

DIRECTORS' REPORT

TO THE MEMBERS OF HINDUSTHAN UDYOG LIMITED

Your Directors have pleasure in presenting their 71st Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2018.

COMPANY PERFORMANCE:

	<u>2017 - 2018</u>	<u>2016 - 2017</u>
<u>FINANCIAL RESULTS</u>	₹ IN LAKHS	₹ IN LAKHS
Total Revenue	3,011.78	2,862.53
EBITDA	374.28	188.48
Less: Finance Costs	146.84	149.22
Depreciation	123.73	129.73
Profit before Tax (PBT)	103.71	(90.47)
Less: Tax Expense	-	-
Profit after Tax (PAT)	103.71	(90.47)

The Total Revenue of the Company increased by 5% from Rs. 2,862.53 Lakhs to Rs. 3,011.78 during the year under review. Further, there was an improvement in the EBITDA Margins of the Company which increased to 14% during the year compared to 7% in its preceding year. Your Company has closed the year with a Profit after tax of Rs. 103.71 Lakhs compared to a Loss of Rs. 90.47 Lakhs in the preceding year.

Your Company is continuously monitoring its operations to keep a check on its operating costs in order to improve and maintain its operating profits.

The Durgapur Unit continued to remain closed during the year.

DIVIDEND

In view of the brought forward unabsorbed accumulated losses, the Directors express their inability to recommend any dividend for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review is appended below:-

A. BUSINESS

The Company is engaged in the manufacturing of Alloy and Stainless Steel Castings with stringent quality requirements required in Turbines, Metal Shredding, Earth Moving and Mining Equipment, Power Plants, Pumps, Valves, Compressors and other Heavy Engineering Industries. The Company has manufacturing units located in Kolkata and Nagpur.

B. REVIEW OF OPERATIONS & FUTURE PROSPECTS

The key operational highlights at both the Units have been:-

- Development of Pump Casings in Super Duplex Stainless Steel grade.
- Impellers, Bowl and bell in CD4MCuN Grade developed.
- Development of 9.5 M/T single piece Discharge Bowl in Grey Cast Iron.
- Operation of new VTL Machine.
- Increase in Line molding capacities by modification of existing line.
- Successful development of Creep Steel Castings.
- Development of Duplex Stainless Steel Grade 5A Castings.
- Removal of Low Alloy and plain Carbon Steel Items so as to concentrate on making of only High Alloy Steel Castings (H.A.S.) with good margins.

C. OPPORTUNITIES AND THREATS, RISKS AND CONCERNS

Opportunities for these Industries exist (a) in the development and supply of high contribution items and (b) catering to the requirements of export markets.

The risks and areas of concern for your Company are:-

- (i) Demand for Company's products in few critical segments only.
- (ii) Stagnancy in the Market Demand due to General Economic conditions.
- (iii) Heavy Dependence on Few Customers in the Export Market.
- (iv) Currency Fluctuations in adverse direction.
- (v) Fluctuations in raw material prices that can affect orders with no price variation clause.
- (vi) Pressure on Pricing.

D. INTERNAL CONTROL SYSTEM

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

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

E. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Industrial Relations were cordial during the year under review. At all levels, employees of the Company are fully committed to the growth of the Company and there was no industrial relation related problem during the year.

CORPORATE GOVERNANCE

The principles of good Corporate Governance through professionalism, accountability, transparency, trusteeship and control have always been followed by your Company and it has complied with all the applicable provisions of Corporate Governance as per the Listing Regulations. A separate Report on Corporate Governance forms part of the Annual Report 2017-18 along with the Auditors' Certificate on its compliance in **Annexure B**.

DIRECTORS

Mr. Binaya Kapoor ceased to be a Director of the Company with effect from 13.12.2017 due to his demise. Your Board has expressed its condolences towards his family.

Mr. Prakash Agarwal, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. His Brief Resume is attached to the Notice of the ensuing Annual General Meeting.

NO. OF BOARD MEETINGS HELD

During the year 2017-18, Six (6) Board Meetings were held on 30th May 2017, 14th July 2017, 13th September 2017, 12th December 2017, 5th January 2018 and 13th February 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of the Annual Accounts for the financial year ended 31st March, 2018, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your Company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of The Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the accounts for the financial year ended 31st March, 2018 on a "going concern" basis;

- (v) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (vi) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such were adequate and operating effectively.

BOARD EVALUATION

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

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

INDEPENDENT DIRECTORS DECLARATION

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

EXTRACT OF ANNUAL RETURN

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

STATUTORY AUDITORS

M/s Salarpuria & Partners, Chartered Accountants (Firm Registration No. 302113E) continue to be the Statutory Auditors of the Company as they were appointed as such at the last AGM of the Company for a term of 5 years commencing from the Financial Year 2017-18.

SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Rules there under, the Board of Directors of the Company has appointed Ms. Vidhya Baid, Practicing Company Secretary as the Secretarial Auditor of the Company to conduct the Secretarial Audit for the Financial year 2017-18. The Secretarial Audit Report for the Financial year ended 31.03.2018 is annexed herewith as **Annexure D**, as part of this Report.

RELATED PARTY TRANSACTIONS

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

VIGIL MECHANISM

Pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism of Directors and Employees has been established, details of which are given in the Corporate Governance Report.

PARTICULARS OF EMPLOYEES

Information required to be given pursuant to the provisions of section 197(12) of The Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as **Annexure E**.

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

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

CODE OF CONDUCT

Your Company has formulated a Code of Conduct which applies to Board Members and Senior Management Personnel of the Company. Confirmations towards adherence to the Code during the Financial Year 2017-18 have been obtained from all the Board Members and Senior Management Personnel in terms of the Listing Regulations and a declaration relating to compliance of this code during the year by all Board Members and Senior Management Personnel has been given by the Managing Director of the Company which accompanies this report.

MATERIAL CHANGES AND COMMITMENT

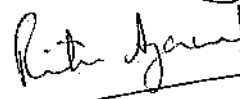
There were no material changes and commitments affecting the financial position of the Company which has occurred between the financial year to which these Financial Statements relate and date of this report.

ACKNOWLEDGEMENTS

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

PLACE: KOLKATA
DATE: 30TH MAY, 2018

FOR AND ON BEHALF OF THE BOARD



DIRECTORS

ANNEXURE-A

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

ENERGY CONSERVATION MEASURES TAKEN:

The Units of the Company endeavor to control and reduce the energy consumption per unit of production. Energy Conservation Measures taken by the Company are:-

- i) Replacement of motors/ pumps/ lighting with energy efficient models.
- ii) Optimization of electrical distribution system.
- iii) Use of mostly Induction Furnaces for melting instead of Electric ARC Furnace.
- iv) Rationalization of Pump Capacities and use of pumps with lower power ratings with the same efficiency.
- v) Use of duplex billets instead of Loose Scrap for manufacturing of Duplex Steel Castings.

TECHNOLOGY ABSORPTION:

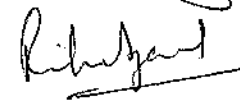
Research and Development is carried on for improvement in the quality of the existing products and production process so as to bring them in line with the requirements of Customers or Industry Standards. Expenditure on Research and Development are charged under primary heads of accounts.

The Company has not imported any new technology during the last three years reckoned from the beginning of the Current Financial Year i.e. 1st April, 2017.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange earned	₹ 325.10 Lakhs
Foreign Exchange used	₹ 3.47 Lakhs

FOR AND ON BEHALF OF THE BOARD



DIRECTORS

PLACE: KOLKATA

DATE: 30TH MAY, 2018