessary.

Signatures to Schedules 1 to 22

In terms of our attached Report of even date

For S.R.Batliboi & Company
Chartered Accountants

Per Anil Gupta
Partner
Membership No.87921

New Delhi
Dated: 27th April, 2007

For and on behalf of the Board of Directors

C.K. Birla
Chairman

R.S. Garg
CFO & Company Secretary

O.P. Jagetiya
Managing Director & CEO



(a) Registration details

Registration number	656
State Code	01
Balance Sheet date	31.03.2007

Rupees in Thousands

(b) Capital raised during the year

Public issue	Nil
Rights issue	Nil
Bonus issue	Nil
Private placement	Nil

(c) Position of mobilisation and deployment of funds

Total Liabilities	2306200
Total Assets	2306200

Sources of Funds

Paid-up capital	74898
Reserves and Surplus	1343168
Secured Loans	541621
Unsecured Loans	191354
Deferred Payment Liabilities	20169
Deferred Tax Liabilities	134990

Application of Funds

Net Fixed Assets	1320755
Investments	95694
Net Current Assets	889751

(d) Performance of the Company

Turnover (including other income)	4437513
Total Expenditure	4214133
Profit before tax	223380
Profit after tax	139741
Earnings per share in Rupees	18.73
Dividend rate percentage	50

(e) Generic names of three principal products of the Company

Item code number	Product description
681110.00	Asbestos Cement Corrugated Sheets
681019	Prefabricated Autoclaved Aerated Concrete Blocks and Accessories
690100.20	Thermal Insulation Products (Refractories)

On behalf of the Board of Directors

C.K. BIRLA
Chairman

New Delhi, 27th April, 2007.



Details of the Directors seeking re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement).

Name of Director : Mr. C.K.Birla
Date of Birth : 09-01-1955
Date of appointment : 04-02-1980
Occupation : Industrialist
Expertise in specific functional areas : Industrialist having rich business experience
Directorships in other Companies : Orient Paper & Industries Ltd.
Hindustan Motors Ltd.
National Engineering Industries Ltd.
AVTEC Ltd.
Birlasoft Ltd
The Indian Smelting & Refining Co. Ltd.
Dabur Pharma Ltd.
Birla Associates Pvt. Ltd.
Singapore
Nigeria Engineering Works Ltd.,
Nigeria
Birlasoft Inc., USA
Birlasoft (U.K.) Ltd., London
Panafrikan Paper Mills (E.A.) Ltd. Kenya
Committee positions held in other Companies : Nil
Shareholding in the Company : Nil

Name of Director : Mr.Shreegopal Daga
Date of Birth : 12-01-1940
Date of appointment : 24-12-1975
Occupation : Business
Expertise in specific functional areas : Expertise in the fields of administration and management as he has been on the Board of various Companies as a Director and Managing Director for Several years
Directorships in other Companies : Suhail Projects Ltd.
Vinal Investments Ltd.
Committee positions held in other Companies : NIL
Shareholding in the Company : 400

Auditors' Certificate

To

The Members of Hyderabad Industries Limited

We have examined the compliance of conditions of corporate governance by Hyderabad Industries Limited, for the year ended on March 31, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.R.Batliboi & Company
Chartered Accountants

Per Anil Gupta
(Partner)
Membership No.87921

Place : New Delhi.
Dated : 27th April, 2007

Declaration By The Managing Director & CEO

I, O.P.Jagetiya, Managing Director & CEO hereby declare that the Company has received the declarations from all the Board Members and Senior Management Personnel affirming compliance with CODE OF CONDUCT FOR MEMBERS OF THE BOARD AND SENIOR MANAGEMENT for the year 2006-2007.

O.P.Jagetiya
Managing Director & CEO

Place : New Delhi.
Dated : 27th April, 2007



(A) CORPORATE GOVERNANCE PHILOSOPHY

The Company is committed to the highest standards of Corporate Governance practices. The Company relies on the strong corporate governance systems and policies of business for the healthy growth, accountability and transparency. Good corporate governance framework will certainly benefit the board and management to carry out the objects effectively for the benefit of the Company and shareholders. The code of Corporate Governance emphasises the transparency of systems to enhance the benefits to shareholders, customers, creditors and employees of the Company.

Your Company has complied with the requirements of the Corporate Governance Code in terms of Clause 49 of the Listing Agreement with the Stock Exchanges as disclosed here in below:

(B) BOARD OF DIRECTORS

The Company has a Non-executive Chairman and the number of Independent Directors is more than one-third of total number of directors. The number of Non-executive Directors is more than 50% of the total number of Directors with the Managing Director being the only Executive Director on the Board of Directors of the Company. None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees across all the companies in which they are directors. The Board comprises 7 directors, as furnished here-in-below, having rich experience and specialized skills in their fields as well as in the industrial activities.

Name of the Director	Category of Directorship	No. of Meetings held during the Year of his directorship	No. of Meetings attended	Number of other Directorships @	Number of other Committee Memberships	Attendance at last AGM
Mr. C.K.Birla	Chairman Non-Executive Promoter	4	4	7	—	Yes
Mr. Krishnagopal Maheshwari	Director Non-Executive	4	3	1	—	No
Mr. Shreegopal Daga	Director Non-Executive & Independent	4	3	2	—	Yes
Mrs. Sultana N. Alladin	Director Non-Executive & Promoter	4	1	—	—	Yes
Mr. P.Vaman Rao	Director Non-Executive & Independent	4	4	1	2	Yes
Mr. Yash Paul	Director Non-Executive (LIC Nominee)	4	4	—	—	Yes
Mr. O.P.Jagetiya	Managing Director & CEO	4	4	—	—	Yes

@ Other than Directorships in Private Limited Companies and Foreign Companies.

(C) DATES OF BOARD MEETINGS

The Board Meetings were held during the year under review on the following dates.

26th April, 2006, 21st July, 2006, 27th October, 2006 and 31st January, 2007.

(D) COMMITTEES OF DIRECTORS

a) Audit Committee

The Company constituted a Qualified and Independent Audit

Committee comprising of 3 Non-executive Independent Directors in accordance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and Section 292A of the Companies Act, 1956. The Committee is empowered with the powers as prescribed under the said Clause 49 and Section 292A. The Committee also acts in terms of reference and directions of the Board from time to time.

The present composition of the Audit Committee and the attendance of each Member of the Committee at the meetings were as follows:



S. No.	Name of the Director	Category	No. of meetings held during the year	No of meetings attended
1	Mr.P.Vaman Rao	Chairman	4	4
2	Mr.Shreegopal Daga	Member	4	3
3	Mr.Yash Paul	Member	4	4

The Managing Director & CEO, Head of Finance of the Company and Statutory Auditors are also invited to the meetings. The Company Secretary acts as the Secretary of the Committee.

b) Remuneration Committee

The remuneration committee has been formed with the following non-executive directors:

S. No.	Name of the Director	Category	No. of meetings held during the year	No of meetings attended
1	Mr.Shreegopal Daga	Chairman	2	1
2	Mr.P.Vaman Rao	Member	2	2
3	Mr.Yash Paul	Member	2	2

The Committee reviews the remuneration package payable to executive director(s) and other elements of their appointment and recommends to the Board the same and acts in terms of reference of the Board from time to time.

Except the Managing Director & CEO all other Directors are non-executives. The appointment and remuneration of Mr.O.P.Jagetiya as Managing Director & CEO of the Company for a period of 5 years with effect from 1-5-2006 have been approved by the shareholders at their general meeting held on 21st July, 2006.

The employment contract may be terminated by either side on three months notice or pay in lieu thereof. The details of remuneration and performance bonus paid during the year to him are as follows:

Salary	: Rs. 23,65,000
Allowances, Perquisites & Others	: Rs. 22,31,044
Performance Bonus (for the year 2006-07)	: Rs. 17,50,000
Total	: Rs. 63,46,044

Apart from the above, he is also eligible for the Leave Encashment, Leave Travel Concession, Gratuity and Contribution to Provident and Superannuation Funds and other benefits in terms of his appointment and rules of the Company.

All non-executive directors are eligible to receive Commission upto a maximum of 1% of profits calculated in accordance

with the provisions of Section 198 of the Companies Act 1956, in addition to the sitting fees. The details of sitting fees paid to the non-Executive Directors during the year under review are as follows:

Name of the Director	Sitting Fees Paid (in Rs.)	No.of Shares held on 31.03.2007
Mr.C.K.Birla	80,000	NIL
Mr.Krishnagopal Maheshwari	60,000	9,660
Mr.Shreegopal Daga	1,10,000	400
Mrs.Sultana N. Alladin	50,000	75,835
Mr.P.Vaman Rao	1,70,000	NIL
Mr.Yash Paul	1,40,000	NIL

c) Investors Relations Committee

The present composition of the Investors Relations Committee (Shareholders / Investors Grievances Committee) is as under:

Name of the Director	Nature of Directorship	Membership
Mr. P.Vaman Rao	Non-Executive	Chairman
Mr. Shreegopal Daga	Non-Executive	Member
Mrs. Sultana N. Alladin	Non-Executive	Member

The Committee reviews periodically the security transfers/transmissions, process of dematerialization and the investors' grievances and the systems thereto.

In accordance with Clause 49 of the Listing Agreement with Stock Exchanges, the Board has authorised the CFO & Company Secretary, who is also the Compliance Officer, to approve share transfers / transmissions and comply with other formalities in relation thereto.

All investor complaints, which cannot be settled at the level of the Compliance Officer, will be placed before the Committee for final settlement.

4 investor complaints were received during the year under review, which were resolved at the level of Compliance Officer itself.

Mr.R.S.Garg, CFO & Company Secretary is the Compliance Officer.

There were no pending transfers as on 31st March, 2007.

(E) GENERAL BODY MEETINGS

a) The last 3 Annual General Meetings (AGM) were held at the Asbestos Centre, Road No.13, Banjara Hills, Hyderabad as detailed below:

Financial Year Ended	Day	Time
31st March 2004	29th Sep. 2004	4. P.M.
31st March 2005	29th July. 2005	3. P.M.
31st March 2006	21st July 2006	3. P.M.



- b) All special resolutions moved at the last three AGMs were passed by show of hand by the shareholders present at the meeting.
- c) One Special Resolution U/s.293 (1) (a) of the Companies Act, 1956 has been passed through postal ballot during the year 2005-06. Mr.O.P.Jakhotia, a practicing Company Secretary has conducted the postal ballot. The voting pattern is as follows:
- | | |
|--------------------------------------|-------------|
| Total Votes polled | : 36,53,759 |
| No. of Votes in favour of resolution | : 36,49,714 |
| No. of Votes against the resolution | : 3,925 |
| No. of invalid Votes | : 120 |
- d) None of the business required to be transacted at the forthcoming AGM is proposed to be passed by postal ballot.

(F) DISCLOSURES

- a) Disclosures on Materially Significant Related Party Transactions

There were no materially significant related party transactions during the year conflicting with the interest of the Company.

- b) Details of Non-Compliance and Penalties

There was no non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by any Stock Exchange, SEBI or any Statutory Authority.

- c) Code of Conduct

The Company has posted the Code of Conduct for Directors and Senior Management on its website.

- d) Details of Compliance with Mandatory Requirements and Adoption of the Non-mandatory Requirements.

The Company has complied with the mandatory requirements of Clause 49 and is in the process of implementation of Non-mandatory requirements.

- e) Disclosure of particulars of constituting "Group" pursuant to Regulation 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:-

Shri.C.K. Birla, Shri.Ganga Prasad Birla, Shri.Krishnagopal Maheshwari, Smt. Sushma M Agarwal, Smt.Seema Ashish Gupta, Smt.Smita S Saraf, Shri.Shreegopal Daga, Shri.Ramzan Ali Abdullah, Smt.Nafeesa Masood Ali, Shri. Masood Ali, Shri. Asif Alladin, Smt. Nihal Alladin, Smt.Farah Alladin, Shri.Aamir Alladin, Smt.Sultana Noor Mohammad Alladin, Ms.Almaz Alladin, Shri.Ameen Alladin, Shri. Raj Kumar Khemka, Shri.Mahesh Kumar Khemka, Smt. Radha Devi Khemka, Smt. Hemlata Khemka, ,Shri.Om Prakash Jagetiya, Shri.Dev Priya Somany, Shri.Hari Prasad Singh, Shri.Kashi Prasad Chaudhary.

M/s.Central India Industries Limited, M/s. Orient Paper & Industries Limited, M/s. Amer Investments Delhi Limited, M/s.Ashok Investment Corporation Limited, M/s. Gwalior Finance Corporation Limited, M/s. Hyderabad Agencies Private Limited, M/s.Shekhavati Investments & Traders Limited, M/s. Hitaishi Investments Limited, M/s.Hindustan Motors Limited, M/s.Vikram Investment Co.Limited, M/s.Madhusudan Holdings Limited, M/s. Ranchi Enterprises & Properties Limited, M/s. Produce and Share Brokers Ltd.

(G) MEANS OF COMMUNICATION

1. Quarterly and half-yearly reports are published in the News Papers.
2. Financial Results and other information are displayed on the Company's website www.hil.in
3. The Company is also displaying official news on its website www.hil.in
4. Management Discussion & Analysis forms part of this Annual Report.

**(H) GENERAL SHAREHOLDER'S INFORMATION**

1. The annual general meeting will be held on Friday the 27th day of July, 2007 at 3.00 P.M. at Asbestos Centre, Road No.13, Banjara Hills, HYDERABAD.
2. Financial year : April to March
3. Book Closure : From 21.07.2007 to 27.07.2007 (Both days inclusive)
4. Dividend Payment Date : With in one Week from the date of declaration in the AGM.
5. Listing on Stock Exchanges :
 - 1) Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers, Dalal Street
MUMBAI -400001
 - 2) National Stock Exchange of India Ltd.
'EXCHANGE PLAZA' 5th Floor, Plot No.C/1,
G-Block, Bandra-Kurla Complex
Bandra(E), MUMBAI - 400051.

6. Stock Code

Name of the Stock Exchange	Stock Code
Bombay Stock Exchange Limited	509675
National Stock Exchange of India Ltd.	HYDRBADIND EQ

The Listing fees for the year 2007-2008 has been paid to both the above Stock Exchanges.

At the AGM held on 29th September, 2004 the members of the Company have inter-alia passed a resolution for voluntary de-listing of its Equity Shares from The Hyderabad Stock Exchange Limited (HSE), Hyderabad and The Calcutta Stock Exchange Assn. Ltd., (CSE) Kolkata. The Company applied to the said Stock Exchanges for de-listing. Accordingly, HSE has de-listed the equity shares of the Company. The Company's application for voluntary delisting from the Calcutta Stock Exchange Association Limited is yet to be confirmed and the Company has not made application for listing of new shares to this Stock Exchange.

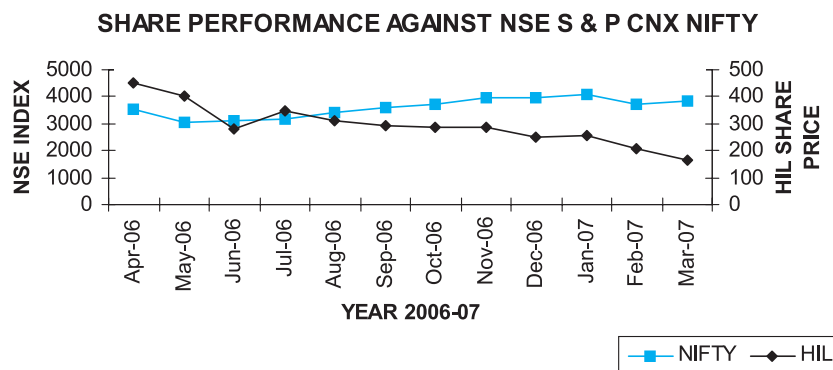
7. Market Price Data

High, low during each month and trading volumes of the Company's Equity Shares during the last financial year 2006-07 at the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited are given below:

Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	No. of shares traded during the month	High (Rs.)	Low (Rs.)	No. of shares traded during the month
Apr'06	500.00	407.25	388880	503.85	402.05	204990
May'06	505.00	304.30	283638	506.00	306.05	178549
Jun'06	351.00	207.00	260571	348.00	215.00	170728
Jul'06	436.80	255.00	4600730	432.00	255.00	2160597
Aug'06	331.80	287.00	546632	330.00	292.00	314040
Sep'06	322.75	268.15	606556	322.50	268.15	369459
Oct'06	318.90	256.10	618667	320.00	253.00	410533
Nov'06	324.90	245.00	4627013	324.90	245.10	2814751
Dec'06	274.95	229.50	791666	275.00	230.00	480643
Jan'07	274.50	239.50	646934	275.00	239.20	576736
Feb'07	249.45	170.00	372578	249.45	160.00	263222
Mar'07	190.90	140.00	304054	191.00	141.00	255990



8. Share Performance in comparison to broad-based indices-NSE INDEX



9. **Registrar and Transfer Agents** : Venture Capital And Corporate Investments Ltd.,
6-2-913/914, 3rd Floor, Progressive Towers,
Khairatabad, HYDERABAD - 500 004

10. **Share Transfer System** : Share Transfers in physical form shall be lodged
with the Registrars at the said address.

The share transfers are normally processed by our Registrars within 15 days from the date of receipt, provided the documents are complete in all respects.

11. Distribution of Equity Shares as on 31st March, 2007

S.No.	Range	No. of Shares Hold	% to Capital	No. of Share Holders	% to Total Holders
1	1 to 500	14957290	20.04	18422	95.29
2	501 to 1000	3687600	4.94	481	2.49
3	1001 to 2000	3193730	4.28	218	1.13
4	2001 to 3000	1783160	2.39	70	0.36
5	3001 to 4000	1112780	1.49	31	0.16
6	4001 to 5000	1434910	1.93	31	.016
7	5001 to 10000	-	-	-	-
8	More than 10000	48456160	64.93	79	0.41
TOTAL		74625630	100.00	19332	100.00

12. Shareholding Pattern as on 31st March, 2007

Particulars	No. of Shares	Percentage
Promoters & Persons acting in concert	3080598	41.28
Mutual Funds & UTI	511551	6.85
Banks, Financial Institutions, Insurance Companies including A.P. State Govt.	371224	4.97
FIs	4500	0.06
Corporate Bodies	778880	10.44
Indian Public	2396618	32.12
NRIs/OCBs	310328	4.16
Others	8864	0.12
TOTAL	7462563	100.00



13. **Dematerialization of shares and liquidity** : The shares of the Company are under compulsory demat trading. The Company has made necessary arrangements with NSDL and CDSL for demat facility. 92.72% of the Company's Shares are dematerialised upto 31st March, 2007.
14. **Plant Locations** : Hyderabad, Sanatnagar - 500018 (AP)
Faridabad, Sector-25 - 121005 (Haryana)
Jasidih, Industrial Area - 814142 (Jharkhand)
Dharuhera, Plot No.31, Rewari Dt. - 122106 (Haryana)
Thimmapur, Mahboobnagar Dt. - 509325(AP)
Vijayawada, Plot No.289, IDA, Kondapalli - 521228 (AP)
Chennai, Kannigaiper Vil., Tiruvallur Dt. -601102 (TN)
Wada, Musarane Vil., Thane Dt. - 421312 (Maharashtra)
Sathariya, SIDA, Jaunpur Dist., - 222022 (UP)
Thrissur, Mulangunnathukavu P.O., - 680581 (Kerala)
15. **Address for Correspondence** : The Company Secretary/Compliance Officer
Hyderabad Industries Ltd.
Sanatnagar, HYDERABAD - 500 018
Email: rsg@hil.in